

Kingdom Housing Association Limited - Consolidated

Report & Accounts

For the year ended 31 March 2011

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

KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED

REPORT and ACCOUNTS

For the year ended 31 March 2011

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KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED

MANAGEMENT COMMITTEE, EXECUTIVE and ADVISERS

Management Committee

J Douglas Gray (Chairman)
Laurie Naumann (Vice Chairman)
Robin Millar (Secretary) (resigned March 2011)
Janet Cheetham (appointed June 2011)
Agnes Cook (Tenant Member) (resigned June 2010)
Thomas Condie (Tenant Member)
Ian Donaldson
Lynda Howe (resigned September 2010)
Charles Milne (appointed June 2011)
Loretta Mordi (Sharing Owner Member)
Douglas Murray (appointed September 2010)
Vincent O'Hara (Tenant Member)
Liz Pow (appointed September 2010)
Michael Roddam (Sharing Owner Member)
Mary Stewart (resigned September 2010)

Executive

Alan McGuckin (Chief Executive)
(Interim Secretary from April 2011)

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 - CONSOLIDATED REPORT of the MANAGEMENT COMMITTEE

For the year ended 31 March 2011

The Management Committee (the Committee) presents its report and consolidated accounts for the year ended 31 March 2011.

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 also has a subsidiary undertaking, Kingdom Initiatives Limited (KIL), a company limited by shares, which was formed on 19 August 2010 by the transfer of the assets and liabilities from Kingdom Initiatives Housing Association Limited (KIHA) and is registered with Companies House. These consolidated accounts include the results of KIL for the period from 19 August 2010 to 31 March 2011.

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), namely the Association, Fife Housing Association Ltd, Glen Housing Association Ltd and Ore Valley Housing Association Ltd. This alliance works to provide new affordable housing in Fife, the Association is the lead developer.

The Association uses appropriate Key Performance Indicators to measure the achievement of its objectives. The actual results against targets are shown on page 5. These indicators are reviewed regularly within the Association's committee structure and are reported to the Scottish Housing Regulator.

The principal activities of KIL are to manage properties through leases and non-SST tenancy agreements and to provide development services to third parties.

Committee Structure

The Association's Rules provide for up to 15 members on the Committee. At the year end the Committee comprised 9 members. An additional two new members were co-opted in June 2011. 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 governance survey was undertaken in September 2010 and an action plan was agreed in relation to identifying training needs and processes to be reviewed.

Strategy, Objectives and Business Review

The Association has three main activities:

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

The Association aims to provide its services on the basis of remaining financially viable in the long term whilst taking account of its core client groups.

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

For the year ended 31 March 2011

Housing Management & Housing Stock

At the year end the Association had a total of 3,273 (2010: 3,098) properties under management, comprising 2,993 (2010: 2,816) properties for rent and 280 (2010: 282) for shared ownership. Of these, 16 (2010: 12) properties were void at 31 March 2011.

During the year the number of relets amounted to 225, around 7.5% of the total rented stock, taking an average of 28 days for each change of tenancy, although this time was adversely affected by a small number of properties requiring between 9 and 16 weeks for the change of tenancy. The Association also brought 175 new properties into management with over 95% of these being let within two weeks.

The Association recognises the financial pressures facing its tenants and applied a rent increase of 1.0% from 1 April 2010 and will increase its rents by 4.0% from 1 April 2011, which is less than the prevailing rate of inflation as measured by the Retail Price Index (RPI).

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.

The Association's housing stock comprises houses and flats, with around 53% represented by houses and 47% by flats. Most of the housing stock was built after 1982. The Association continues to work towards meeting the Scottish Housing Quality Standard and will meet the deadline of 31 March 2015 for completion of these works. At 31 March 2011 321 properties did not meet the SHQS requirements, mainly due to the need to improve energy efficiency in 292 properties.

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 Fife Housing Association Alliance (FHAA) framework. During the year the alliance completed 244 properties and was on site with a further 168 units, on 8 different sites. There are also approved tenders from the Scottish Government, to start on site during 2011/12 with a further 50 new units. The remaining programme for 2011/12 will be subject to the outcome of the Investment and Innovation Funding (IIF) bid, and proposals have been submitted for 147 units on 8 different sites. The outcome of the bid will not be known until the end of August 2011.

The FHAA capital investment in housing properties for the year ended 31 March 2011 was £21.8m and was funded in part by way of £14.6m 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.

Severe pressure on the funding of affordable housing will have a serious effect on the Association's grant funded capital programme in 2011/12 and beyond. The actual scale of the future development programme will depend on the outcome of the IIF bid; however this could lead to around a 30% reduction in the number of properties built, as compared to the last three years.

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. In 2011 a deficit of £155,000 was created (2010: surplus £36,000). The Association will continue to monitor the viability of providing this service.

Community Initiatives

The Association also provides a range of other services to various client groups under its Community Initiatives programme. These services include a Care & Repair service in Fife for older people and people with a disability, 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 to identify funding to do so indirectly.

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

For the year ended 31 March 2011

Treasury

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

At 31 March 2011 the Association had 73% of its loan portfolio at fixed rates of interest. The Treasury Management 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 2011 was 255%, 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. Other covenants set by lenders were met.

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

Income & Expenditure

The Group turnover was £17,870,000 offset by operating costs of £14,506,000, creating an operating surplus of £3,364,000. After taking account of interest payable of £1,471,000, interest receivable, the exceptional income of £659K arising from the donation from Kingdom Initiatives Housing Association Limited and the gain on sale of fixed assets, the surplus for the year before taxation amounted to £2,652,000. As this is the first year that Group accounts have been produced, direct comparison with the previous year results is not possible.

A separate income and expenditure account is presented for the Association at page 13.

The operating surplus for the year can be attributed to the Association's various activities, as follows:

	£000
Housing Management	3,947
Support & Care	(155)
Development, including transactions with FHAA members and Sharing Owners	(340)
Community Initiatives	(11)
Other	<u>23</u>
Operating Surplus	<u>3,464</u>

The Environment & Sustainability

The Scottish Government is committed to sustainable development and reducing the impact of climate change. The Group 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 community 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 the Association.

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

For the year ended 31 March 2011

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 2011	Target to 31 March 2011	Actual to 31 March 2010
Void loss	0.63%	0.75%	0.63%
Non-technical arrears – current tenants	2.51%	2.56%	2.14%
Average re-let times	28 days	29 days	24 days
% Staff costs: Turnover (excluding Developments for Sale)	45.5%	47.4%	44.4%
Sickness absence	6.1%	5.5%	5.4%
Management & Maintenance Administration costs per unit	£762	£854	£786
Routine Maintenance costs per unit	£593	£545	£651
% properties meeting SHQS requirements	89.4%	94.6%	89.3%
Emergency repairs completed within target response time	98.2%	100 %	99.2%

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 91, as compared to the actual number of 86. 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 Group's reserves amounted to £22.2m (Association: £21.5m), comprising designated reserves of £16.5m and revenue reserves of £5.7m. 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).

The Statement of Recommended Practice (SORP) Accounting by registered social housing providers Update 2010, sets out the need for housing associations to account separately for major components that comprise their rented stock. The Association will comply with this requirement when preparing its accounts for the year ending 31 March 2012.

During the year the Group created a surplus of £2,643,000 (Association: £1,950,000).

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 - CONSOLIDATED REPORT of the MANAGEMENT COMMITTEE (Cont'd)

For the year ended 31 March 2011

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 Group revenue reserves represent the accumulated surpluses of the Association, after transfers to and from Designated Reserves, together with the post acquisition reserves of its subsidiary, KIL. 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 2011 the staffing establishment comprised 264 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 Group 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 Group at a strategic and operational level. Risk management is a participative process, involving the input of the Committee, senior management and all staff. The Group aims to make all employees aware of risks through training and communication. The Group's Risk Management policy was reviewed by the Audit & Corporate Governance sub-committee and approved by the Committee in 2009.

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

Key risks include the Group's sensitivity to changes in government policy, particularly with regard to funding affordable housing, the availability and cost of loan finance and high inflation. The Group will endeavour to mitigate these risks through the use of strong planning disciplines, monitoring of key performance indicators and the development of alternative business models which place less reliance on government subsidy.

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 - CONSOLIDATED REPORT of the MANAGEMENT COMMITTEE (Cont'd)

For the year ended 31 March 2011

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**

The Association has an 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.

The Association has a legal obligation to ensure that all of its properties meet the Scottish Housing Quality Standard (SHQS) by 2015. The programme that has been set out to ensure that all properties meet the standard by 2015 has been progressing well and only 321 properties, approximately 10% of the rented stock, require works, mainly relating to energy efficiency improvements.

- **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 is of the view that the definition of 'affordable housing' will have to be widened to include housing for people in work on lower incomes who will be able to pay mid-market rents, ie rents that are greater than social rents, but less than the prevailing rents charged by private landlords. In addition, the Committee will endeavour to ease these financial 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.

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

For the year ended 31 March 2011

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.

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.

Group Structure

The Group comprises Kingdom Housing Association Limited and Kingdom Initiatives Limited, which was acquired on 19 August 2010 and itself was formed by the transfer of the assets and liabilities from Kingdom Initiatives Housing Association Limited which was subsequently wound up.

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 timely 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

In accordance with the Companies Act 2006, 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 - CONSOLIDATED
REPORT of the MANAGEMENT COMMITTEE (Cont'd)**

For the year ended 31 March 2011

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 Group and of the income and expenditure of the Group for that period. In preparing those accounts the Committee is required to:

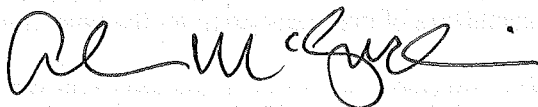
- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial 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 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.

By order of the Committee



Alan McGuckin
Secretary
15 August 2011

KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED

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

We have audited the group and parent association financial statements of Kingdom Housing Association Limited for the year ended 31 March 2011 (the "financial statements") on pages 12 to 44. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Committee and auditor

As explained more fully in the Committee's Responsibilities Statement set out on page 9, the Committee are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Association's affairs as at 31 March 2011 and of the income and expenditure of the Group and the income and expenditure of the Association for the year then ended;
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, Schedule 7 to the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Matters on which we are required to report by exception

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

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



Janet Hamblin (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP,
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date: 25 August 2011

KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED

Auditors' Report on Corporate Governance Matters

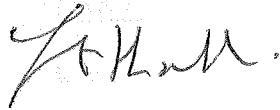
In addition to our audit of the financial statements, we have reviewed the Committee statement on page 8 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication 'Raising Standards in Housing'.

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 8 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.



Janet Hamblin (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP,
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date: 25 August 2011

KINGDOM HOUSING ASSOCIATION LIMITED
CONSOLIDATED INCOME and EXPENDITURE ACCOUNT

For the year ended 31 March 2011

	Notes	2011 £000
Turnover	2	17,870
less: Operating costs	2	<u>(14,506)</u>
Operating surplus		3,364
Gain on sale of housing properties	4	55
Donation from KIHA	5	659
Interest receivable and similar income		45
Interest payable and similar charges	15	<u>(1,471)</u>
Surplus on ordinary activities before taxation		2,652
Taxation	6	<u>(9)</u>
Surplus for the year	7	<u>2,643</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.

There are no comparative consolidated results as this is the first year that group accounts have been prepared. The results consolidate KIL from 19 August 2010.

The notes on pages 17 to 44 form part of these accounts.

KINGDOM HOUSING ASSOCIATION LIMITED
HOUSING ASSOCIATION INCOME and EXPENDITURE ACCOUNT

For the year ended 31 March 2011

	Notes	2011 £000	2010 £000
Turnover	2	17,817	17,938
less: Operating costs	2	<u>(14,496)</u>	<u>(14,306)</u>
Operating surplus		3,321	3,632
Gain on sale of housing properties	4	55	36
Gain on sale of other fixed assets		-	60
Interest receivable and similar income		44	73
Interest payable and similar charges	15	<u>(1,470)</u>	<u>(1,272)</u>
Surplus on ordinary activities before taxation		1,950	2,529
Taxation	6	<u>-</u>	<u>-</u>
Surplus for the year	7	<u>1,950</u>	<u>2,529</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 17 to 44 form part of these accounts.

**KINGDOM HOUSING ASSOCIATION LIMITED
CONSOLIDATED BALANCE SHEET**


As at 31 March 2011

	Notes	2011 Group £000	2011 Association £000	2010 Association £000
Tangible fixed assets				
Housing properties - depreciated cost	8	221,617	220,942	203,331
Housing Association Grants	8	(155,090)	(155,090)	(145,745)
Other capital grants	8	<u>(7,700)</u>	<u>(7,700)</u>	<u>(6,203)</u>
		58,827	58,152	51,383
Fixed Asset Investments				
Homestake Costs	8	1,620	1,620	1,620
Homestake Grant		<u>(1,605)</u>	<u>(1,605)</u>	<u>(1,605)</u>
		15	15	15
Other fixed assets	8	<u>1,534</u>	<u>1,532</u>	<u>1,235</u>
		<u>60,376</u>	<u>59,699</u>	<u>52,633</u>
Current assets				
Stock and Work in Progress	9	487	487	1,104
Debtors	10	2,738	2,729	4,076
Cash at bank		<u>7,186</u>	<u>6,993</u>	<u>9,329</u>
		10,411	10,209	14,509
Creditors: amounts falling due within one year	11	<u>(8,379)</u>	<u>(8,348)</u>	<u>(8,089)</u>
Net current assets		<u>2,032</u>	<u>1,861</u>	<u>6,420</u>
Total assets less current liabilities		62,408	61,560	59,053
Creditors: amounts falling due after more than one year	12,13	<u>(40,224)</u>	<u>(40,069)</u>	<u>(39,512)</u>
Net assets		<u>22,184</u>	<u>21,491</u>	<u>19,541</u>
Capital and reserves				
Share capital	14	-	-	-
Designated reserves	7	16,469	16,469	14,649
Revenue reserves	7	<u>5,715</u>	<u>5,022</u>	<u>4,892</u>
		<u>22,184</u>	<u>21,491</u>	<u>19,541</u>


Approved by the Management Committee on 15 August 2011 and signed on its behalf and authorised for issue by:



J Douglas Gray Chairman



Ian Donaldson Committee Member



Alan McGuckin Secretary

The notes on pages 17 to 44 form part of these accounts.

KINGDOM HOUSING ASSOCIATION LIMITED
CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2011

	Notes	2011 £000
Net cash inflow from operating activities	21	4,854
Returns on investments and servicing of finance	23	(1,573)
Taxation	6	(16)
Capital expenditure	23	<u>(6,285)</u>
Cash outflow before financing		(3,020)
Financing	23	<u>705</u>
(Decrease) in cash	24	<u>(2,315)</u>

The notes on pages 17 to 44 form part of these accounts.

KINGDOM HOUSING ASSOCIATION LIMITED
HOUSING ASSOCIATION CASH FLOW STATEMENT

For the year ended 31 March 2011

	Notes	2011 £000	2010 £000
Net cash inflow from operating activities	25	4,809	3,468
Returns on investments and servicing of finance	27	(1,572)	(987)
Capital expenditure	27	<u>(6,285)</u>	<u>(1,557)</u>
Cash (outflow)/inflow before financing		(3,048)	924
Financing	27	<u>712</u>	<u>3,979</u>
(Decrease)/increase in cash	28	<u>(2,336)</u>	<u>4,903</u>

The notes on pages 17 to 44 form part of these accounts.

KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED NOTES to the CONSOLIDATED ACCOUNTS

For the year ended 31 March 2011

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered by The Financial Services Authority.

1. Accounting Policies

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

(a) Basis of Accounting

The accounts are prepared in accordance with applicable accounting standards and under the historical cost accounting rules. They comply with the Registered Housing Associations (Accounting Requirements) (Scotland) Order 2007 and the Statement of Recommended Practice (SORP): Accounting by Registered Social Landlords 2008.

(b) Basis of Consolidation

The Group accounts consolidate the accounts of Kingdom Housing Association Limited and its subsidiary company Kingdom Initiatives Limited using acquisition accounting. The subsidiary company was formed on 19 August 2010 by the transfer of assets and liabilities from Kingdom Initiatives Housing Association Limited. As this is the first time Group accounts have been prepared, the comparative figures relate to Kingdom Housing Association Limited only.

(c) Going Concern

The Committee of Management believe it is appropriate to prepare the financial statements on the basis of going concern. The 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.

(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.

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES to the CONSOLIDATED ACCOUNTS (Cont'd)**

For the year ended 31 March 2011

1. Accounting Policies (Contd.)

(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.

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 11) and allowances receivable are shown as HAG receivable in debtors (Note 10).

HAG is repayable under certain circumstances, primarily following the sale of a property but will normally be restricted to the net proceeds of sale. A contingent liability note has been included at note 31 to detail the level of grants repayable on properties held within KIL which were transferred from KIHA at fair value.

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 11).

(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.

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES to the CONSOLIDATED ACCOUNTS (Cont'd)**

For the year ended 31 March 2011

1. Accounting Policies (Contd.)

(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 costs 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.

(k) Properties Managed by Agents

The Association uses an agent to manage a number of its properties (Note 8 - 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 in the Balance Sheet after transferring to the Income & Expenditure Account the proportion of the costs attributable to the first tranche sales to the sharing owners. Sales proceeds from first tranche sales are included as Turnover in the Income & Expenditure Account. Subsequent tranche sales are accounted for as disposals of fixed assets through the Income and Expenditure Account.

**KINGDOM HOUSING ASSOCIATION LIMITED – CONSOLIDATED
NOTES to the CONSOLIDATED ACCOUNTS (Cont'd)**

For the year ended 31 March 2011

1. Accounting Policies (Cont'd)

(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 8). 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.

(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%
Housing and 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 Scottish Housing Association Pension Scheme (SHAPS), a defined benefit scheme administered by The Pensions Trust. This scheme provides benefits based on final or career average pensionable salaries. 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.

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES to the CONSOLIDATED ACCOUNTS (Cont'd)**

For the year ended 31 March 2011

1. Accounting Policies (Contd.)

(p) Designated Reserve for Planned Maintenance (Note 7)

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 £4.8m.

(q) Designated Reserve for Cyclical Maintenance (Note 7)

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 7)

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.

(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.

(u) Acquisition of Subsidiary Undertakings

The Association's subsidiary undertaking, Kingdom Initiatives Limited, was formed on 19 August 2010 and share capital of £100 was issued to the Association on that date. A donation of £659,200 from Kingdom Initiatives Housing Association Limited was made to Kingdom Initiatives Limited after it became a wholly owned subsidiary of the Association. The assets and liabilities represented by the donation have a fair value of £659,200. The post-acquisition revenue reserves of the Group includes the donation of £659,200 received by Kingdom Initiatives Limited. The investment is shown in the Association's balance sheet at cost.

(v) Taxation

Taxation transactions arising in subsidiary undertakings are included in the consolidated financial statements.

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES to the CONSOLIDATED ACCOUNTS (Cont'd)**

For the year ended 31 March 2011

2. Turnover, operating costs and operating surplus/(deficit)

(i) By Class of Business - Group:

	Turnover £000	Operating Costs £000	Operating Surplus/ (Deficit) £000
Social lettings (Note 3 (i))	10,516	6,569	3,947
Other activities (Note 3 (iii))	<u>7,354</u>	<u>7,937</u>	<u>(583)</u>
Total	<u>17,870</u>	<u>14,506</u>	<u>3,364</u>

(ii) By Class of Business - Association:

	Turnover £000	Operating Costs £000	Operating Surplus/ (Deficit) £000	2010 £000
Social lettings (Note 3 (i))	10,463	6,559	3,904	3,748
Other activities (Note 3 (iv))	<u>7,354</u>	<u>7,937</u>	<u>(583)</u>	<u>(116)</u>
Total	<u>17,817</u>	<u>14,496</u>	<u>3,321</u>	<u>3,632</u>
2010	<u>17,938</u>	<u>14,306</u>	<u>3,632</u>	

3. Particulars of turnover, operating costs and operating surplus/ (deficit) by class of business

(i) Social Letting Activities – Group

	General Needs Housing £000	Supported Housing Accommodation £000	Shared Ownership Housing £000	Total £000
Turnover	8,437	737	857	10,031
Rent receivable net of service charges	<u>478</u>	<u>42</u>	<u>48</u>	<u>568</u>
Service charges	8,915	779	905	10,599
Gross income from rents & service charges	<u>(70)</u>	<u>(6)</u>	<u>(7)</u>	<u>(83)</u>
Less voids				
Net income from rents & service charges and Total turnover from social letting activities	<u>8,845</u>	<u>773</u>	<u>898</u>	<u>10,516</u>

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES to the CONSOLIDATED ACCOUNTS (Cont'd)**

(i) Social Letting Activities - Group	General Needs Housing	Supported Housing Accommodation	Shared Ownership Housing	Total
Operating Costs	£000	£000	£000	£000
Management & maintenance administration costs	2,107	185	215	2,507
Service costs	398	35	41	474
Planned & cyclical maintenance including major repairs costs	1,143	91	-	1,234
Reactive maintenance costs	1,809	144	-	1,953
Bad debts – rents & service charges	14	1	-	15
Depreciation of social housing	358	28	-	386
Operating costs for social letting activities	<u>5,829</u>	<u>484</u>	<u>256</u>	<u>6,569</u>
Operating surplus/ (deficit) for social letting activities	<u>3,016</u>	<u>289</u>	<u>642</u>	<u>3,947</u>

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

(ii) Social Letting Activities - Association	General Needs Housing	Supported Housing Accommodation	Shared Ownership Housing	Total	2010
Turnover	£000	£000	£000	£000	£000
Rent receivable net of service charges	8,388	737	857	9,982	9,508
Service charges	474	42	48	564	545
Gross income from rents & service charges	8,862	779	905	10,546	10,053
Less voids	<u>(70)</u>	<u>(6)</u>	<u>(7)</u>	<u>(83)</u>	<u>(64)</u>
Net income from rents & service charges and Total turnover from social letting activities	<u>8,792</u>	<u>773</u>	<u>898</u>	<u>10,463</u>	<u>9,989</u>
Operating Costs	£000	£000	£000	£000	£000
Management & maintenance administration costs	2,104	185	215	2,504	2,434
Service costs	398	35	41	474	461
Planned & cyclical maintenance including major repairs costs	1,143	91	-	1,234	872
Reactive maintenance costs	1,806	144	-	1,950	2,018
Bad debts – rents & service charges	14	1	-	15	74
Depreciation of social housing	354	28	-	382	382
Operating costs for social letting activities	<u>5,819</u>	<u>484</u>	<u>256</u>	<u>6,559</u>	<u>6,241</u>
Operating surplus/ (deficit) for social letting activities	<u>2,973</u>	<u>289</u>	<u>642</u>	<u>3,904</u>	<u>3,748</u>
2010 Operating surplus/ (deficit) for social letting activities	<u>3,152</u>	<u>263</u>	<u>333</u>	<u>3,748</u>	<u>3,748</u>

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES to the CONSOLIDATED ACCOUNTS (Cont'd)**

For the year ended 31 March 2011

3. Particulars of turnover, operating costs and operating surplus/ (deficit) by class of business (Contd.)

(iii) Other Activities - Group

	Grants from Scottish Ministers £000	Other Revenue Grants £000	Supporting People Income £000	Other Income £000	Total Turnover £000
Turnover	92	-	-	-	92
Wider Role activities undertaken to support the community	-	216	-	-	216
Care and repair of property	-	-	-	-	-
Development and construction of property activities	-	-	2,690	-	2,690
Support activities	-	-	-	1,376	1,376
Care activities	-	-	-	113	113
Other agency/ management services	-	-	-	2,335	2,335
Developments for sale to registered social landlords	-	-	-	-	-
Developments and improvements for sale, (including first tranche shared ownership sales) to non registered social landlords	-	-	-	118	118
Other activities	-	-	-	414	414
	<u>92</u>	<u>216</u>	<u>2,690</u>	<u>4,356</u>	<u>7,354</u>

Operating surplus/ (deficit)

	Total Turnover £000	Operating Costs - Bad Debts £000	Other Operating Costs £000	Operating Surplus/ (Deficit) £000
Wider Role activities undertaken to support the community	92	-	92	-
Care and repair of property	216	-	227	(11)
Development and construction of property activities	-	-	503	(503)
Support activities	2,690	-	2,890	(200)
Care activities	1,376	-	1,331	45
Other agency/ management services	113	-	-	113
Developments for sale to registered social landlords (Note 9)	2,335	-	2,330	5
Developments and improvements for sale, (including first tranche shared ownership sales) to non registered social landlords	118	-	173	(55)
Other activities	414	-	391	23
	<u>7,354</u>	<u>-</u>	<u>7,937</u>	<u>(583)</u>

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES to the CONSOLIDATED ACCOUNTS (Cont'd)**

(iv) Other Activities - Association

	Grants from Scottish Ministers £000	Other Revenue Grants £000	Supporting People Income £000	Other Income £000	Total Turnover £000	2010 £000
Turnover	92	-	-	-	92	200
Wider Role activities undertaken to support the community	-	216	-	-	216	190
Care and repair of property	-	-	-	-	-	-
Development and construction of property activities	-	-	2,690	-	2,690	2,853
Support activities	-	-	-	1,376	1,376	1,340
Care activities	-	-	-	113	113	139
Other agency/ management services	-	-	-	2,335	2,335	2,747
Developments for sale to registered social landlords	-	-	-	-	-	-
Developments and improvements for sale, (including first tranche shared ownership sales) to non registered social landlords	-	-	-	118	118	108
Other activities	-	-	-	414	414	372
	<u>92</u>	<u>216</u>	<u>2,690</u>	<u>4,356</u>	<u>7,354</u>	<u>7,949</u>

Operating surplus/(deficit)

	Total Turnover £000	Operating Costs – Bad Debts £000	Other Operating Costs £000	Operating Surplus/ (Deficit) £000	2010 £000
Wider Role activities undertaken to support the community	92	-	92	-	11
Care and repair of property	216	-	227	(11)	13
Development and construction of property activities	-	-	503	(503)	(330)
Support activities	2,690	-	2,890	(200)	(167)
Care activities	1,376	-	1,331	45	203
Other agency/ management services	113	-	-	113	-
Developments for sale to registered social landlords (Note 8)	2,335	-	2,330	5	7
Developments and improvements for sale, (including first tranche shared ownership sales) to non registered social landlords	118	-	173	(55)	(22)
Other activities	414	-	391	23	169
	<u>7,354</u>	<u>-</u>	<u>7,937</u>	<u>(583)</u>	<u>(116)</u>
	<u>7,949</u>	<u>-</u>	<u>8,065</u>	<u>(116)</u>	
	2010				

In 2011, Other Activities relate mainly to Community Initiatives and include turnover of £391,000 (2010: £203,000) and costs of £391,000 (2010: £203,000) in respect of Fife Works.

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

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES to the CONSOLIDATED ACCOUNTS (Cont'd)**

For the year ended 31 March 2011

4. Surplus on Sale of Housing Properties

Group and Association:	Group & Association	Association
	2011	2010
	£000	£000
Sale proceeds	268	134
Cost of properties	(205)	(93)
Expenses on disposal of properties	(8)	(5)
Hag abatement	-	-
	<u>55</u>	<u>36</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. Donation - Group

The donation of £659,000 arose from the donation by Kingdom Initiatives Housing Association Limited of its assets and liabilities to Kingdom Initiatives Limited on 19 August 2010. Kingdom Initiatives Limited became a subsidiary of Kingdom Housing Association Limited on 19 August 2010 by the issue and purchase of shares by the respective organisations on 19 August 2010, prior to the donation made by Kingdom Initiatives Housing Association Limited.

The donation reflects the fair value of the assets and liabilities acquired by Kingdom Initiatives Limited. The assets and liabilities acquired on 19 August comprised the following:

Housing properties held for letting	£000
Other Fixed Assets	680
Debtors	2
Cash at bank	5
Creditors	171
Loans	(32)
	<u>(167)</u>
	<u>659</u>

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES to the CONSOLIDATED ACCOUNTS (Cont'd)**

For the year ended 31 March 2011

**6. Taxation
(i) Group:**

The Association has charitable status for taxation purposes and therefore it has no liability to corporation tax for the year. Kingdom Initiatives Limited, acquired on 19 August 2010, is liable to pay UK corporation tax and its liability is included in the consolidated financial statements.

	Group £000	Association £000
Current tax charge on income for the year on surplus on ordinary activities	<u>9</u>	<u>-</u>
Corporation tax calculated at 21%		
<u>Reconciliation:</u>		
Group profit on ordinary activities before tax	2,652	
Non-taxable profits relating to Association	(1951)	
Non-taxable donation	(659)	
Taxable profit on ordinary activities	42	
Profit on ordinary activities multiplied by the small company CT rate of 21%	<u>9</u>	

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES to the CONSOLIDATED ACCOUNTS (Cont'd)**

For the year ended 31 March 2011

7. Reserves

(i) Group:

	Designated Reserves £000	Revenue Reserves £000	2011 Total £000
Balance at 1 April	14,649	4,892	19,541
Surplus for year	-	2,643	2,643
Transfer to Revenue Reserves	(1,234)	1,234	-
Transfer from Revenue Reserves	3,054	(3,054)	-
Balance at 31 March 2011	<u>16,469</u>	<u>5,715</u>	<u>22,184</u>

Association:

	Designated Reserves £000	Revenue Reserves £000	2011 Total £000	2010 Total £000
Balance at 1 April	14,649	4,892	19,541	17,013
Surplus for year	-	1,950	1,950	2,528
Transfer to Revenue Reserves	(1,234)	1,234	-	1,487
Transfer from Revenue Reserves	3,054	(3,054)	-	(1,487)
Balance at 31 March 2011	<u>16,469</u>	<u>5,022</u>	<u>21,491</u>	<u>19,541</u>

(ii) Designated Reserves

Group & Association:

	Charitable Fund £000	Cyclical Maintenance £000	Planned Maintenance £000	2011 Total £000	2010 Total Association £000
Balance at 1 April 2010	9	395	14,245	14,649	13,162
Transfer to Revenue Reserves	-	(108)	(1,126)	(1,234)	(748)
Transfer from Revenue Reserves	-	269	2,785	3,054	2,235
Balance at 31 March 2011	<u>9</u>	<u>556</u>	<u>15,904</u>	<u>16,469</u>	<u>14,649</u>

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES to the CONSOLIDATED ACCOUNTS (Cont'd)**

For the year ended 31 March 2011

**8. Tangible fixed assets
Group:**

(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
	£000	£000	£000	£000	£000	£000
At 1 April 2010	12,115	961	174,212	17,352	1,053	205,693
Acquired 19 August 2010 -- Kingdom Initiatives Limited			680			680
Additions during year	1	423	134	17,716		18,274
Disposals in year	(220)	(62)				(282)
Transfer to Stock & Work In Progress for other RSLs (Note 9)						
Transfer from Fixed Assets Investments (Note 8 (iii))						
Transfers	482	(1,105)	17,945	(17,322)		
At 31 March 2011	<u>12,378</u>	<u>217</u>	<u>192,971</u>	<u>17,746</u>	<u>1,053</u>	<u>224,365</u>
Depreciation						
At 1 April 2010			2,362			2,362
Provided during year			386			386
Disposals in year						
At 31 March 2011			<u>2,748</u>			<u>2,748</u>
Net depreciated value						
At 31 March 2011	<u>12,378</u>	<u>217</u>	<u>190,223</u>	<u>17,746</u>	<u>1,053</u>	<u>221,617</u>

No interest was capitalised during the year.

Major repairs expenditure of £1,319,783, including £85,774 in respect of maintenance administration costs, was included in the income and expenditure account. No major repairs expenditure was capitalised during the year.

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES to the CONSOLIDATED ACCOUNTS (Cont'd)**

For the year ended 31 March 2011

(ii) Housing Association Grant and Other Capital Grants	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
	£000	£000	£000	£000	£000	£000
Housing Association Grant						
At 1 April 2010	9,356	912	122,221	12,203	1,053	145,745
Received during year	-	124	-	9,778	-	9,902
Repayable during year	(188)	-	(369)	-	-	(557)
Transfer to Stock & Work in Progress for Other RSLs (Note 9)	-	-	-	-	-	-
Transfer from Fixed Asset Investments (Note 8 (v))	-	-	-	-	-	-
Transfers	437	(913)	11,717	(11,241)	-	-
	<u>9,605</u>	<u>123</u>	<u>133,569</u>	<u>10,740</u>	<u>1,053</u>	<u>155,090</u>
At 31 March 2011						
Other Capital Grants						
At 1 April 2010	-	-	5,089	1,114	-	6,203
Received during year	-	-	137	1,360	-	1,497
Transfer to Stock & Work in Progress for Other RSLs (Note 9)	-	-	-	(290)	-	-
Transfers	-	-	290	-	-	-
Net book value						
At 31 March 2011	-	-	5,516	2,184	-	7,700
At 31 March 2011	<u>2,773</u>	<u>94</u>	<u>51,138</u>	<u>4,822</u>	<u>-</u>	<u>58,827</u>

Development administration costs capitalised amounted to £457,931 for which HAG amounting to £ 397,221 were received during the year. The Association's properties have been reviewed for impairment and no provision was considered necessary.

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES to the CONSOLIDATED ACCOUNTS (Cont'd)**

For the year ended 31 March 2011

8. Tangible fixed assets (cont'd)

Association:

	Shared Ownership properties held for letting £000	Shared Ownership properties in course of construction £000	Housing properties held for letting £000	Housing properties in course of construction £000	Hostel Property held for letting £000	Housing Properties Total
(iii) Housing properties Cost						
At 1 April 2010	12,115	961	174,212	17,352	1,053	205,693
Additions during year	1	423	17,717	17,717	-	18,275
Disposals in year	(220)	(62)	-	-	-	(282)
Transfer to Stock & Work In Progress for other RSLs (Note 9)	-	-	-	(17,322)	-	-
Transfers	482	(1,105)	17,945	-	-	-
At 31 March 2011	12,378	217	192,291	17,747	1,053	223,686
Depreciation						
At 1 April 2010	-	-	2,362	-	-	2,362
Provided during year	-	-	382	-	-	382
Disposals in year	-	-	-	-	-	-
At 31 March 2011	-	-	2,744	-	-	2,744
Net depreciated value						
At 31 March 2011	12,378	217	189,547	17,747	1,053	220,942
At 31 March 2010	12,115	961	171,850	17,352	1,053	203,331

No interest was capitalised during the year.

Major repairs expenditure of £1,319,783 (2010: £986,787) including £85,774 (2010: £114,159) in respect of maintenance administration costs, was included in the income and expenditure account. No major repairs expenditure was capitalised during the year (2010: £144,633).

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES to the CONSOLIDATED ACCOUNTS (Cont'd)**

For the year ended 31 March 2011

(iv) Housing Association Grant and Other Capital Grants

	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
	£000	£000	£000	£000	£000	£000
Housing Association Grant						
At 1 April 2010	9,356	912	122,221	12,203	1,053	145,745
Received during year	0	124	-	9,778	-	9,902
Repayable during year	(188)	-	(369)	-	-	(557)
Transfer to Stock & Work in Progress for Other RSLs (Note 9)	-	-	-	-	-	-
Transfers	437	(913)	11,717	(11,241)	-	-
At 31 March 2011	<u>9,605</u>	<u>123</u>	<u>133,569</u>	<u>10,740</u>	<u>1,053</u>	<u>155,090</u>

Other Capital Grants

At 1 April 2010	-	-	5,089	1,114	-	6,203
Received during year	-	-	137	1,360	-	1,497
Transfer to Stock & Work in Progress for Other RSLs (Note 9)	-	-	-	(290)	-	-
Transfers	-	-	290	-	-	-
At 31 March 2011	-	-	<u>5,516</u>	<u>2,184</u>	-	<u>7,700</u>

Net book value

At 31 March 2011	2,773	94	50,462	4,823	-	58,152
At 31 March 2010	<u>2,759</u>	<u>49</u>	<u>44,540</u>	<u>4,035</u>	-	<u>51,383</u>

Units in Management

	Group General Needs Housing No.	Association General Needs Housing No.	Group Supported Housing Accommodation No.	Association Supported Housing Accommodation No.	Group Shared Ownership Housing No.	Association Shared Ownership Housing No.	Group Total No.	Association Total No.
At 1 April 2010 – managed by the Group/Association	-	2,650	-	223	-	271	-	3,144
At 1 April 2010 – managed by Fairfield Housing Co-operative	=	29	=	-	=	11	=	40
Total at 1 April 2010	=	<u>2,679</u>	=	<u>223</u>	=	<u>282</u>	=	<u>3,184</u>
At 31 March 2011 – managed by the Association	2,850	2,834	234	220	269	269	3,353	3,323
At 31 March 2011 – managed by Fairfield Housing Co-operative	29	29	-	-	11	11	40	40
Total at 31 March 2011	<u>2,879</u>	<u>2,863</u>	<u>234</u>	<u>220</u>	<u>280</u>	<u>280</u>	<u>3,393</u>	<u>3,363</u>

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES to the CONSOLIDATED ACCOUNTS (Cont'd)**

For the year ended 31 March 2011

8. Tangible fixed assets (Contd.)

**(v) Fixed Asset Investments – Homestake
Group and Association**

	Completed Properties £000	Properties In course of Construction £000	Total £000
Cost			
As at 1 April 2010	1,620	-	1,620
Additions during the year	-	-	-
Disposals during the year	-	-	-
As at 31 March 2011	<u>1,620</u>	<u>-</u>	<u>1,620</u>
Grant			
As at 1 April 2010	1,605	-	1,605
Received during the year	-	-	-
Repayable on disposal	-	-	-
As at 31 March 2011	<u>1,605</u>	<u>-</u>	<u>1,605</u>
Net Book Value			
As at 31 March 2011	<u>15</u>	<u>-</u>	<u>15</u>
As at 31 March 2010	<u>15</u>	<u>-</u>	<u>15</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.

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES to the CONSOLIDATED ACCOUNTS (Cont'd)**

(vi) Other fixed assets Group:	Heritable office Property £000	Furniture and equipment £000	Motor vehicles £000	Computer hardware and software £000	Total £000
Cost					
At 1 April 2010	987	433	382	818	2,620
Acquired 19 August 2010 – Kingdom Initiatives Limited	-	2	-	-	2
Additions during year	<u>409</u>	<u>11</u>	<u>-</u>	<u>73</u>	<u>493</u>
As at 31 March 2011	<u>1,396</u>	<u>446</u>	<u>382</u>	<u>891</u>	<u>3,115</u>
Depreciation					
At 1 April 2010	272	270	151	692	1,385
Provided during year	<u>24</u>	<u>36</u>	<u>70</u>	<u>66</u>	<u>196</u>
At 31 March 2011	<u>296</u>	<u>306</u>	<u>221</u>	<u>758</u>	<u>1,581</u>
Net book value					
At 31 March 2011	<u>1,100</u>	<u>140</u>	<u>161</u>	<u>133</u>	<u>1,534</u>

(vii) Other fixed assets Association:	Heritable office Property £000	Furniture and equipment £000	Motor vehicles £000	Computer hardware and software £000	Total £000
Cost					
At 1 April 2010	987	433	382	818	2,620
Additions during year	<u>409</u>	<u>11</u>	<u>-</u>	<u>73</u>	<u>493</u>
As at 31 March 2011	<u>1,396</u>	<u>444</u>	<u>382</u>	<u>891</u>	<u>3,113</u>
Depreciation					
At 1 April 2010	272	270	151	692	1,385
Provided during year	<u>24</u>	<u>36</u>	<u>70</u>	<u>66</u>	<u>196</u>
At 31 March 2011	<u>296</u>	<u>306</u>	<u>221</u>	<u>758</u>	<u>1,581</u>
Net book value					
At 31 March 2011	<u>1,100</u>	<u>138</u>	<u>161</u>	<u>133</u>	<u>1,532</u>
At 31 March 2010	<u>714</u>	<u>163</u>	<u>231</u>	<u>126</u>	<u>1,235</u>

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES to the CONSOLIDATED ACCOUNTS (Cont'd)**

For the year ended 31 March 2011

	2011 Group and Association £000	2010 Association £000
9. Stocks and Work in Progress		
Stock of Housing Properties	50	300
Work In Progress for other Registered Social Landlords (RSLs)	303	717
Stock of materials held by Maintenance Teams	<u>134</u>	<u>87</u>
	<u>487</u>	<u>1,104</u>

Note:

Work In Progress for other RSLs at 1 April 2010	717	670
Costs transferred from Housing Properties (Note 8 (i))	-	670
Grants transferred from Housing Properties (Note 8 (ii))	-	(357)
Net additions during the year – costs less applicable HAG	1,916	2,474
Net transfers to operating costs on disposals (Note 3 (ii))	<u>(2,330)</u>	<u>(2,740)</u>
Balance of Work In Progress for other RSLs at 31 March 2011	<u>303</u>	<u>717</u>

	2011 Group £000	2011 Association £000	2010 Association £000
10. Debtors			
Arrears of rent	559	557	457
less: Provision for bad debts	<u>(137)</u>	<u>(136)</u>	<u>(136)</u>
	422	421	321
Sundry debtors and prepayments	941	933	973
Interest Receivable	10	10	20
Car loans to employees	91	91	63
SHG in arrears	<u>1,274</u>	<u>1,274</u>	<u>2,699</u>
	<u>2,738</u>	<u>2,729</u>	<u>4,076</u>

	2011 Group £000	2011 Association £000	2010 Association £000
11. Creditors: amounts falling due within one year			
Contractors for certified work	2,544	2,544	3,098
Trade creditors	582	582	628
Sundry creditors and accruals, including prepaid rent	1,503	1,493	1,077
Other Taxation & Social Security costs	159	144	133
Interest Payable accrual	109	109	265
Homestake cost accruals	124	124	124
HAG repayable	1,598	1,598	878
Other Housing Capital Funding in advance	313	313	600
Housing loans (Note 13)	<u>1,447</u>	<u>1,441</u>	<u>1,286</u>
	<u>8,379</u>	<u>8,348</u>	<u>8,089</u>

An amount of £515 relating to unspent grants received from the Coal Board Regeneration Fund is included in Sundry creditors and accruals. (2010: £14,000)

	2011 Group £000	2011 Association £000	2010 Association £000
12. Creditors: amounts falling due after more than one year			
Housing loans (Note 13)	<u>40,224</u>	<u>40,069</u>	<u>39,512</u>

The current instalments due on the above loans are included in Note 11 above.

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES to the CONSOLIDATED ACCOUNTS (Cont'd)**

For the year ended 31 March 2011

	2011 Group £000	2011 Association £000		
13. Loans			2010 Association £000	
Housing loans				
Loans secured by a charge on the Association's Housing, Land and Buildings and advanced by private lenders:	41,671	41,510	40,798	
The loans are repayable by annual instalments of principal and interest, the last of which fall to be repaid on dates between 2020 and 2038: the loans bear interest at rates between 0.76% to 8.1% (2010 – 0.76% to 8.1%)				
	<u>41,671</u>	<u>41,510</u>	<u>40,798</u>	
Repayable:				
Within one year (Note 11)	<u>1,447</u>	<u>1,441</u>	<u>1,286</u>	
Between one & two years (Note 12)	3,529	3,516	1,302	
Between two & five years (Note 12)	5,527	5,507	4,998	
After more than five years (Note 12)	<u>31,168</u>	<u>31,046</u>	<u>33,212</u>	
Amounts falling due after more than one year (Note 12)	<u>40,224</u>	<u>40,069</u>	<u>39,512</u>	
	<u>41,671</u>	<u>41,510</u>	<u>40,798</u>	
14. Share Capital	2011	2010	2011	2010
Group	Number	Number	£000	£000
Shares of £1 each issued and fully paid:				
At 1 April	99	109	99	109
Issued during the year	3	3	3	3
Cancelled during the year	<u>(16)</u>	<u>(13)</u>	<u>(16)</u>	<u>(13)</u>
At 31 March	<u>86</u>	<u>99</u>	<u>86</u>	<u>99</u>
Association				
Shares of £1 each issued and fully paid:				
At 1 April	99	109	99	109
Issued during the year	3	3	3	3
Cancelled during the year	<u>(16)</u>	<u>(13)</u>	<u>(16)</u>	<u>(13)</u>
At 31 March	<u>86</u>	<u>99</u>	<u>86</u>	<u>99</u>
15. Interest Payable and similar charges	2011	2011		
	Group	Association	2010	2010
	£000	£000	Association	Association
			£000	£000
Interest payable in the year has been charged as follows:				
Loan Interest	<u>1,471</u>	<u>1,470</u>	<u>1,272</u>	

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES to the CONSOLIDATED ACCOUNTS (Cont'd)**

For the year ended 31 March 2011

	2011 £000	2010 £000
16. Capital Commitments		
Group and Association		
Housing Properties:		
Expenditure contracted less certified	<u>16,997</u>	<u>16,161</u>
17. Employees		
Group and Association		
(i) Staff costs during year:		
Wages and salaries	6,193	5,827
Social security costs	438	388
Other pension costs	<u>475</u>	<u>486</u>
	<u>7,106</u>	<u>6,701</u>
(ii) Staff numbers:		
	No.	No.
Average weekly number of employees (including relief staff working on an "as required" basis)	<u>335</u>	<u>343</u>
Number of employees as at 31 March		
Support & care staff	181	185
Administration staff	112	111
Maintenance staff	<u>22</u>	<u>19</u>
	<u>315</u>	<u>315</u>

As at 31 March 2011 the full time equivalent number of employees in post was 264 (2010 Association – 263).

18. Auditors' Remuneration

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

	2011 Group £000	2011 Association £000	2010 Association £000
External Auditors:			
Audit Services	16	11	12
Tax & Advisory Services	1	-	3
Internal Audit	<u>9</u>	<u>9</u>	<u>15</u>
	<u>26</u>	<u>20</u>	<u>30</u>

19. 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 £1,946 (2010: £2,965).

During the year 3 (2010: 3) Members of the Committee were tenants of the Association. The tenancies of these Members are on normal terms.

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES to the CONSOLIDATED ACCOUNTS (Cont'd)**

For the year ended 31 March 2011

	2011	2010
	£000	£000
20. Remuneration of Directors		
The aggregate remuneration of 5 directors (2010 – 5) including benefits in kind was	<u>376</u>	<u>378</u>
The pension contributions of 5 directors were	<u>53</u>	<u>56</u>
Emoluments (excluding pension contributions) were paid in the following bandings:	No.	No.
£60,001 - £70,000	1	1
£70,001 - £80,000	2	3
£80,001 - £90,000	1	1

The total emoluments (excluding pension contributions) received by the highest paid director was £93,771 (2010: £91,709).

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 29. 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 £14,316 (2010: £13,961).

At the year end, in addition to the above, 3 of the directors had car loans from the Association. The total balance of car loans due by directors at 31 March 2011 was £28,313 (2010: £23,110). The maximum balance outstanding during the year was £37,759 (2010: £29,817). 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.

21. Reconciliation of operating surplus to net cash flow from operating activities - Group	2011
	£000
Operating surplus	3,364
Depreciation charges	582
Increase in creditors	383
Increase in debtors	(92)
Decrease in Stocks and Work in Progress	<u>617</u>
Net cash inflow from operating activities	<u>4,854</u>

22. Reconciliation of net cashflow to movement in net debt – Group

Decrease/ (increase) in cash in the period	(2,315)
Loans repaid	1,295
Cash received from new loans	<u>(2,000)</u>
Change in net debt	(3,020)
Net debt - opening	<u>(31,465)</u>
Net debt at 31 March 2011	<u>(34,485)</u>

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES to the CONSOLIDATED ACCOUNTS (Cont'd)**

For the year ended 31 March 2011

23. Gross cash flows - Group	2011
	£000
(a) Returns on investments and servicing of finance	
Interest received	55
Interest paid	<u>(1,628)</u>
	<u>(1,573)</u>
(b) Capital expenditure	
Payments to acquire tangible fixed assets	(19,322)
Receipts of housing grants	12,699
Receipts from sales of tangible fixed asset	-
Receipts from sales of housing	338
Receipts from sales of Homestake properties	-
Closing debtor	<u>-</u>
	<u>(6,285)</u>
(c) Financing	
Housing loans received	2,000
Housing loans repaid	(1,295)
Increase in share capital	<u>-</u>
Net cash inflow from financing	<u>705</u>

24. Analysis of changes in net debt - Group

	At 1 April 2010 £000	Acquired 19 August 2010 £000	Cash flows £000	Other Changes £000	At 31 March 2011 £000
Cash in hand and at bank	9,329	172	(2,315)	-	7,186
Debt due within 1 year	(1,286)	(6)	1,295	(1,451)	(1,448)
Debt due between 1 and 2 years	(1,302)	(12)	-	(2,214)	(3,528)
Debt due between 2 and 5 years	(4,998)	(18)	-	(509)	(5,525)
Debt due after more than 5 years	<u>(33,212)</u>	<u>(130)</u>	<u>(2,000)</u>	<u>4,172</u>	<u>(31,170)</u>
Total	<u>(31,469)</u>	<u>4</u>	<u>(3,020)</u>	<u>-</u>	<u>(34,485)</u>

The cash and debt acquired on 19 August 2010 relates to Kingdom Initiatives Limited.

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES to the CONSOLIDATED ACCOUNTS (Cont'd)**

For the year ended 31 March 2011

25. Reconciliation of operating surplus to net cash flow from operating activities - Association	2011	2010
	£000	£000
Operating surplus	3,321	3,632
Depreciation charges	578	555
Increase/ (decrease) in creditors	382	(130)
Increase in debtors	(89)	(459)
Decrease/ (increase) in Stocks and Work in Progress	<u>617</u>	<u>(130)</u>
Net cash inflow from operating activities	<u>4,809</u>	<u>3,468</u>
26. Reconciliation of net cashflow to movement in net debt – Association		
Decrease/ (increase) in cash in the period	(2,336)	4,903
Loans repaid	1,288	1,185
Cash received from new loans	<u>(2,000)</u>	<u>(5,164)</u>
Change in net debt	(3,048)	924
Net debt at 1 April 2010	<u>(31,469)</u>	<u>(32,392)</u>
Net debt at 31 March 2011	<u>(34,517)</u>	<u>(31,468)</u>
27. Gross cash flows - Association	2011	2010
	£000	£000
(a) Returns on investments and servicing of finance		
Interest received	55	137
Interest paid	<u>(1,627)</u>	<u>(1,124)</u>
	<u>(1,572)</u>	<u>(987)</u>
(b) Capital expenditure		
Payments to acquire tangible fixed assets	(19,322)	(14,904)
Receipts of housing grants	12,699	12,916
Receipts from sales of tangible fixed asset	-	61
Receipts from sales of housing	338	126
Receipts from sales of Homestake properties	<u>-</u>	<u>244</u>
	<u>(6,285)</u>	<u>(1,557)</u>
(c) Financing		
Housing loans received	2,000	5,164
Housing loans repaid	<u>(1,288)</u>	<u>(1,185)</u>
Net cash inflow from financing	<u>712</u>	<u>3,979</u>

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES to the CONSOLIDATED ACCOUNTS (Cont'd)**

For the year ended 31 March 2011

28. Analysis of changes in net debt - Association

	At 1 April 2010 £000	Cash flows £000	Other Changes £000	At 31 March 2011 £000
Cash in hand and at bank	9,329	(2,336)	-	6,993
Debt due within 1 year	(1,286)	1,185	(1,340)	(1,441)
Debt due between 1 and 2 years	(1,302)	-	(2,214)	(3,516)
Debt due between 2 and 5 years	(4,998)	-	(509)	(5,507)
Debt due after more than 5 years	<u>(33,212)</u>	<u>(2,000)</u>	<u>4,166</u>	<u>(31,046)</u>
Total	<u>(31,469)</u>	<u>(3,151)</u>	<u>103</u>	<u>(34,517)</u>

29. Pension Obligations

**(a) Scottish Housing Associations' Pension Scheme
Summary of Scheme**

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

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

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

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. 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 £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

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.

KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED NOTES to the CONSOLIDATED ACCOUNTS (Cont'd)

For the year ended 31 March 2011

29. Pension Obligations (cont'd)

(a) Scottish Housing Associations' Pension Scheme (cont'd)

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.

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 2010. As of this date the estimated employer debt for the Association was £13,486,124.

(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 valuation results at 30 September 2008 were completed in 2009 and have been formalized. 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%.

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

The Association does not make any contributions to the Plan.

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES to the CONSOLIDATED ACCOUNTS (Cont'd)**

For the year ended 31 March 2011

29. Pension Obligations (cont'd)

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

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 £2,041.

30. Financial Commitments

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

	Offices, Works Depot £000
<u>At 31 March 11 expiry:</u>	
Less than 1 year	2
Between 1-2 years	-
Total as at 31 March 11	<u>2</u>

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES to the CONSOLIDATED ACCOUNTS (Cont'd)**

For the year ended 31 March 2011

31. 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 £13,486,124 (Note 29(a)). A further amount of employer debt has been calculated as £2,041 under The Pensions Trust's Growth Plan (Note 29(b)). At the present time the Association has no intention of leaving the Scheme.

Certain properties acquired by Kingdom Initiatives Limited were developed by receipt of grant amounting to £507,553. These grants may be repayable under certain circumstances.

32. Related Party Transactions

During the year 7 Members of the Committee of the Association also served as Members of the Committee of KIHA to cessation on 19 August 2010.

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.

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

KHA issued invoices to KIHA for purchases, invoiced charges and management services amounting to £6,330 (2010: £18,049). KIHA issued invoices to the Association for purchases and invoiced charges totaling £7,627 (2010: £19,490). These inter-company transactions related to the period up to 19 August 2010, when KIHA was wound up.

KHA issued invoices to KIL for purchases, invoiced charges and management services provided by the Association amounting to £10,164 (2010: £nil). KIL issued invoices to the Association for purchases and invoiced charges totaling £12,347 (2010: £nil). These inter-company transactions related to the period from 19 August 2010, the formation date of KIL.

The balance due to the Association from KIL as at 31 March 2011 was £260 (2010: £nil).