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**Kingdom Housing Association Limited - Consolidated**

**Report & Accounts**

**For the year ended 31 March 2012**

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

# KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED

## MANAGEMENT COMMITTEE, EXECUTIVE and ADVISERS

<b>Management Committee</b>	Charles Milne	(Vice Chairman from November 2011 to 18th March 2012) (Chairman from 19 <sup>th</sup> March 2012)
	Laurie Naumann	(Vice Chairman to November 2011 and from April 2012)
	Janet Cheetham	
	Thomas Condie	(Tenant Member)
	Ian Donaldson	
	J Douglas Gray	(Chairman to March 2012) (Resigned March 2012)
	Loretta Mordi	(Sharing Owner Member)
	Douglas Murray	
	Vincent O'Hara	(Tenant Member)
	Liz Pow	
	Mary Stewart	(Resigned September 2011)
Michael Roddam	(Sharing Owner Member) (Resigned September 2011)	
<b>Executive</b>	Alan McGuckin	(Chief Executive) (Interim Secretary confirmed as Secretary from October 2011)
<b>Registered Office</b>	Saltire Centre Pentland Court Glenrothes KY6 2DA	
<b>Registration Numbers</b>	Industrial & Provident Societies Act 1965 Reg. No. 1981 R(S) Scottish Housing Regulator Reg. No. HEP 142 Scottish Charity No SC000874	
<b>Independent Auditors</b>	Baker Tilly UK Audit LLP First Floor, Quay 2 139 Fountainbridge Edinburgh EH3 9QG	
<b>Solicitors</b>	Baird & Company North House North Street Glenrothes KY7 4NA  Balfour & Manson 58 Frederick Street Edinburgh EH2 1LS  TC Young 7 West George Street Glasgow G2 1BA	
<b>Principal Banker</b>	Bank of Scotland 67 Bank Street Lochgelly KY5 9QN	

# **KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED DRAFT REPORT of the MANAGEMENT COMMITTEE**

## **For the year ended 31 March 2012**

The Management Committee (the Committee) presents its report and consolidated accounts for the year ended 31 March 2012.

### **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. These consolidated accounts include the results of KIL for the year to 31 March 2012.

### **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. As the amount of subsidy available for social rented housing has been reduced the Association will endeavour to maintain a development programme to provide housing, albeit as mid-market rent properties, where the rent is based upon a percentage of the appropriate Local Housing Allowance and hence higher than its social rents, to offset the reduction in subsidy. 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-Scottish Secure Tenancy agreements, relating mainly to properties owned by the Association, and to provide development services to third parties. The leasing activity is likely to increase as the Association increases its development of properties that will be available for let at rents based on Local Housing Allowances and leases these to KIL.

### **Committee Structure**

The Association's Rules provide for up to 15 members on the Committee. At the year end the Committee comprised 9 members. In addition to the main Committee, there are sub-committees for Audit & Corporate Governance; Policies; and Senior Management Remuneration and Succession Planning.

### **Committee Members and Training**

The Association operates a formal induction process for new Committee members. Regular reviews are carried out to ensure that the Committee possesses an appropriate level of expertise with equal opportunities for all members and appointees.

### **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 the needs of its core client groups.

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

## **For the year ended 31 March 2012**

### **Housing Management & Housing Stock**

At the year end the Association had a total of 3,525 (2011: 3,363) properties under management, comprising 3,246 (2011: 3,088) properties for rent and 279 (2011: 280) for shared ownership. There were 23 (2011: 16) rented properties void at 31 March 2012.

During the year the number of relets amounted to 243, including 92 to statutory homeless people, representing around 7.7% of the total rented stock and taking an average of 26 days for each change of tenancy. The Association also brought 158 new properties into management, of which 37 were allocated to statutory homeless people.

The Association recognises the financial pressures facing its tenants and applied a rent increase of 4.0% from 1 April 2011 and will increase its rents by 4.0% from 1 April 2012, both increases being 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 55% represented by houses and 45% 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 2012, 260 properties did not meet the SHQS requirements, mainly due to the need to improve energy efficiency in 170 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 2011/12 the Alliance completed 200 properties and was on site with a further 182 units, on 11 different sites. There are also approved tenders from, the Scottish Government, to start on site during 2012/13 with a further 76 new units.

The FHAA capital investment in housing properties for the year ended 31 March 2012 was £21.1m and was funded in part by way of £12.9m of Housing Association Grant (HAG) provided by the Scottish Government and other grants. The remainder was funded from new loans and the Association's own resources.

Severe pressure on the funding of affordable housing will have a serious affect on the Association's grant funded capital programme in 2012/13 and beyond. The actual scale of the future development programme will depend on the outcome of the 2012/13 funding bid; however this could lead to around a 30% reduction in the number of properties built, as compared to the last three years.

### **Property Services**

The Association carries out reactive repairs through an in-house maintenance team and during the year it invested £1,989,000 in repairs to the housing stock. In addition to the reactive repairs and the SHQS works, it also carried out various repairs through its cyclical and planned maintenance programmes at a cost of £1,624,000. This will ensure that the stock is well maintained and extend the life of the properties.

During the year the Association has also invested £842,000 installing photovoltaic (PV) panels into existing properties, this will improve energy costs for the tenants, improve the energy ratings for the buildings and provide future income for the Association, through the Feed in Tariffs. The PV panels have been capitalised on the Balance Sheet.

### **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 2012 a deficit of £181,000 was created (2011: deficit £155,000), including an apportionment of overheads. The Association will continue to monitor the viability of providing this service.

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED  
REPORT of the MANAGEMENT COMMITTEE (Cont'd)  
For the year ended 31 March 2012**

**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.

**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 2012 the Association had 59% (2011: 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 2012 was 249% (2011(as restated): 252%), 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 now drawn down almost all of the loan finance available at margins that were agreed prior to the credit crisis that took hold in 2008 and since the balance sheet date has agreed terms for a new £10m loan from a UK bank. This loan will be at a higher margin than the existing loans and will be for a five year term. During the next year the Association will be undertaking a review of its financing structure and will be evaluating alternative methods of raising and servicing its funding needs.

**Component Accounting**

The Statement of Recommended Practice: Accounting by Registered Social Housing Providers – Update 2010 (the SORP) requires the Association to adopt component accounting for its housing assets for the first time from 1 April 2011. Component Accounting recognizes that a rented property comprises a number of major components (for example doors and windows; bathrooms; kitchens) and that each of these different components should be accounted for separately and depreciated over their different useful economic lives.

The introduction of Component Accounting is a change of accounting policy, where costs that were previously charged to Income & Expenditure Account are now capitalized as individual components and depreciated over their useful lives. In addition, the Association had to undertake significant work to create a cost, depreciation provision and a grant value for each of the components that comprises each individual rented property at 31 March 2010 and to restate the results for the year to 31 March 2011 by identifying, capitalising and depreciating the costs of specific components that had been included as planned maintenance expenditure in the Income & Expenditure Account in the year to 31 March 2011. The Housing property fixed assets now comprises over 50,000 individual components as a result of this change.

This change has created a prior year adjustment of £2.2m, as explained in Note 7.

When undertaking the component accounting exercise it was identified that the Association had incorrectly capitalised certain repairs costs and related grants a number of years ago, which related to joint refurbishment of properties owned by another Landlord for affordable rent. An adjustment has been made to remove these from the Balance Sheet in 2011 of £0.63m as explained in Note 7.

**Income & Expenditure**

The Group turnover was £17,332,000 offset by operating costs of £12,983,000, creating an operating surplus of £4,349,000. After taking account of interest payable of £1,608,000, interest receivable and the gain on sale of fixed assets, the surplus for the year before taxation amounted to £2,883,000 (2011 (as restated): £2,753,000).

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

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED  
REPORT of the MANAGEMENT COMMITTEE (Cont'd)  
For the year ended 31 March 2012**

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

	31.03.12 £000	31.03.11 £000 (As restated)
Housing Management	4,867	4,038
Support & Care	(181)	(155)
Development, including transactions with FHAA members and Sharing Owners	(415)	(553)
Community Initiatives	(50)	(11)
Other	<u>128</u>	<u>136</u>
Operating Surplus	<u>4,349</u>	<u>3,455</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, including an investment of £842,000 in solar renewables, and has been recognised through the Green Business Fife Award for the environmental and sustainability work progressed by the Association.

**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 2012	Target to 31 March 2012	Actual to 31 March 2011
Void loss	0.64%	0.75%	0.63%
Non-technical arrears – current tenants	2.28%	2.25%	2.51%
Average re-let times	26 days	22 days	28 days
% Staff costs: Turnover (excluding Developments for Sale)	44.7%	44.5%	45.5%
Sickness absence	5.2%	<6.1%	6.1%
Management & Maintenance Administration costs per unit	£805	£820	£762
Routine Maintenance costs per unit	£577	£578	£593
% properties meeting SHQS requirements	91.8%	93.7%	89.4%
Emergency repairs completed within target response time	97.9%	100.0%	98.2%

The indicators highlight better performance for the year than set as the target in some areas although performance has not met expectations in other areas. The number of properties that were expected to be brought up to SHQS standard was 120, as compared to the actual number of 57. This difference is mainly due to difficulties in gaining access to some properties requiring additional insulation and delays caused by a rejected planning application for the installation of solar panels to various properties. However, this will not have any impact on the completion of all works within the prescribed timescales set out in the legislation.

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED  
REPORT of the MANAGEMENT COMMITTEE (Cont'd)  
For the year ended 31 March 2012**

**Financial Review & Going Concern**

At the year end the Group's reserves amounted to £22.8m (Association: £22.0m).

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 has prepared its accounts for the year ending 31 March 2012 in accordance with the requirements of the SORP.

During the year the Group created a surplus of £2,868,000 (Association: £2,823,000).

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.

**Reserves**

The Group revenue reserves represent the accumulated surpluses of the Association and the post acquisition reserves of its subsidiary, KIL. Following the introduction of Component Accounting, the amounts disclosed as Designated Reserves for planned maintenance have been released and transferred to revenue reserves (Note 8).

However, the Association will still undertake planned maintenance programmes to ensure its properties remain in good condition, with such expenditure being treated mainly as capital expenditure and added to the cost of the rented properties at component level and depreciated over the life assigned to each component. It is possible that the increase in the cost of the properties that will arise as a result of the implementation of Component Accounting will create the need for impairment provisions that will have to be included in the Income & Expenditure Account and ultimately set off against revenue reserves. In addition, the Association considers it prudent to include within its revenue reserves various amounts resulting from calculations based upon financial values and risks relating to various parts of the business to ensure that it can absorb the costs of significant unplanned events.

**Staffing**

At 31 March 2012 the staffing establishment comprised 265 (2011: 264) full time equivalent persons.

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.

**Charitable Fund and Donations**

Each year the Committee of Management approves an amount to be made available to support appropriate registered charitable causes. During the year to 31 March 2012 the Committee approved an amount of £7,500 (2011: £7,500) for charitable causes, of which £2,797 (2011: £4,375) was distributed.

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED  
REPORT of the MANAGEMENT COMMITTEE (Cont'd)  
For the year ended 31 March 2012**

**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 set out in the Group's Risk Management policy. It 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 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 making funding available for affordable housing, the availability and cost of loan finance, welfare reform 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.

**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 capitalized as individual components and included in the Balance Sheet as Housing Properties, with appropriate depreciation provided, calculated in accordance with the expected useful lives of the various components, unless it is agreed they can be charged to the Income and Expenditure Account.

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.



**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED  
REPORT of the MANAGEMENT COMMITTEE (Cont'd)  
For the year ended 31 March 2012**

**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 cuts in public funding will create for the Association. The Committee considers the definition of 'affordable housing' includes housing for people in work on lower incomes who will be able to pay rents that are related to Local Housing Allowances, i.e. 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 will have sufficient funding to meet its development aspirations, and will maintain robust systems to ensure that the business is managed properly.

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

**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.

**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".

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED  
REPORT of the MANAGEMENT COMMITTEE (Cont'd)  
For the year ended 31 March 2012**

**Statement as to the disclosure of information to auditors**

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

**Auditors**

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

**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 judgments 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  
29 August 2012

**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 2012 (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](http://www.frc.org.uk/apb/scope/private.cfm).

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Association's affairs as at 31 March 2012 and of the 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.

*Baker Tilly UK Audit LLP*

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

Date: *3 September 2012*

## 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 2009/4 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.

*Baker Tilly UK Audit LLP*

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First Floor, Quay 2  
139 Fountainbridge  
Edinburgh  
EH3 9QG

Date: *3 September 2012*

**KINGDOM HOUSING ASSOCIATION LIMITED**  
**CONSOLIDATED INCOME and EXPENDITURE ACCOUNT**

**For the year ended 31 March 2012**

	Notes	2012 £000	2011 (As restated) £000
Turnover	2	17,332	17,870
less: Operating costs	2	<u>(12,983)</u>	<u>(14,415)</u>
Operating surplus		4,349	3,455
Gain on sale of housing properties	4	110	55
Donation from KIHA	5	-	659
Interest receivable and similar income		32	45
Interest payable and similar charges	16	<u>(1,608)</u>	<u>(1,471)</u>
Surplus on ordinary activities before taxation		2,883	2,753
Taxation	6	<u>(15)</u>	<u>(9)</u>
Surplus for the year	8	<u>2,868</u>	<u>2,734</u>

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

	Notes	2012 £000	2011 (restated) £000
<b>Statement of Total Recognised Gains and Losses</b>			
Surplus for the year		2,868	2,734
Prior period adjustment	7	<u>(2,286)</u>	-
Total surpluses and deficits recognised since last reporting period		<u>582</u>	<u>2,734</u>

The results relate wholly to continuing operations.

**KINGDOM HOUSING ASSOCIATION LIMITED**  
**HOUSING ASSOCIATION INCOME and EXPENDITURE ACCOUNT**

**For the year ended 31 March 2012**

	<b>Notes</b>	<b>2012</b>	<b>2011</b>
		<b>£000</b>	<b>(As restated)</b>
			<b>£000</b>
Turnover	2	17,262	17,817
less: Operating costs	2	<u>(12,974)</u>	<u>(14,405)</u>
Operating surplus		4,288	3,412
Gain on sale of housing properties	4	110	55
Gain on sale of other fixed assets		-	-
Interest receivable and similar income		31	44
Interest payable and similar charges	16	<u>(1,606)</u>	<u>(1,470)</u>
Surplus/(Deficit) on ordinary activities before taxation		2,823	2,041
Taxation	6	<u>-</u>	<u>-</u>
Surplus/(Deficit) for the year	8	<u>2,823</u>	<u>2,041</u>

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

	<b>Notes</b>	<b>2012</b>	<b>2011</b>
		<b>£000</b>	<b>(restated)</b>
			<b>£000</b>
<b>Statement of Total Recognised Gains and Losses</b>			
Surplus for the year		2,823	2,041
Prior period adjustment	7	<u>(2,286)</u>	<u>-</u>
Total surpluses and deficits recognised since last reporting period		<u>537</u>	<u>2,041</u>

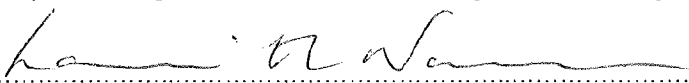
The results relate wholly to continuing operations.

**KINGDOM HOUSING ASSOCIATION LIMITED  
CONSOLIDATED BALANCE SHEET**

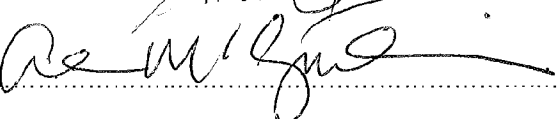
**As at 31 March 2012**

	Notes	2012 Group £000	2012 Association £000	2011 Group (As restated) £000	2011 Association (As restated) £000
<b>Tangible fixed assets</b>					
Housing properties - depreciated cost	9	232,747	232,081	217,510	216,833
Housing Association Grants	9	(161,479)	(161,479)	(153,601)	(153,601)
Other capital grants	9	<u>(7,898)</u>	<u>(7,898)</u>	<u>(7,368)</u>	<u>(7,368)</u>
		63,370	62,704	56,541	55,864
<b>Fixed Asset Investments</b>					
Homestake Costs	9	1,814	1,814	1,620	1,620
Homestake Grant		<u>(1,793)</u>	<u>(1,793)</u>	<u>(1,605)</u>	<u>(1,605)</u>
		21	21	15	15
Other fixed assets	9	<u>1,415</u>	<u>1,412</u>	<u>1,534</u>	<u>1,532</u>
Total assets		64,806	64,137	58,090	57,411
<b>Current assets</b>					
Stock and Work in Progress	10	1,059	1,059	487	487
Debtors	11	2,515	2,507	2,738	2,729
Cash at bank		<u>10,586</u>	<u>10,349</u>	<u>7,186</u>	<u>6,993</u>
		14,160	13,915	10,411	10,209
<b>Creditors: amounts falling due within one year</b>	12	<u>(12,530)</u>	<u>(12,497)</u>	<u>(8,379)</u>	<u>(8,348)</u>
Net current assets		<u>1,630</u>	<u>1,418</u>	<u>2,032</u>	<u>1,861</u>
Total assets less current liabilities		66,436	65,555	60,122	59,272
<b>Creditors: amounts falling due after more than one year</b>	13,14	<u>(43,670)</u>	<u>(43,527)</u>	<u>(40,224)</u>	<u>(40,069)</u>
<b>Net assets</b>		<u>22,766</u>	<u>22,028</u>	<u>19,898</u>	<u>19,203</u>
<b>Capital and reserves</b>					
Share capital	15	-	-	-	-
Designated reserves	8	-	-	16,469	16,469
Revenue reserves	8	<u>22,766</u>	<u>22,028</u>	<u>3,429</u>	<u>2,736</u>
		<u>22,766</u>	<u>22,028</u>	<u>19,898</u>	<u>19,205</u>

Approved by the Management Committee on 29 August 2012 and signed on its behalf and authorised for issue by:

  
..... Laurie Naumann, Committee Member

  
..... Loretta Mordi, 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 2012**

	Notes	2012 £000	2011 (As restated) £000
Net cash inflow from operating activities	22	4,766	5,348
Returns on investments and servicing of finance	24(a)	(1,570)	(1,573)
Taxation	6	(11)	(16)
Capital expenditure	24(b)	<u>(8,780)</u>	<u>(6,779)</u>
Cash outflow before financing		(5,595)	(3,020)
Financing	24(c)	<u>8,995</u>	<u>707</u>
Increase/(decrease) in cash	25	<u>3,400</u>	<u>(2,313)</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 2012**

	Notes	2012 £000	2011 (As restated) £000
Net cash inflow from operating activities	26	4,700	5,303
Returns on investments and servicing of finance	28	(1,569)	(1,572)
Capital expenditure	28	<u>(8,779)</u>	<u>(6,778)</u>
Cash (outflow)/inflow before financing		(5,648)	(3,047)
Financing	28	<u>9,004</u>	<u>712</u>
Increase/(decrease) in cash	29	<u>3,356</u>	<u>(2,335)</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 2012**

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 (v) 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 Update 2010.

**b) Basis of Consolidation**

The Group accounts consolidate the accounts of Kingdom Housing Association Limited and its subsidiary company Kingdom Initiatives Limited.

**c) Going Concern**

The Committee of Management believe it is appropriate to prepare the financial statements on the basis of going concern. The latest financial plans have been reviewed and approved by the Committee and submitted to the Scottish Housing Regulator. 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) Expenditure on New Properties**

Following the introduction of Component Accounting, the cost and grant for each rented property have now been attributed to the individual components that comprise that property to create a cost, depreciation provision and a grant value for each individual component. A Prior Year Adjustment (Note 7) has been calculated to reflect the impact of this change on the cost, depreciation provision and grant associated with the rented properties, including the effect of component replacements from the time the properties were first brought into management to 31 March 2010.

The cost of each new rented property that is brought into management is attributed to individual components and these components are depreciated over their useful lives.

**f) Expenditure on Existing Properties and Components**

The introduction of Component Accounting is a change of accounting policy, where costs that were previously charged to Income & Expenditure Account are now capitalized as individual components and depreciated over their useful lives. Planned maintenance expenditure disclosed in the year to 31 March 2011 that met the definition of a specific component has been restated as capital expenditure and depreciated. Planned maintenance expenditure is now attributed to individual components and these components are depreciated over their useful lives. As this expenditure relates to the replacement of existing components, appropriate accounting adjustments are made to reflect the disposal of the components that are replaced.

Any expenditure which does not meet the definition of one of the specific components that comprise a property is charged to Income & Expenditure Account.

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

**For the year ended 31 March 2012**

**1. Accounting Policies (Contd.)**

**g) 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(m)) 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 12) and allowances receivable are shown as HAG receivable in debtors (Note 11).

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 32 to detail the level of grants repayable on properties held within KIL.

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.

HAG is attributed to individual components where appropriate. When a component is replaced the associated HAG is credited to Income & Expenditure Account.

**h) 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.

Other Grant is attributed to individual components where appropriate. When a component is replaced the associated grant is credited to Income & Expenditure Account.

**i) 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 12).

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

**For the year ended 31 March 2012**

**1. Accounting Policies (Contd.)**

**j) 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 in the Alliance are included in WIP at cost, net of any related HAG.

**k) 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.

**l) Properties Managed by Agents**

The Association uses an agent to manage a number of its properties (Note 9 - 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.

**m) Fixed Assets - Housing Land and Buildings**

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

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

The total cost is attributed to individual components.

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 2012**

**1. Accounting Policies (Contd.)**

**n) Homestake**

The 'Homestake' scheme was introduced by the Scottish Government in 2005, with grant provided by the Scottish Government to make up the difference between the cost of the properties less the sale proceeds paid by purchasers of the 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 9). 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.

**o) 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**

Land	Infinite
Structure	100
Bathroom	35
Electrics	30
Doors	30
Electric Heating	20
Gas Heating	35
Kitchens	20
Roots	60
Windows	30
Renewables	20

**Other Fixed Assets**

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.

**p) 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 2012**

**1. Accounting Policies (Contd.)**

**q) Designated Reserve for Planned Maintenance (Note 8)**

Following the introduction of Component Accounting, planned maintenance expenditure is now attributed to individual property components and capitalized. Only planned maintenance expenditure that does not meet the definition of a specific component is charged to Income & Expenditure Account. Therefore, as there is no need to maintain a designated reserve for planned maintenance expenditure, the balance on this reserve at 1 April 2011 has been transferred to Revenue Reserves.

**r) Designated Reserve for Cyclical Maintenance (Note 8)**

This reserve was maintained to meet the costs of cyclical exterior painterwork. Following the introduction of Component Accounting in the year to 31 March 2012 and the release of the designated reserve for planned maintenance, which was the most significant element within designated reserves, the reserve for cyclical maintenance has also been released to Revenue Reserves. This expenditure will continue to be incurred and will be charged to Income & Expenditure Account based on the costs of the works carried out in the financial year. The financial plans prepared by the Association will continue to include cyclical maintenance expenditure in Income & Expenditure Account.

**s) Designated Reserve for Charitable Fund (Note 8)**

At 1 April 2011 an amount was brought forward that was available for charitable purposes. At 31 March 2012 this amount was transferred to Revenue Reserves. Any charitable expenditure approved by Committee will continue to be included in operating costs and noted in the Report of The Management Committee.

**t) 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.

**u) Leases**

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

**v) Subsidiary Undertakings**

The Association owns all of the share capital of Kingdom Initiatives Limited. The investment is shown in the Association's balance sheet at cost.

**w) 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 2012

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

**i) By Class of Business - Group:**

	Turnover £000	Operating Costs £000	Operating Surplus/(Deficit) £000	2011 Operating Surplus/(Deficit) (As restated) £000
Social lettings (Note 3 (i))	11,624	6,757	4,867	4,038
Other activities (Note 3 (iii))	<u>5,708</u>	<u>6,226</u>	<u>(518)</u>	<u>(583)</u>
Total	<u>17,332</u>	<u>12,983</u>	<u>4,349</u>	<u>3,455</u>
	<u>17,870</u>	<u>14,415</u>	<u>3,455</u>	

2011 (As restated)

**ii) By Class of Business - Association:**

	Turnover £000	Operating Costs £000	Operating Surplus/ (Deficit) £000	2011 (As restated) £000
Social lettings (Note 3 (i))	11,544	6,748	4,796	3,995
Other activities (Note 3 (iv))	<u>5,718</u>	<u>6,226</u>	<u>(508)</u>	<u>(583)</u>
Total	<u>17,262</u>	<u>12,974</u>	<u>4,288</u>	<u>3,412</u>
	<u>17,817</u>	<u>14,405</u>	<u>3,412</u>	

2011 (As restated)

**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	2012 Total £000	2011 Total £000
Turnover				11,117	10,031
Rent receivable net of service charges	9,862	702	553	584	568
Service charges	491	28	65	618	(83)
Gross income from rents & service charges	10,353	730	618	(77)	10,599
Less voids	<u>(69)</u>	<u>(7)</u>	<u>(1)</u>	<u>11,624</u>	<u>(83)</u>
Net income from rents & service charges and Total turnover from social letting activities	<u>10,284</u>	<u>723</u>	<u>617</u>	<u>11,624</u>	<u>10,516</u>

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

**For the year ended 31 March 2012**

i) Social Letting Activities - Group	General Needs Housing £000	Supported Housing Accommodation £000	Shared Ownership Housing £000	2012 Total £000	2011 Total (As restated) £000
<b>Operating Costs</b>					
Management & maintenance administration costs	2,359	180	228	2,767	2,507
Service costs	435	32	41	508	474
Planned & cyclical maintenance including major repairs costs	301	22	-	323	739
Reactive maintenance costs	1,852	139	-	1,991	1,953
Bad debts – rents & service charges	81	6	-	87	15
Depreciation of social housing	939	68	-	1,007	790
Depreciation of social housing – loss on disposal of components	74	-	-	74	-
Operating costs for social letting activities	<u>6,041</u>	<u>447</u>	<u>269</u>	<u>6,757</u>	<u>6,478</u>
Operating surplus/ (deficit) for social letting activities	4,243	276	348	<u>4,867</u>	<u>4,038</u>
2011 Operating surplus for social letting activities (As restated)	<u>3,107</u>	<u>289</u>	<u>642</u>	<u>4,038</u>	

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

ii) Social Letting Activities - Association	General Needs Housing £000	Supported Housing Accommodation £000	Shared Ownership Housing £000	2012 Total £000	2011 Total (As restated) £000
<b>Turnover</b>					
Rent receivable net of service charges	9,785	702	553	11,040	9,982
Service charges	484	28	65	577	564
Gross income from rents & service charges	10,269	730	618	11,617	10,546
Less voids	<u>(65)</u>	<u>(7)</u>	<u>(1)</u>	<u>(73)</u>	<u>(63)</u>
Net income from rents & service charges and total turnover from social letting activities	<u>10,204</u>	<u>723</u>	<u>617</u>	<u>11,544</u>	<u>10,463</u>
<b>Operating Costs</b>					
Management & maintenance administration costs	2,369	180	228	2,777	2,504
Service costs	429	32	41	502	474
Planned & cyclical maintenance including major repairs costs	300	22	-	322	739
Reactive maintenance costs	1,850	139	-	1,989	1,950
Bad debts – rents & service charges	81	6	-	87	15
Depreciation of social housing	929	68	-	997	786
Depreciation of social housing – loss on disposal of components	74	-	-	74	-
Operating costs for social letting activities	<u>6,032</u>	<u>447</u>	<u>269</u>	<u>6,748</u>	<u>6,468</u>
Operating surplus for social letting activities	<u>4,172</u>	<u>276</u>	<u>348</u>	<u>4,796</u>	<u>3,995</u>
2011 Operating surplus for social letting activities (As restated)	<u>3,064</u>	<u>289</u>	<u>642</u>	<u>3,995</u>	



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

**For the year ended 31 March 2012**

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

iii) Other Activities - Group

	Grants from Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	2012 Total Turnover	2011 Total Turnover (As restated)
	£000	£000	£000	£000	£000	£000
<b>Turnover</b>						
Wider Role activities undertaken to support the community	69	-	-	-	69	92
Care and repair of property	-	250	-	-	250	216
Development and construction of property activities	-	-	-	-	-	-
Support activities	-	-	3,109	-	3,109	2,690
Care activities	-	-	-	1,069	1,069	1,376
Other agency/ management services	-	-	-	85	85	113
Developments for sale to registered social landlords	-	-	-	643	643	2,335
Developments and improvements for sale, (including first tranche shared ownership sales) to non registered social landlords	-	-	-	89	89	118
Other activities	-	-	-	394	394	414
	<u>69</u>	<u>250</u>	<u>3,109</u>	<u>2,280</u>	<u>5,708</u>	<u>7,354</u>

	Total Turnover	Operating Costs – Bad Debts	Other Operating Costs	2012 Operating Surplus/ (Deficit)	2011 Operating Surplus/ (Deficit) (As restated)
	£000	£000	£000	£000	£000
Wider Role activities undertaken to support the community	69	-	125	(56)	-
Care and repair of property	250	-	244	6	(11)
Development and construction of property activities	-	-	417	(417)	(503)
Support activities	3,109	-	3,225	(116)	(200)
Care activities	1,069	-	1,134	(65)	45
Other agency/ management services	85	-	-	85	113
Developments for sale to registered social landlords (Note 9)	643	-	643	-	5
Developments and improvements for sale, (including first tranche shared ownership sales) to non registered social landlords	89	-	87	2	(55)
Other activities	394	-	351	43	23
<b>Operating surplus/ (deficit)</b>	<u>5,708</u>	-	<u>6,226</u>	<u>(518)</u>	<u>(583)</u>
2011 (As restated)	<u>7,354</u>	-	<u>7,937</u>	<u>(583)</u>	

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

**For the year ended 31 March 2012**

	Grants from Scottish Ministers £000	Other Revenue Grants £000	Supporting People Income £000	Other Income £000	2012 Total Turnover £000	2011 £000
<b>iv) Other Activities - Association</b>						
<b>Turnover</b>						
Wider Role activities undertaken to support the community	69	-	-	-	69	92
Care and repair of property	-	250	-	-	250	216
Development and construction of property activities	-	-	-	-	-	-
Support activities	-	-	3,109	-	3,109	2,690
Care activities	-	-	-	1,069	1,069	1,376
Other agency/ management services	-	-	-	85	85	113
Developments for sale to registered social landlords	-	-	-	643	643	2,335
Developments and improvements for sale, (including first tranche shared ownership sales) to non registered social landlords	-	-	-	89	89	118
Other activities	-	-	-	404	404	414
	<u>69</u>	<u>250</u>	<u>3,109</u>	<u>2,290</u>	<u>5,718</u>	<u>7,354</u>
<b>Operating surplus/(deficit)</b>						
Wider Role activities undertaken to support the community						
Care and repair of property		£000	£000	£000	£000	£000
Development and construction of property activities		69	-	125	(56)	-
Support activities		250	-	244	6	(11)
Care activities		-	-	417	(417)	(503)
Other agency/ management services		3,109	-	3,225	(116)	(200)
Developments for sale to registered social landlords (Note 8)		1,069	-	1,134	(65)	45
Developments and improvements for sale, (including first tranche shared ownership sales) to non registered social landlords		85	-	-	85	113
Other activities		643	-	643	-	5
<b>Operating surplus/ (deficit)</b>						
2011 (As restated)						
		<u>404</u>		<u>351</u>	<u>53</u>	<u>23</u>
		<u>5,718</u>		<u>6,226</u>	<u>(508)</u>	<u>(583)</u>
		<u>7,354</u>		<u>7,937</u>	<u>(583)</u>	

In 2012, Other Activities relate mainly to Community Initiatives and include turnover of £322,482 (2011: £391,000) and costs of £322,482 (2010: £391,000) in respect of Fife Works.

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

For the year ended 31 March 2012

**4. Surplus on Sale of Housing Properties**

	Group & Association 2012	Group & Association 2011
	£000	£000
Sale proceeds	192	268
Cost of properties	(88)	(205)
Expenses on disposal of properties	(9)	(8)
Hag abatement	<u>15</u>	<u>-</u>
	<u>110</u>	<u>55</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 reflected the fair value of the assets and liabilities acquired by Kingdom Initiatives Limited. The assets and liabilities acquired on 19 August 2010 comprised the following:

Housing properties held for letting	2011
Other Fixed Assets	£000
Debtors	680
Cash at bank	2
Creditors	5
Loans	171
	(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 2012**

**6. Taxation**

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

	2012 Group £000	2012 Association £000	2011 Group (As restated) £000	2011 Association (As restated) £000
Current tax charge on income for the year on surplus on ordinary activities	<u>15</u>	<u>—</u>	<u>9</u>	<u>—</u>
Corporation tax calculated at 20% (2011: 21%)				
Reconciliation:				
Group profit on ordinary activities before tax	2,868		2,652	
Non-taxable profits relating to Association	(2,823)		(1,951)	
Non-taxable donation	—		(659)	
Taxable profit on ordinary activities	<u>45</u>		<u>42</u>	
Profit on ordinary activities multiplied by the small company CT rate of 20% (2011: 21%)	9		9	
Effects of:				
Depreciation in excess of Capital Allowances	<u>6</u>		<u>—</u>	
	<u>15</u>		<u>9</u>	

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

**For the year ended 31 March 2012**

**7. Prior Year Adjustment**

The principle of component accounting is to account separately for each major component of a property asset with substantially different useful economic lives, and to depreciate them over their individual useful economic life. This change in accounting policy has resulted in major works expenditure written off in prior years being capitalised, and an additional depreciation charge now being recognised.

When undertaking the component accounting exercise it was identified that the Association had incorrectly capitalised certain repairs costs and related grants a number of years ago, which related to joint refurbishment of properties owned by another Landlord for affordable rent. An adjustment has been made to remove the net cost from the Balance Sheet as a revenue cost.

The effect of these changes in accounting policy on the 31 March 2011 financial statements is shown below. The opening reserves at 31 March 2011 have been decreased by £2,377,000 Group and Housing Association of which £3,412,000 Group and Housing Association related to increased depreciation, £786,000 Group and Housing Association relates to major repairs previously written off to Income and Expenditure Account now capitalised as components offset against the removal of net refurbishment costs previously capitalised, and £1,821,000 Group and Housing Association relates to a reduction in HAG and Other Capital Grants.

<b>Group and Association:</b>	<b>Component Accounting</b>	<b>Net Refurbishment Costs Expensed</b>	<b>Total</b>
The effect of this change on the comparative year's figures of 2011 has been to:			
Increase depreciation charge	£000	£000	£000
Decrease major works charges against income	(404)	-	(404)
Increase the surplus for the year	495	-	495
	<b>91</b>	<b>-</b>	<b>91</b>
The effect upon the balance sheet at 31 <sup>st</sup> March 2011 has been to:	£000	£000	£000
Increase/(Decrease)fixed asset cost (Note 9 (i) & 9 (iii))	1,194	(1,485)	(291)
Increase fixed asset depreciation (Note 9 (i) & (iii))	(3,816)	-	(3,816)
Decrease HAG (Note 9 (ii) & (iv))	379	1,109	1,488
Decrease Other Capital Grants (Note 9 (ii) & 9 (iv))	20	313	332
	<b>(2,223)</b>	<b>(63)</b>	<b>(2,286)</b>

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

**For the year ended 31 March 2012**

**7. Prior Period Adjustment (continued)**

The effect of this change in accounting policy on the 31 March 2012 results has been to decrease the surplus by £600,000 for the Group and £597,000 for the Housing Association

**8. Revenue Reserves**

**i) Group and Association**

	<b>Group 2012 Total</b>	<b>2011 Total (As restated) £000</b>	<b>Association 2012 Total</b>	<b>2011 Total (As restated) £000</b>
Balance at 1 April as originally reported	5,715	2,515	5,022	2,515
Prior year adjustment (Note 7)	<u>(2,286)</u>	<u>-</u>	<u>(2,286)</u>	<u>-</u>
2011 (As restated)	3,429	2,515	2,736	2,515
Surplus for year	2,868	2,734	2,823	2,041
Transfer to Revenue Reserves	-	(1,820)	-	(1,820)
Transfer from Designated Reserves	<u>16,469</u>	<u>-</u>	<u>16,469</u>	<u>-</u>
Balance at 31 March	<u>22,766</u>	<u>3,429</u>	<u>22,028</u>	<u>2,736</u>

**ii) Designated Reserves**

**Group & Association:**

	<b>Charitable Fund</b>	<b>Cyclical Maintenance</b>	<b>Planned Maintenance</b>	<b>2012 Total</b>	<b>2011 Total</b>
Balance at 1 April	£000 9	£000 556	£000 15,904	£000 16,469	£000 14,649
Transfer to Revenue Reserves	(9)	(556)	(15,904)	(16,469)	(1,234)
Transfer from Revenue Reserves	-	-	-	-	<u>3,054</u>
Balance at 31 March	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,469</u>

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

**For the year ended 31 March 2012**

**9. Tangible fixed assets  
Group:**

i) Housing properties Cost	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 £000
At 1 April 2011	12,378	217	192,970	17,747	1,053	224,365
Prior Year Adjustment	-	-	(291)	-	-	(291)
At 1 April 2011 (As restated)	12,378	217	192,679	17,747	1,053	224,074
Additions during year	17	104	1,607	15,325	-	17,053
Disposals during year	(89)	-	(800)	-	-	(889)
Transfer to Income & Expenditure Account	-	-	(38)	(3)	-	(41)
Transfers	186	(195)	17,534	(17,525)	-	-
At 31 March 2012	<u>12,492</u>	<u>126</u>	<u>210,982</u>	<u>15,544</u>	<u>1,053</u>	<u>240,197</u>
<b>Depreciation</b>						
At 1 April 2011	-	-	2,748	-	-	2,748
Prior Year Adjustment	-	-	3,816	-	-	3,816
At 1 April 2011 (As restated)	-	-	6,564	-	-	6,564
Provided in year	-	-	1,006	-	-	1,006
Disposals in year	-	-	(120)	-	-	(120)
At 31 March 2012	-	-	<u>7,450</u>	-	-	<u>7,450</u>
<b>Net depreciated value</b>						
At 31 March 2012	<u>12,492</u>	<u>126</u>	<u>203,532</u>	<u>15,544</u>	<u>1,053</u>	<u>232,747</u>
At 31 March 2011 As restated	<u>12,378</u>	<u>217</u>	<u>186,115</u>	<u>17,747</u>	<u>1,053</u>	<u>217,510</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 as it did not relate to components.

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

**For the year ended 31 March 2012**

ii) Housing Association Grant and Other Capital Grants	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 Totals
Housing Association Grant						
At 1 April 2011	9,605	123	133,569	10,740	1,053	155,090
Prior Year Adjustment	-	-	(1,489)	-	-	(1,489)
At 1 April 2011 (As restated)	9,605	123	132,080	10,740	1,053	153,601
Received during year	-	71	28	8,447	-	8,546
Repayable during year	(110)	-	(558)	-	-	(668)
Transfers	147	(132)	10,200	(10,215)	-	-
At 31 March 2012	<u>9,642</u>	<u>62</u>	<u>141,750</u>	<u>8,972</u>	<u>1,053</u>	<u>161,479</u>
<b>Other Capital Grants</b>						
At 1 April 2011	-	-	5,516	2,184	-	7,700
Prior Year Adjustment	-	-	(332)	-	-	(332)
At 1 April 2011 (As restated)	-	-	5,184	2,184	-	7,368
Received during year	-	-	87	493	-	580
Repayable during year	-	-	(50)	-	-	(50)
Transfers	-	-	743	(743)	-	-
At 31 March 2012	<u>-</u>	<u>-</u>	<u>5,964</u>	<u>1,934</u>	<u>-</u>	<u>7,898</u>
<b>Net book value</b>						
At 31 March 2012	<u>2,850</u>	<u>64</u>	<u>55,818</u>	<u>4,638</u>	<u>-</u>	<u>63,370</u>
At 31 March 2011 (As restated)	<u>2,773</u>	<u>94</u>	<u>48,851</u>	<u>4,823</u>	<u>-</u>	<u>56,541</u>

Development administration costs capitalised amounted to £413,870 for which H:AG amounting to £255,994 was 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 2012**

**9. Tangible fixed assets (cont'd)  
Association:**

iii) Housing properties Cost	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 £000
At 1 April 2011	12,378	217	192,291	17,747	1,053	223,686
Prior Year Adjustment	-	-	(291)	-	-	(291)
At 1 April 2011 (As restated)	<u>12,378</u>	<u>217</u>	<u>192,000</u>	<u>17,747</u>	<u>1,053</u>	<u>223,395</u>
Additions in year	17	104	1,607	15,325	-	17,053
Disposal in year	(89)	-	(800)	-	-	(889)
Transfer to Income & Expenditure Account	-	-	(38)	(3)	-	(41)
Transfers	186	(195)	17,534	(17,525)	-	-
At 31 March 2012	<u>12,492</u>	<u>126</u>	<u>210,303</u>	<u>15,544</u>	<u>1,053</u>	<u>239,518</u>
<b>Depreciation</b>						
At 1 April 2011	-	-	2,744	-	-	2,744
Prior Year Adjustment	-	-	3,816	-	-	3,816
At 1 April 2011 (As restated)	<u>-</u>	<u>-</u>	<u>6,560</u>	<u>-</u>	<u>-</u>	<u>6,560</u>
Provided in year	-	-	997	-	-	997
Disposals in year	-	-	(120)	-	-	(120)
At 31 March 2012	<u>-</u>	<u>-</u>	<u>7,437</u>	<u>-</u>	<u>-</u>	<u>7,437</u>
<b>Net depreciated value</b>						
At 31 March 2012	<u>12,492</u>	<u>126</u>	<u>202,866</u>	<u>15,544</u>	<u>1,053</u>	<u>232,081</u>
At 31 March 2011 (as restated)	<u>12,378</u>	<u>217</u>	<u>185,438</u>	<u>17,747</u>	<u>1,053</u>	<u>216,833</u>

No interest was capitalised during the year.

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

**For the year ended 31 March 2012**

	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	
iv) Housing Association Grant and Other Capital Grants							
Housing Association Grant							
At 1 April 2011	9,605	123	133,569	10,740	1,053	£000	
Prior Year Adjustment	-	-	(1,489)	-	-	155,090	
At 1 April 2011 (As restated)	9,605	123	132,080	10,740	1,053	(1,489)	
Received during year	-	71	28	8,447	-	153,601	
Repayable during year	(110)	-	(558)	-	-	8,546	
Transfers	147	(132)	10,200	(10,215)	-	(668)	
At 31 March 2012	9,642	62	141,750	8,972	1,053	161,479	
Other Capital Grants							
At 1 April 2011	-	-	5,516	2,184	-	7,700	
Prior Year Adjustment	-	-	(332)	-	-	(332)	
At 1 April 2011 (As restated)	-	-	5,184	2,184	-	7,368	
Received during year	-	-	87	493	-	580	
Repayable during year	-	-	(50)	-	-	(50)	
Transfer to Stock & Work in Progress for Other RSLs (Note 9)	-	-	-	-	-	-	
Transfers	-	-	743	(743)	-	-	
At 31 March 2012	-	-	5,964	1,934	-	7,898	
Net book value							
At 31 March 2012	2,850	64	55,152	4,638	-	62,704	
At 31 March 2011 (as restated)	2,773	94	48,176	4,823	-	55,864	
Units in Management							
	Group 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 2011 – managed by the Group/Association	2,838	234	220	269	269	3,341	3,323
At 1 April 2011 – managed by Fairfield Housing Co-operative	29	-	-	11	11	40	40
<b>Total at 1 April 2011</b>	<u>2,867</u>	<u>234</u>	<u>220</u>	<u>280</u>	<u>280</u>	<u>3,381</u>	<u>3,363</u>
At 31 March 2012 – managed by the Association	3,012	223	209	268	268	3,503	3,485
At 31 March 2012 – managed by Fairfield Housing Co-operative	29	-	-	11	11	40	40
<b>Total at 31 March 2012</b>	<u>3,041</u>	<u>223</u>	<u>209</u>	<u>279</u>	<u>279</u>	<u>3,543</u>	<u>3,525</u>

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

**For the year ended 31 March 2012**

**9. Tangible fixed assets (Contd.)**

<b>(v) Fixed Asset Investments – Homestake &amp; Shared Equity Group and Association</b>	<b>Completed Properties £000</b>	<b>Properties In course of Construction £000</b>	<b>Total £000</b>
<b>Cost</b>			
As at 1 April	1,620	-	1,620
Additions during the year	-	194	194
Disposals during the year	<u>-</u>	<u>-</u>	<u>-</u>
As at 31 March	<u>1,620</u>	<u>194</u>	<u>1,814</u>
<b>Grant</b>			
As at 1 April	1,605	-	1,605
Received during the year	-	188	188
Repayable on disposal	<u>-</u>	<u>-</u>	<u>-</u>
As at 31 March	<u>1,605</u>	<u>188</u>	<u>1,793</u>
<b>Net Book Value</b>			
As at 31 March 2012	<u>15</u>	<u>6</u>	<u>21</u>
As at 31 March 2011	<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.

<b>(vi) Other fixed assets Group:</b>	<b>Heritable office Property £000</b>	<b>Furniture and equipment £000</b>	<b>Motor vehicles £000</b>	<b>Computer hardware and software £000</b>	<b>Total £000</b>
<b>Cost</b>					
At 1 April	1,396	446	382	891	3,115
Additions during year	<u>18</u>	<u>7</u>	<u>-</u>	<u>44</u>	<u>69</u>
As at 31 March	<u>1,414</u>	<u>453</u>	<u>382</u>	<u>935</u>	<u>3,184</u>
<b>Depreciation</b>					
At 1 April	296	306	221	758	1,581
Provided during year	<u>26</u>	<u>33</u>	<u>56</u>	<u>73</u>	<u>188</u>
At 31 March	<u>322</u>	<u>339</u>	<u>277</u>	<u>831</u>	<u>1,769</u>
<b>Net book value</b>					
At 31 March 2012	<u>1,092</u>	<u>114</u>	<u>105</u>	<u>104</u>	<u>1,415</u>
At 31 March 2011	<u>1,100</u>	<u>140</u>	<u>161</u>	<u>133</u>	<u>1,534</u>

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

**For the year ended 31 March 2012**

<b>(vii) Other fixed assets Association:</b>	<b>Heritable office Property £000</b>	<b>Furniture and equipment £000</b>	<b>Motor vehicles £000</b>	<b>Computer hardware and software £000</b>	<b>Total £000</b>
<b>Cost</b>					
At 1 April	1,396	444	382	891	3,113
Additions during year	<u>18</u>	<u>6</u>	<u>-</u>	<u>44</u>	<u>68</u>
As at 31 March	<u>1,414</u>	<u>450</u>	<u>382</u>	<u>935</u>	<u>3,181</u>
<b>Depreciation</b>					
At 1 April	296	306	221	758	1,581
Provided during year	<u>26</u>	<u>33</u>	<u>56</u>	<u>73</u>	<u>188</u>
At 31 March	<u>322</u>	<u>339</u>	<u>277</u>	<u>831</u>	<u>1,769</u>
<b>Net book value</b>					
At 31 March 2012	<u>1,092</u>	<u>111</u>	<u>105</u>	<u>104</u>	<u>1,412</u>
At 31 March 2011	<u>1,100</u>	<u>138</u>	<u>161</u>	<u>133</u>	<u>1,532</u>

	<b>2012 Group and Association £000</b>	<b>2011 Group and Association £000</b>
<b>10. Stocks and Work in Progress</b>		
Stock of Housing Properties	-	50
Work In Progress for other Registered Social Landlords (RSLs)	935	303
Stock of materials held by Maintenance Teams	<u>124</u>	<u>134</u>
	<u>1,059</u>	<u>487</u>
Note:		
Work In Progress for other RSLs at 1 April 2011	303	717
Net additions during the year – costs less applicable HAG	1,275	1,916
Net transfers to operating costs on disposals (Note 3 (ii))	<u>(643)</u>	<u>(2,330)</u>
Balance of Work In Progress for other RSLs at 31 March 2012	<u>935</u>	<u>303</u>

<b>11. Debtors</b>	<b>2012 Group £000</b>	<b>2012 Association £000</b>	<b>2011 Group £000</b>	<b>2011 Association £000</b>
Arrears of rent	553	551	559	557
less: Provision for bad debts	<u>(132)</u>	<u>(131)</u>	<u>(137)</u>	<u>(136)</u>
	421	420	422	421
Sundry debtors and prepayments	891	887	941	933
Interest Receivable	5	5	10	10
Car loans to employees	97	97	91	91
SHG in arrears	<u>1,098</u>	<u>1,098</u>	<u>1,274</u>	<u>1,274</u>
	<u>2,512</u>	<u>2,507</u>	<u>2,738</u>	<u>2,729</u>

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

**For the year ended 31 March 2012**

<b>12. Creditors: amounts falling due within one year</b>	<b>2012</b>		<b>2011</b>	
	<b>Group</b>	<b>Association</b>	<b>Group</b>	<b>Association</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Contractors for certified work	2,416	2,416	2,544	2,544
Trade creditors	574	574	582	582
Sundry creditors and accruals, including prepaid rent	1,158	1,149	1,503	1,493
Other Taxation & Social Security costs	153	138	159	144
Due to Kingdom Initiatives Limited		3		
Interest Payable accrual	110	110	109	109
Homestake cost accruals	124	124	124	124
HAG repayable	996	996	1,598	1,598
Other Housing Capital Funding in advance	-	-	313	313
Housing loans (Note 14)	<u>6,996</u>	<u>6,987</u>	<u>1,447</u>	<u>1,441</u>
	<u>12,527</u>	<u>12,497</u>	<u>8,379</u>	<u>8,348</u>

An amount of £NIL relating to unspent grants received from the Coal Board Regeneration Fund is included in Sundry creditors and accruals. (2011: £515 )

Housing loans include a revolving credit facility of £5m that was converted to a term loan on 14 June 2012 with a final repayment date of 11 January 2038.

<b>13. Creditors: amounts falling due after more than one year</b>	<b>2012</b>		<b>2011</b>	
	<b>Group</b>	<b>Association</b>	<b>Group</b>	<b>Association</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Housing loans (Note 14)	<u>43,670</u>	<u>43,527</u>	<u>40,224</u>	<u>40,069</u>

The current instalments due on the above loans are included in Note 12 above.

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

**For the year ended 31 March 2012**

	2012 Group £000	2012 Association £000	2011 Group £000	2011 Association £000
<b>14. Loans</b>				
<b>Housing loans</b>				
Loans secured by a charge on the Association's Housing, Land and Buildings and advanced by private lenders:	50,666	50,514	41,671	41,510
The loans are repayable by annual instalments of principal and interest, the last of which fall to be repaid on dates between 2020 and 2044: the loans bear interest at rates between 0.76% to 8.1% (2011 – 0.76% to 8.1%)				
	<u>50,666</u>	<u>50,514</u>	<u>41,671</u>	<u>41,510</u>
Repayable:				
Within one year (Note 12)	<u>6,996</u>	<u>6,987</u>	<u>1,447</u>	<u>1,441</u>
Between one & two years	1,993	1,986	3,529	3,516
Between two & five years	6,314	6,290	5,527	5,507
After more than five years	<u>35,363</u>	<u>35,251</u>	<u>31,168</u>	<u>31,046</u>
Amounts falling due after more than one year (Note 13)	<u>43,670</u>	<u>43,527</u>	<u>40,224</u>	<u>40,069</u>
	<u>50,666</u>	<u>50,514</u>	<u>41,671</u>	<u>41,510</u>
<b>15. Share Capital</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Group</b>	<b>Number</b>	<b>Number</b>	<b>£</b>	<b>£</b>
Shares of £1 each issued and fully paid:				
At 1 April	86	99	86	99
Issued during the year	7	3	7	3
Cancelled during the year	<u>(14)</u>	<u>(16)</u>	<u>(14)</u>	<u>(16)</u>
At 31 March	<u>79</u>	<u>86</u>	<u>79</u>	<u>86</u>
<b>Association</b>				
Shares of £1 each issued and fully paid:				
At 1 April	86	99	86	99
Issued during the year	7	3	7	3
Cancelled during the year	<u>(14)</u>	<u>(16)</u>	<u>(14)</u>	<u>(16)</u>
At 31 March	<u>79</u>	<u>86</u>	<u>79</u>	<u>86</u>
<b>16. Interest Payable and similar charges</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2011</b>
	<b>Group</b>	<b>Association</b>	<b>Group</b>	<b>Association</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Interest payable in the year has been charged as follows:				
Loan Interest	<u>1,608</u>	<u>1,606</u>	<u>1,471</u>	<u>1,470</u>

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

**For the year ended 31 March 2012**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
<b>17. Capital Commitments</b>		
Group and Association		
Housing Properties:		
Expenditure contracted less certified	<u>4,335</u>	<u>16,997</u>
<b>18. Employees</b>		
Group and Association		
i) Staff costs during year:		
Wages and salaries	6,344	6,193
Social security costs	423	438
Other pension costs	<u>666</u>	<u>475</u>
	<u>7,434</u>	<u>7,106</u>
ii) Staff numbers:		
	<b>No.</b>	<b>No.</b>
Average weekly number of employees (including relief staff working on an "as required" basis)	<u>335</u>	<u>335</u>
Number of employees as at 31 March		
Support & care staff	184	181
Administration staff	113	112
Maintenance staff	<u>21</u>	<u>22</u>
	<u>318</u>	<u>315</u>

As at 31 March 2012 the full time equivalent number of employees in post was 265 (2011 Association – 264).

Agency staff were employed during the year at a cost of £101,261 (2011: £13,497)

**19. Auditors' Remuneration**

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

	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2011</b>
	<b>Group</b>	<b>Association</b>	<b>Group</b>	<b>Association</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
External Auditors:				
Audit Services	22	19	16	11
Tax & Advisory Services	1	-	1	-
Internal Audit	<u>16</u>	<u>16</u>	<u>9</u>	<u>9</u>
	<u>39</u>	<u>35</u>	<u>26</u>	<u>20</u>

**20. Payments to Members and Committee Members**

No Member of the Association received any fee or remuneration during the year. Members of the Committee were reimbursed for out of pocket travel expenses amounting to £2,614 (2011: £1,946).

During the year 2 (2011: 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 2012**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
<b>21. Remuneration of Directors</b>		
The aggregate remuneration of 5 directors (2011 – 5) including benefits in kind was	<u>388</u>	<u>376</u>
The pension contributions of 5 directors were	<u>30</u>	<u>53</u>
Emoluments (excluding pension contributions) were paid in the following bandings:	<b>No.</b>	<b>No.</b>
£35,001 - £70,000	2	1
£70,001 - £80,000	1	2
£80,001 - £100,000	2	1

The total emoluments (excluding pension contributions) received by the highest paid director was £95,477 (2011: £93,771).

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 30. 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 9.6% (2011: 15.4%) and amounted to £9,099 (2011: £14,316).

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 2012 was £30,009 (2011: £28,313). The maximum balance outstanding during the year was £40,217 (2011: £37,759). 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.

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
<b>22. Reconciliation of operating surplus to net cash flow from operating activities - Group</b>		<b>(As restated)</b>
Operating surplus	4,349	3,455
Depreciation charges	1,194	986
Depreciation – loss on disposal of components	74	-
Transfer from Housing Properties to Income & Expenditure Account	41	-
(Decrease)/increase in creditors	(365)	382
Decrease/(Increase) in debtors	45	(92)
(Increase)/decrease in Stocks and Work in Progress	<u>(572)</u>	<u>617</u>
Net cash inflow from operating activities	<u>4,766</u>	<u>5,348</u>
<b>23. Reconciliation of net cashflow to movement in net debt – Group</b>		
Increase/ (decrease) in cash in the period	3,400	(2,315)
Loans repaid	1,355	1,295
Cash received from new loans	<u>(10,350)</u>	<u>(2,000)</u>
Change in net debt	(5,595)	(3,020)
Net debt - opening	<u>(34,485)</u>	<u>(31,465)</u>
Net debt at 31 March	<u>(40,080)</u>	<u>(34,485)</u>



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

**For the year ended 31 March 2012**

**24. Gross cash flows - Group**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
		<b>As restated</b>
a) Returns on investments and servicing of finance		
Interest received	37	55
Interest paid	<u>(1,607)</u>	<u>(1,628)</u>
	<u>(1,570)</u>	<u>(1,573)</u>
b) Capital expenditure		
Payments to acquire tangible fixed assets	(17,444)	(19,816)
Receipts of housing grants	8,465	12,699
Receipts from sales of housing	<u>199</u>	<u>338</u>
	<u>(8,780)</u>	<u>(6,779)</u>
c) Financing		
Housing loans received	10,350	2,000
Housing loans repaid	<u>(1,355)</u>	<u>(1,295)</u>
Net cash inflow from financing	<u>8,995</u>	<u>705</u>

**25. Analysis of changes in net debt - Group**

	<b>At 1 April 2011 £000</b>	<b>Cash flows £000</b>	<b>Other Changes £000</b>	<b>At 31 March 2012 £000</b>
Cash in hand and at bank	7,186	3,400	-	10,586
Debt due within 1 year	(1,448)	(3,645)	(1,903)	(6,996)
Debt due between 1 and 2 years	(3,528)	-	(571)	(4,099)
Debt due between 2 and 5 years	(5,525)	-	(797)	(6,322)
Debt due after more than 5 years	<u>(31,170)</u>	<u>(5,350)</u>	<u>3,271</u>	<u>(33,249)</u>
Total	<u>(34,485)</u>	<u>(5,595)</u>	<u>-</u>	<u>(40,080)</u>

**26. Reconciliation of operating surplus to net cash flow from  
operating activities - Association**

	<b>2012 £000</b>	<b>2011 £000</b>
		<b>As restated</b>
Operating surplus	4,288	3,412
Depreciation charges	1,185	982
Depreciation – loss on disposal of components	74	-
Transfer from Housing Properties to Income & Expenditure Account	41	-
(Decrease)/increase in creditors	(357)	381
Decrease/(increase) in debtors	41	(89)
(Increase)/decrease in Stocks and Work in Progress	<u>(572)</u>	<u>617</u>
Net cash inflow from operating activities	<u>4,700</u>	<u>5,303</u>

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

**For the year ended 31 March 2012**

**27. Reconciliation of net cashflow to movement in net debt –  
Association**

Increase/ (decrease) in cash in the period	3,356	(2,336)
Loans repaid	1,346	1,288
Cash received from new loans	<u>(10,350)</u>	<u>(2,000)</u>
Change in net debt	(5,648)	(3,048)
Net debt at 1 April	<u>(34,517)</u>	<u>(31,469)</u>
Net debt at 31 March	<u>(40,165)</u>	<u>(34,517)</u>

**28. Gross cash flows - Association**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
		<b>As restated</b>
a) Returns on investments and servicing of finance		
Interest received	36	55
Interest paid	<u>(1,605)</u>	<u>(1,627)</u>
	<u>(1,569)</u>	<u>(1,572)</u>
b) Capital expenditure		
Payments to acquire tangible fixed assets	(17,443)	(19,815)
Receipts of housing grants	8,465	12,699
Receipts from sales of housing	<u>199</u>	<u>338</u>
	<u>(8,779)</u>	<u>(6,778)</u>
c) Financing		
Housing loans received	10,350	2,000
Housing loans repaid	<u>(1,346)</u>	<u>(1,288)</u>
Net cash inflow from financing	<u>9,004</u>	<u>712</u>

**29. Analysis of changes in net debt - Association**

	<b>At</b>	<b>Cash</b>	<b>Other</b>	<b>At 31 March</b>
	<b>1 April 2011</b>	<b>flows</b>	<b>Changes</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash in hand and at bank	6,993	3,356	-	10,349
Debt due within 1 year	(1,441)	(3,654)	(1,892)	(6,987)
Debt due between 1 and 2 years	(3,516)	-	(568)	(4,084)
Debt due between 2 and 5 years	(5,507)	-	(790)	(6,297)
Debt due after more than 5 years	<u>(31,046)</u>	<u>(5,350)</u>	<u>3,250</u>	<u>(33,146)</u>
Total	<u>(34,517)</u>	<u>(5,648)</u>	<u>(-)</u>	<u>(40,165)</u>

**30. 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

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

### **For the year ended 31 March 2012**

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

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

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

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

The annual cost of the Association's contributions to the Scheme is £666,000.

The Association has been notified of the amount to be paid for the past service pension deficit being £31,000 per month.

#### **Employer Debt**

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

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

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 Scheme based on its financial position as at 30 September 2011. As of this date the estimated employer debt for the Association was £16,057,453.

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

### **For the year ended 31 March 2012**

#### **30. Pension Obligations (cont'd)**

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

###### **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.

A valuation was carried out as at 30 September 2011. At this date the assets of the Plan on the Technical Provisions valuation basis amounted to £780.3m and liabilities amounted to £927.9m, resulting in a deficit of £147.6m and a funding level of 84.1%.

The Association does not make any contributions to the Plan.

###### **Legislation Changes**

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

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

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

The Association has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2011 and updated at 31 March 2012. As of this date the estimated employer debt for was £12,124. Since the Balance Sheet date the Association paid an amount of £8,576 to buy out its liability as there were no longer has any participating employees in the Plan.

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

**For the year ended 31 March 2012**

**31. Financial Commitments**

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

	<b>Offices, Works Depot £000</b>
<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>

**32. 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 £16,057,453 (Note 30(a)). At the present time the Association has no intention of leaving the Scheme. A further amount of employer debt has been calculated as £12,124 under The Pensions Trust's Growth Plan (Note 30(b)). This amount of employer debt will crystallise in 2012 as the Association no longer has any participating employees in the Plan.

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.

The disposal of properties for which Housing Association Grant (HAG) has been received may result in the HAG becoming repayable.

Following the introduction of Component Accounting HAG is now attributed to individual housing property components. When these components are replaced the HAG is written off to Income & Expenditure Account. This HAG which may become repayable on the disposal of the relevant properties is £608,000 for 2012 and £1,021,000 cumulatively.

**33. Related Party Transactions**

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 KIL for purchases, reinvoyed charges and management services provided by the Association amounting to £17,485 (2011: £10,164). KIL issued invoices to the Association for purchases and reinvoyed charges totaling £20,514 (2011: £12,347).

The balance due by the Association to KIL as at 31 March 2012 was £3,463. The balance due to the Association from KIL as at 31 March 2011 was £260.