

Kingdom Housing Association Limited - Consolidated

Report & Accounts

For the year ended 31 March 2013

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

KINGDOM HOUSING ASSOCIATION LIMITED -CONSOLIDATED

REPORT and ACCOUNTS

For the year ended 31 March 2013

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KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED

MANAGEMENT COMMITTEE, EXECUTIVE and ADVISERS

Management Committee	Charles Milne	(Chairperson)
	Laurie Naumann	(Vice Chairperson)
	Janet Cheetham	
	Thomas Condie	(Tenant Member)
	Ian Donaldson	(Resigned December 2012)
	Loretta Mordi	(Sharing Owner Member)
	Douglas Murray	
	Vincent O'Hara	(Tenant Member)
	Liz Pow	
Keith Haig	(Co-opted November 2012)	
Louise Poole	(Co-opted June 2013)	
Executive	Alan McGuckin	(Chief Executive) (Secretary)
Registered Office	Saltire Centre Pentland Court Glenrothes KY6 2DA	
Registration Numbers	Industrial & Provident Societies Act 1965 Reg. No. 1981 R(S) Scottish Housing Regulator Reg. No. HEP 142 Scottish Charity No SC000874	
Independent Auditors	Baker Tilly UK Audit LLP First Floor, Quay 2 139 Fountainbridge Edinburgh EH3 9QG	
Solicitors	Baird & 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	
Principal Banker	Bank of Scotland 67 Bank Street Lochgelly KY5 9QN	

KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED REPORT of the MANAGEMENT COMMITTEE

For the year ended 31 March 2013

The Management Committee (the Committee) presents its report and consolidated accounts for the year ended 31 March 2013.

Legal Status

Kingdom Housing Association Limited (the Association), is incorporated in Scotland and registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies and Credit Unions 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 2013.

Principal activities

The principal activities of the Association are to develop 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, including 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 mid-market 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 2013

Housing Management & Housing Stock

At the year end the Group had a total of 3,525 (2012: 3,435) properties under management, comprising 3,264 (2012: 3,156) properties for rent and 279 (2012: 279) for shared ownership. There were 16 (2012: 23) rented properties void at 31 March 2013. The Association also had a further 32 properties let at mid-market rent through KIL.

During the year the number of relets amounted to 272, representing around 8.3% of the total rented stock and taking an average of 26 days for each change of tenancy. The Association also brought 104 new properties into management. A total of 123 properties were allocated to statutory homeless people.

The Association applied a rent increase of 4.0% from 1 April 2012 and will increase its rents by 4.2% from 1 April 2013. The Association's aim is to restrict annual rent increases to annual inflation as measured by the Retail Price Index (RPI) plus 1%. The annual rate of inflation as measured by RPI at the end of October 2011, for the 2012 review, was 5.4% and was 3.2% at the end of October 2012 for the 2013 review.

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 2013 153 properties did not meet the SHQS requirements (2012: 260), mainly due to the need to improve energy efficiency in 152 properties and provide modern facilities and services in the remaining 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 2012/13 the Alliance completed 213 properties and was on site with a further 92 units, on 5 different sites. There are also approved tenders from the Scottish Government to start on site during 2013/14 with a further 62 new units.

The FHAA capital investment in housing properties for the year ended 31 March 2013 was £17.8m and was funded in part by way of £6.8m 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 has had a serious effect on the Association's grant-funded capital programme. From 2012/13 the development programme is managed through the Strategic Local Programme, which is a 3 year programme covering the period 2012/13 – 2014/15. The actual scale of the future development programme will depend on the annual allocations during this three year period, 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 £2.6m 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 £625,000. This will ensure that the stock is well maintained and extend the life of the properties.

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 2013 a deficit of £67,000 was created (2012: deficit £181,000), including an apportionment of overheads. The Association reviewed the amount of overheads apportioned to this activity and concluded that a reduction was appropriate and this has resulted in a lower level of deficit in 2013. The Association will be reviewing the direct costs of providing this service during 2013 to ensure that a satisfactory level of contribution (i.e. income less direct costs) to overheads can be created to maintain the financial viability of this service.

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
REPORT of the MANAGEMENT COMMITTEE (Cont'd)
For the year ended 31 March 2013**

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 wider role 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 2013 the Association had 45% (2012: 59%) of its loan portfolio at fixed rates of interest. The Treasury Management Policy allows a maximum of 75% and a minimum of 45% 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 2013 was 223% (2012: 249%), 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 all of the loan finance available. Therefore, further loan facilities will be sought during the latter part of 2013 and early 2014 to ensure that sufficient funding is available to take forward the planned development programme.

Income & Expenditure

The Group turnover was £19,705,000 offset by operating costs of £14,874,000, creating an operating surplus of £4,831,000. After taking account of interest payable of £1,526,000, interest receivable and the gain on sale of fixed assets, the surplus for the year before taxation amounted to £3,370,000 (2012: £2,868,000).

A separate income and expenditure account is presented for the Association at page 12.

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

	31.03.13	31.03.12
	£000	£000
Housing Management	4,842	4,867
Support & Care	-	(181)
Development, including transactions with FHAA members and Sharing Owners	(182)	(415)
Community Initiatives	(35)	(50)
Other	<u>206</u>	<u>128</u>
Operating Surplus	<u>4,831</u>	<u>4,349</u>

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
REPORT of the MANAGEMENT COMMITTEE (Cont'd)
For the year ended 31 March 2013**

The Environment & Sustainability

The Scottish Government is committed to sustainable development and reducing the impact of climate change. The Group endeavors 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 around £1m in renewables technologies as part of the new build and existing stock improvement programmes. Kingdom has been recognised through various Awards for the environmental and sustainability work it has progressed.

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 2013	Target to 31 March 2013	Actual to 31 March 2012
Void loss	0.70%	0.75%	0.64%
Non-technical arrears – current tenants	2.49%	2.25%	2.28%
Average re-let times	26 days	29 days	26 days
% Staff costs: Turnover (excluding Developments for Sale)	43.4%	44.5%	44.7%
Sickness absence	5.1%	5.2%	5.2%
Management & Maintenance Administration costs per unit	£980	£924	£805
Routine Maintenance costs per unit	£609	£599	£577
% properties meeting SHQS requirements	95.7%	96.1%	91.8%
Emergency repairs completed within target response time	97.3%	100.0%	97.9%

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 remained to be brought up to SHQS standard was 137, as compared to the actual number of 153. This difference is mainly due to difficulties in gaining access to some properties requiring additional insulation and some delays caused by appraisal of options to improve energy efficiency. However, this will not have any impact on the completion of all works within the prescribed timescales set out in the legislation.

Financial Review & Going Concern

At the year end the Group's reserves amounted to £26.1m (Association: £25.4m).

During the year the Group created a surplus of £3,370,000 (Association: £3,398,000).

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. The Association is presently discussing terms and conditions for new loan facilities with various lenders.

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

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
REPORT of the MANAGEMENT COMMITTEE (Cont'd)
For the year ended 31 March 2013**

Reserves

The Group revenue reserves represent the accumulated surpluses of the Association and the post acquisition reserves of its subsidiary, KIL.

Although there are now no reserves designated for future planned maintenance programmes, 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.

During the year an amount of £6,667,000 has been transferred from revenue reserves to a new designated reserve for the past service deficit on the Scottish Housing Association Pension Scheme (SHAPS). These funds will be held to provide for the future liability.

Staffing

At 31 March 2013 the staffing establishment comprised 273 (2012: 265) 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 2013 the Committee approved an amount of £7,500 (2012: £7,500) for charitable causes, of which £4,928 (2012: £2,797) was distributed.

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
REPORT of the MANAGEMENT COMMITTEE (Cont'd)
For the year ended 31 March 2013**

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 and. 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, the deficit in the Scottish Housing Associations' Pension Scheme, welfare reform and high inflation. The Group will endeavor 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 and a review of its cost base.

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 Strategy, 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 set out in legislation. The cost of these repairs is either capitalised 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, or charged to the Income and Expenditure Account if the expenditure does not meet the definition of a component.

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 153 properties, approximately 4.3% of the rented stock, require works, mainly relating to energy efficiency improvements and the provision of modern facilities and services.

• **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 2013**

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.

The Association is facing a number of significant challenges, among them, cuts in public funding, welfare reform and an increasing deficit in the Scottish Housing Associations' Pension Scheme (SHAPS), of which the Association is a member. Therefore, the Committee will consider options to reduce costs to offset some of the financial pressure from expected increases in pension contributions and also look for opportunities for expansion through new business initiatives.

The Association will seek to maximise the development of new properties within the constraints set by low levels of subsidy and a level of borrowing that can be serviced in accordance with the various conditions set by its lenders.

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.

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
REPORT of the MANAGEMENT COMMITTEE (Cont'd)
For the year ended 31 March 2013**

Statement as to the disclosure of information to auditors

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

Auditors

In accordance with the Companies Act 2006, a resolution for the reappointment of Baker Tilly, UK Audit LLP, as auditors, will be proposed at the Annual General Meeting.

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
19 August 2013

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 2013 (the "financial statements") on pages 11 to 41. 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 is 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 [http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-\(issued-1-December-2010\).aspx](http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx)

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 2013 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, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – April 2012.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the 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: *29 August 2013*

KINGDOM HOUSING ASSOCIATION LIMITED
CONSOLIDATED INCOME and EXPENDITURE ACCOUNT

For the year ended 31 March 2013

	Notes	2013	2012
		£000	£000
Turnover	2	19,705	17,332
less: Operating costs	2	<u>(14,874)</u>	<u>(12,983)</u>
Operating surplus		4,831	4,349
Gain on sale of housing properties	4	36	110
Gain on sale of other fixed assets		3	-
Interest receivable and similar income		45	32
Interest payable and similar charges	14	<u>(1,526)</u>	<u>(1,608)</u>
Surplus on ordinary activities before taxation		3,389	2,883
Taxation	5	<u>(19)</u>	<u>(15)</u>
Surplus for the year	6	<u>3,370</u>	<u>2,868</u>

The notes on pages 16 to 41 form part of these accounts.

The results relate wholly to continuing operations.

There were no unrecognised surpluses or deficits in the current year other than those included in the income and expenditure account.

KINGDOM HOUSING ASSOCIATION LIMITED
HOUSING ASSOCIATION INCOME and EXPENDITURE ACCOUNT

For the year ended 31 March 2013

	Notes	2013	2012
		£000	£000
Turnover	2	19,703	17,262
less: Operating costs	2	<u>(14,864)</u>	<u>(12,974)</u>
Operating surplus		4,839	4,288
Gain on sale of housing properties	4	36	110
Gain on sale of other fixed assets		3	-
Interest receivable and similar income		44	31
Interest payable and similar charges	14	<u>(1,524)</u>	<u>(1,606)</u>
Surplus/(Deficit) on ordinary activities before taxation		3,398	2,823
Taxation	5	<u>-</u>	<u>-</u>
Surplus/(Deficit) for the year	6	<u>3,398</u>	<u>2,823</u>

The notes on pages 16 to 41 form part of these accounts.

The results relate wholly to continuing operations.


There were no unrecognised surpluses or deficits in the current year other than those included in the income and expenditure account.


**KINGDOM HOUSING ASSOCIATION LIMITED
CONSOLIDATED BALANCE SHEET**

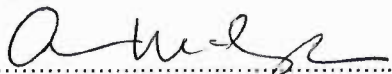
As at 31 March 2013

	Notes	2013 Group £000	2013 Association £000	2012 Group £000	2012 Association £000
Tangible fixed assets					
Housing properties - depreciated cost	7	247,435	246,782	232,747	232,081
Housing Association Grants	7	(167,158)	(167,158)	(161,479)	(161,479)
Other capital grants	7	<u>(8,612)</u>	<u>(8,612)</u>	<u>(7,898)</u>	<u>(7,898)</u>
	7	71,665	71,012	63,370	62,704
Fixed Asset Investments					
Homestake Costs		1,943	1,943	1,814	1,814
Homestake Grant		<u>(1,935)</u>	<u>(1,935)</u>	<u>(1,793)</u>	<u>(1,793)</u>
		8	8	21	21
Other fixed assets	7	<u>1,467</u>	<u>1,464</u>	<u>1,415</u>	<u>1,412</u>
Total assets		73,130	72,484	64,806	64,137
Current assets					
Stock and Work in Progress	8	621	621	1,059	1,059
Debtors	9	3,766	3,870	2,515	2,507
Cash at bank		<u>15,025</u>	<u>14,681</u>	<u>10,586</u>	<u>10,349</u>
		19,411	19,172	14,160	13,915
Creditors: amounts falling due within one year	10	<u>(7,582)</u>	<u>(7,529)</u>	<u>(12,530)</u>	<u>(12,497)</u>
Net current assets		<u>11,829</u>	<u>11,643</u>	<u>1,630</u>	<u>1,418</u>
Total assets less current liabilities		84,969	84,127	66,436	65,555
Creditors: amounts falling due after more than one year	11,12	<u>(58,833)</u>	<u>(58,701)</u>	<u>(43,670)</u>	<u>(43,527)</u>
Net assets		<u>26,136</u>	<u>25,426</u>	<u>22,766</u>	<u>22,028</u>
Capital and reserves					
Share capital	13	-	-	-	-
Designated Reserves	6	6,667	6,667	-	-
Revenue reserves	6	<u>19,469</u>	<u>18,759</u>	<u>22,766</u>	<u>22,028</u>
		<u>26,136</u>	<u>25,426</u>	<u>22,766</u>	<u>22,028</u>

Approved by the Management Committee on 19 August 2013 and signed on its behalf and authorised for issue by:

.....  **Charles Milne, Committee Member**

.....  **Keith Haig, Committee Member**

.....  **Alan McGuckin, Secretary**

The notes on pages 16 to 41 form part of these accounts.

KINGDOM HOUSING ASSOCIATION LIMITED
CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2013

	Notes	2013 £000	2012 £000
Net cash inflow from operating activities	20	6,714	4,766
Returns on investments and servicing of finance	22(a)	(1,444)	(1,570)
Taxation	5	(19)	(11)
Capital expenditure	22(b)	<u>(11,281)</u>	<u>(8,780)</u>
Cash (outflow) before financing		(6,030)	(5,595)
Financing	22(c)	<u>10,468</u>	<u>8,995</u>
Increase/(decrease) in cash	21	<u>4,438</u>	<u>3,400</u>

The notes on pages 16 to 41 form part of these accounts.

KINGDOM HOUSING ASSOCIATION LIMITED
HOUSING ASSOCIATION CASH FLOW STATEMENT

For the year ended 31 March 2013

	Notes	2013 £000	2012 £000
Net cash inflow from operating activities	24	6,578	4,700
Returns on investments and servicing of finance	26(a)	(1,443)	(1,569)
Capital expenditure	26(b)	<u>(11,281)</u>	<u>(8,779)</u>
Cash (outflow) before financing		(6,146)	(5,648)
Financing	26(c)	<u>10,478</u>	<u>9,004</u>
Increase in cash	25	<u>4,332</u>	<u>3,356</u>

The notes on pages 16 to 41 form part of these accounts.

KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES to the CONSOLIDATED ACCOUNTS
For the year ended 31 March 2013

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

1. Accounting Policies

The principal accounting policies of the Association are set out in paragraphs (a) to (w) 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 Determination of Accounting Requirements April 2012 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 using assumptions that are considered appropriate and this demonstrates that no provision for impairment is required. The assumptions used for the long terms plans include the need for further loan finance to ensure delivery of the Association's planned development programme. The Association is presently discussing terms and conditions for new loan facilities with various lenders.

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.

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

Planned maintenance expenditure is 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.

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

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

For the year ended 31 March 2013

1. Accounting Policies (Contd.)

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 10) and allowances receivable are shown as HAG receivable in debtors (Note 9).

HAG is repayable under certain circumstances, primarily following the sale of a property but will normally be restricted to the net proceeds of sale. A contingent liability note has been included at note 30 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 10).

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

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

For the year ended 31 March 2013

1. Accounting Policies (Contd.)

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

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 2013

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 7v). 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
Roofs	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 (Note 28)

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 2013

1. Accounting Policies (Contd.)

q) Designated Reserve for Past Service Pension Deficits (Note 6)

During the year an amount of £6,667,000 was transferred from revenue reserves to a new designated reserve for the past service deficit on the Scottish Housing Association Pension Scheme (SHAPS). These funds will be held to provide for the future liability.

r) 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.

s) Leases

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

t) 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.

u) 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 2013

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

i) By Class of Business - Group:

	Turnover	Operating Costs	Operating Surplus/(Deficit)	2012 Operating Surplus/(Deficit)
	£000	£000	£000	£000
Social lettings (Note 3 (i))	12,654	7,812	4,842	4,867
Other activities (Note 3 (iii))	<u>7,051</u>	<u>7,062</u>	<u>(11)</u>	<u>(518)</u>
Total	<u>19,705</u>	<u>14,874</u>	<u>4,831</u>	<u>4,349</u>
2012	<u>17,332</u>	<u>12,983</u>	<u>4,349</u>	

ii) By Class of Business - Association:

	Turnover	Operating Costs	Operating Surplus/(Deficit)	2012
	£000	£000	£000	£000
Social lettings (Note 3 (ii))	12,472	7,802	4,670	3,995
Other activities (Note 3 (iv))	<u>7,231</u>	<u>7,062</u>	<u>169</u>	<u>(583)</u>
Total	<u>19,703</u>	<u>14,864</u>	<u>4,839</u>	<u>3,412</u>
2012	<u>17,262</u>	<u>12,974</u>	<u>4,288</u>	

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

i) Social Letting Activities – Group

	General Needs Housing	Supported Housing Accommodation	Shared Ownership Housing	2013 Total	2012 Total
	£000	£000	£000	£000	£000
Turnover					
Rent receivable net of service charges	10,819	777	550	12,146	11,117
Service charges	<u>478</u>	<u>51</u>	<u>64</u>	<u>593</u>	<u>584</u>
Gross income from rents & service charges	11,297	828	614	12,739	11,701
Less voids	<u>(78)</u>	<u>(7)</u>	-	<u>(85)</u>	<u>(77)</u>
Net income from rents & service charges and Total turnover from social letting activities	<u>11,219</u>	<u>821</u>	<u>614</u>	<u>12,654</u>	<u>11,624</u>

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

For the year ended 31 March 2013

i) Social Letting Activities - Group	General Needs Housing £000	Supported Housing Accommodation £000	Shared Ownership Housing £000	2013 Total £000	2012 Total £000
Operating Costs					
Management & maintenance administration costs	3,070	84	273	3,427	2,767
Service costs	475	13	41	529	508
Planned & cyclical maintenance including major repairs costs	585	11	-	596	323
Reactive maintenance costs	1,951	53	-	2,004	1,991
Bad debts – rents & service charges	206	2	-	208	87
Depreciation of social housing	1,022	25	-	1,047	1,007
Depreciation of social housing – loss on disposal of components	1	-	-	1	74
Operating costs for social letting activities	<u>7,310</u>	<u>188</u>	<u>314</u>	<u>7,812</u>	<u>6,757</u>
Operating surplus/(deficit) for social letting activities	3,909	633	300	<u>4,842</u>	<u>4,867</u>
2012 Operating surplus for social letting activities (As restated)	<u>4,243</u>	<u>276</u>	<u>348</u>	<u>4,867</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	2013 Total £000	2012 Total £000
Turnover					
Rent receivable net of service charges	10,644	777	550	11,971	11,040
Service charges	471	51	64	586	577
Gross income from rents & service charges	<u>11,115</u>	<u>828</u>	<u>614</u>	<u>12,557</u>	<u>11,617</u>
Less voids	(78)	(7)	(-)	(85)	(73)
Net income from rents & service charges and total turnover from social letting activities	<u>11,037</u>	<u>821</u>	<u>614</u>	<u>12,472</u>	<u>11,544</u>
Operating Costs					
Management & maintenance administration costs	3,085	84	273	3,442	2,777
Service costs	469	13	41	523	502
Planned & cyclical maintenance including major repairs costs	585	11	-	596	322
Reactive maintenance costs	1,942	53	-	1,995	1,989
Bad debts – rents & service charges	206	2	-	208	87
Depreciation of social housing	1,012	25	-	1,037	997
Depreciation of social housing – loss on disposal of components	1	-	-	1	74
Operating costs for social letting activities	<u>7,300</u>	<u>188</u>	<u>314</u>	<u>7,802</u>	<u>6,748</u>
Operating surplus for social letting activities	3,737	633	300	<u>4,670</u>	<u>4,796</u>
2012 Operating surplus for social letting activities	<u>4,172</u>	<u>276</u>	<u>348</u>	<u>4,796</u>	

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

For the year ended 31 March 2013

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	2013 Total Turnover	2012 Total Turnover
	£000	£000	£000	£000	£000	£000
Turnover						
Wider Role activities undertaken to support the community	33	-	-	-	33	69
Care and repair of property	-	277	-	-	277	250
Development and construction of property activities	-	-	-	-	-	-
Support activities	-	-	3,175	-	3,175	3,109
Care activities	-	-	-	947	947	1,069
Other agency/ management services	-	-	-	12	12	85
Developments for sale to registered social landlords	-	-	-	2,085	2,085	643
Developments and improvements for sale, (including first tranche shared ownership sales)	-	-	-	28	28	89
Other activities	-	28	-	466	494	394
	<u>33</u>	<u>305</u>	<u>3,175</u>	<u>3,538</u>	<u>7,051</u>	<u>5,708</u>
					2013	2012
		Total Turnover	Operating Costs – Bad Debts	Other Operating Costs	Operating Surplus/ (Deficit)	Operating Surplus/ (Deficit)
		£000	£000	£000	£000	£000
Wider Role activities undertaken to support the community		33	-	125	(92)	(56)
Care and repair of property		277	-	287	(10)	6
Development and construction of property activities		-	-	279	(279)	(417)
Support activities		3,175	-	3,175	-	(116)
Care activities		947	-	947	-	(65)
Other agency/ management services		12	-	-	12	85
Developments for sale to registered social landlords (Note 9)		2,085	-	1,992	93	-
Developments and improvements for sale, (including first tranche shared ownership sales)		28	-	24	4	2
Other activities		494	-	233	261	43
Operating surplus/ (deficit)		<u>7,051</u>	<u>-</u>	<u>7,062</u>	<u>(11)</u>	<u>(518)</u>
2012		<u>5,708</u>	<u>-</u>	<u>6,226</u>	<u>(518)</u>	

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

For the year ended 31 March 2013

iv) Other Activities - Association	Grants from Scottish Ministers £000	Other Revenue Grants £000	Supporting People Income £000	Other Income £000	2013 Total Turnover £000	2012 £000
Turnover	33	-	-	-	33	69
Wider Role activities undertaken to support the community	-	277	-	-	277	250
Care and repair of property	-	-	-	-	-	-
Development and construction of property activities	-	-	3,175	-	3,175	3,109
Support activities	-	-	-	947	947	1,069
Care activities	-	-	-	12	12	85
Other agency/ management services	-	-	-	2,085	2,085	643
Developments for sale to registered social landlords	-	-	-	28	28	89
Developments and improvements for sale, (including first tranche shared ownership sales) to non registered social landlords	-	-	-	76	76	-
Mid Market Rent Received	-	28	-	570	598	404
Other activities	-	-	-	-	-	-
	33	305	3,175	3,718	7,231	5,718
Operating surplus/(deficit)		Total Turnover £000	Operating Costs - Bad Debts £000	Other Operating Costs £000	2013 Operating Surplus/ (Deficit) £000	2012 £000
Wider Role activities undertaken to support the community		33	-	125	(92)	(56)
Care and repair of property		277	-	287	(10)	6
Development and construction of property activities		-	-	279	(279)	(417)
Support activities		3,175	-	3,175	-	(116)
Care activities		947	-	947	-	(65)
Other agency/ management services		12	-	-	12	85
Developments for sale to registered social landlords (Note 8)		2,085	-	1,992	93	-
Developments and improvements for sale, (including first tranche shared ownership sales) to non registered social landlords		28	-	24	4	2
Mid Market Rent Received		76	-	-	76	-
Other activities		598	-	233	365	53
Operating surplus/ (deficit)		7,231	-	7,062	169	(508)
2012		5,718	-	6,226	(508)	

In 2013, Other Activities relate mainly to Community Initiatives and include turnover of £276,037 (2012: £322,482) and costs of £265,065 (2012: £322,482) in respect of Fife Works.

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

For the year ended 31 March 2013

4. Surplus on Sale of Housing Properties

	Group & Association 2013	Group & Association 2012
	£000	£000
Sale proceeds	80	192
Cost of properties	(41)	(88)
Expenses on disposal of properties	(3)	(9)
Hag abatement	<u>-</u>	<u>15</u>
	<u>36</u>	<u>110</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.

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

For the year ended 31 March 2013

5. 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.

	2013 Group	2013 Association	2012 Group	2012 Association
Current tax charge on income for the year on surplus on ordinary activities	£000	£000	£000	£000
	—	—	15	—

Corporation tax calculated at 20% (2012: 20%)

Reconciliation:

Group profit on ordinary activities before tax	2,868
Non-taxable profits relating to Association	(2,823)
Non-taxable donation	—
Taxable profit on ordinary activities	45

Profit on ordinary activities multiplied by the small company CT rate of 20% (2012: 20%)

Effects of:	9
-------------	---

Depreciation in excess of Capital Allowances

	6
	15

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

For the year ended 31 March 2013

6. Revenue Reserves

i) Group and Association

	Group		Association	
	2013	2012	2013	2012
	Total	Total	Total	Total
	£000	£000	£000	£000
Balance at 1 April as originally reported	22,766	5,715	22,028	5,022
Prior year adjustment (Note 7)	-	(2,286)	-	(2,286)
2012	22,766	3,429	22,028	2,736
Surplus for year	3,370	2,868	3,398	2,823
Transfer to Revenue Reserves	-	-	-	-
Transfer from Designated Reserves	-	16,469	-	-
Transfer from Designated Reserves	(6,667)	-	(6,667)	16,469
Balance at 31 March	<u>19,469</u>	<u>22,766</u>	<u>18,759</u>	<u>22,028</u>

ii) Designated Reserves

Pension Fund

	2013	2012
	£000	£000
Balance at 1 April	-	16,469
Transfer to Revenue Reserves	-	(16,469)
Transfer from Revenue Reserves	<u>6,667</u>	-
Balance at 31 March	<u>6,667</u>	-

Previously designated reserves were held for the charitable fund, cyclical maintenance and planned maintenance, however these were released to the revenue reserve in 2012.

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

For the year ended 31 March 2013

**7. 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 2012	12,492	126	210,982	15,544	1,053	240,197
Additions during year	-	867	316	14,684	-	15,867
Disposals during year	(41)	-	(87)	-	-	(128)
Transfer to Income & Expenditure Account	-	-	-	-	-	-
Transfers	<u>870</u>	<u>(926)</u>	<u>20,810</u>	<u>(20,753)</u>	<u>-</u>	<u>-</u>
At 31 March 2013	<u>13,321</u>	<u>67</u>	<u>232,021</u>	<u>9,475</u>	<u>1,053</u>	<u>255,936</u>
Depreciation						
At 1 April 2012	-	-	7,450	-	-	7,450
Provided in year	-	-	1,071	-	-	1,071
Disposals in year	-	-	(20)	-	-	(20)
At 31 March 2013	<u>-</u>	<u>-</u>	<u>8,501</u>	<u>-</u>	<u>-</u>	<u>8,501</u>
Net depreciated value						
At 31 March 2013	<u>13,321</u>	<u>67</u>	<u>223,520</u>	<u>9,475</u>	<u>1,053</u>	<u>247,435</u>
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>

No interest was capitalised during the year.

Major repairs expenditure of £485,299, including £62,416 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 2013

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 2012	9,642	62	141,750	8,972	1,053	161,479
Received during year	-	567	-	5,246	-	5,813
Repayable during year	(29)	-	(66)	-	-	(95)
Transfers	528	(567)	10,252	(10,252)	-	(39)
At 31 March 2013	10,141	62	151,936	3,966	1,053	167,158
Other Capital Grants						
At 1 April 2012	-	-	5,964	1,934	-	7,898
Received during year	-	-	70	605	-	675
Repayable during year	-	-	-	-	-	-
Transferred to Stock & Work in Progress for Other RSLs (Note 9)	-	-	1,894	(1,894)	-	-
Transfers	-	-	39	-	-	39
At 31 March 2013	-	-	7,967	645	-	8,612
Net book value						
At 31 March 2013	3,180	5	63,617	4,864	-	71,665
7At 31 March 2012	2,850	64	55,818	4,638	-	63,370

Development administration costs capitalised amounted to £438,188 for which HAG amounting to £ 327,547 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 2013

**7. 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 2012	12,492	126	210,303	15,544	1,053	239,518
Additions in year	-	867	316	14,684	-	15,867
Disposal in year	(41)	-	(87)	-	-	(128)
Transfer to Income & Expenditure Account	-	-	-	-	-	-
Transfers	<u>870</u>	<u>(926)</u>	<u>20,810</u>	<u>(20,753)</u>	<u>-</u>	<u>-</u>
At 31 March 2013	<u>13,321</u>	<u>67</u>	<u>231,342</u>	<u>9,475</u>	<u>1,053</u>	<u>255,257</u>
Depreciation						
At 1 April 2012	-	-	7,437	-	-	7,437
Provided in year	-	-	1,059	-	-	1,059
Disposals in year	<u>-</u>	<u>-</u>	<u>(20)</u>	<u>-</u>	<u>-</u>	<u>(20)</u>
At 31 March 2013	<u>-</u>	<u>-</u>	<u>8,476</u>	<u>-</u>	<u>-</u>	<u>8,476</u>
Net depreciated value						
At 31 March 2013	<u>13,321</u>	<u>67</u>	<u>222,866</u>	<u>9,475</u>	<u>1,053</u>	<u>246,782</u>
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>

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 2013

iv) 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 Total £000
Housing Association Grant						
At 1 April 2012	9,642	62	141,750	8,972	1,053	161,479
Received during year	-	567	-	5,246	-	5,813
Repayable during year	(29)	-	(66)	-	-	(95)
Transfers	528	(567)	10,252	(10,252)	-	(39)
At 31 March 2013	<u>10,141</u>	<u>62</u>	<u>151,936</u>	<u>3,966</u>	<u>1,053</u>	<u>167,158</u>
Other Capital Grants						
At 1 April 2012	-	-	5,964	1,934	-	7,898
Received during year	-	-	70	605	-	675
Repayable during year	-	-	-	-	-	-
Transfer to Stock & Work in Progress for Other RSLs (Note 9)	-	-	1,894	(1,894)	-	-
Transfers	-	-	39	-	-	39
At 31 March 2013	-	-	<u>7,967</u>	<u>645</u>	-	<u>8,612</u>
Net book value						
At 31 March 2013	<u>3,180</u>	<u>5</u>	<u>62,963</u>	<u>4,864</u>	-	<u>71,012</u>
At 31 March 2012	<u>2,850</u>	<u>64</u>	<u>55,152</u>	<u>4,638</u>	-	<u>62,704</u>

Units in Management

	Group General Needs Housing No.	Association General Needs Housing No.	Group Supported Housing Accommodation No.	Group Supported Housing 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 2012 – managed by the Group/Association	3,012	3,008	223	209	268	268	268	3,503	3,485
At 1 April 2012 – managed by Fairfield Housing Co-operative	29	29	-	-	-	11	11	40	40
Total at 1 April 2012	<u>3,041</u>	<u>3,037</u>	<u>223</u>	<u>209</u>	<u>279</u>	<u>279</u>	<u>279</u>	<u>3,543</u>	<u>3,525</u>
At 31 March 2013 – managed by the Association	3,235	3,231	103	89	277	277	277	3,615	3,597
At 31 March 2013 – managed by Fairfield Housing Co-operative	29	29	-	-	-	11	11	40	40
Total at 31 March 2013	<u>3,264</u>	<u>3,260</u>	<u>103</u>	<u>89</u>	<u>288</u>	<u>288</u>	<u>288</u>	<u>3,655</u>	<u>3,637</u>

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

For the year ended 31 March 2013

7. Tangible fixed assets (Contd.)

(v) Fixed Asset Investments – Homestake & Shared Equity Group and Association	Completed Properties £000	Properties In course of Construction £000	Total £000
Cost			
As at 1 April	1,620	194	1,814
Additions during the year	-	744	744
Disposals during the year	(615)	-	(615)
Transfers	<u>945</u>	<u>(945)</u>	<u>-</u>
As at 31 March	<u>1,950</u>	<u>(7)</u>	<u>1,943</u>
Grant			
As at 1 April	1,605	188	1,793
Received during the year	-	151	151
Repayable on disposal	(9)	-	(9)
Transfers	<u>339</u>	<u>(339)</u>	<u>-</u>
As at 31 March	<u>1,935</u>	<u>-</u>	<u>1,935</u>
Net Book Value			
As at 31 March 2013	<u>15</u>	<u>(7)</u>	<u>8</u>
As at 31 March 2012	<u>15</u>	<u>6</u>	<u>21</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.

(vi) Other fixed assets Group:	Heritable office Property £000	Furniture and equipment £000	Motor vehicles £000	Computer hardware and software £000	Total £000
Cost					
At 1 April 2012	1,414	453	382	935	3,184
Additions during year	2	1	48	200	251
Disposals during year	-	(105)	(31)	(50)	(186)
Transfers	<u>-</u>	<u>(16)</u>	<u>-</u>	<u>14</u>	<u>(2)</u>
As at 31 March 2013	<u>1,416</u>	<u>333</u>	<u>399</u>	<u>1,099</u>	<u>3,247</u>
Depreciation					
At 1 April 2012	322	339	277	831	1,769
Provided during year	27	28	58	77	190
Disposals during year	-	(99)	(28)	(50)	(177)
Transfers	<u>-</u>	<u>(16)</u>	<u>-</u>	<u>14</u>	<u>(2)</u>
At 31 March 2013	<u>349</u>	<u>252</u>	<u>307</u>	<u>872</u>	<u>1,780</u>
Net book value					
At 31 March 2013	<u>1,067</u>	<u>81</u>	<u>92</u>	<u>227</u>	<u>1,467</u>
At 31 March 2012	<u>1,092</u>	<u>114</u>	<u>105</u>	<u>104</u>	<u>1,415</u>

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

For the year ended 31 March 2013

(vii) Other fixed assets Association:	Heritable office Property £000	Furniture and equipment £000	Motor vehicles £000	Computer hardware and software £000	Total £000
Cost					
At 1 April	1,414	450	382	935	3,181
Additions during year	2	1	48	200	251
Disposals during year	-	(105)	(31)	(50)	(186)
Transfers	-	(16)	-	14	(2)
As at 31 March	<u>1,416</u>	<u>330</u>	<u>399</u>	<u>1,099</u>	<u>3,244</u>
Depreciation					
At 1 April	322	339	277	831	1,769
Provided during year	27	28	58	77	190
Disposals during year	-	(99)	(28)	(50)	(177)
Transfers	-	(16)	-	14	(2)
At 31 March	<u>349</u>	<u>252</u>	<u>307</u>	<u>872</u>	<u>1,780</u>
Net book value					
At 31 March 2013	<u>1,067</u>	<u>78</u>	<u>92</u>	<u>227</u>	<u>1,464</u>
At 31 March 2012	<u>1,092</u>	<u>111</u>	<u>105</u>	<u>104</u>	<u>1,412</u>
			2013		2012
			Group and		Group and
			Association		Association
			£000		£000
8. Stocks and Work in Progress					
Stock of Housing Properties			268		-
Work In Progress for other Registered Social Landlords (RSLs)			244		935
Stock of materials held by Maintenance Teams			109		124
			<u>621</u>		<u>1,059</u>
Note:					
Work In Progress for other RSLs at 1 April 2012			935		303
Net additions during the year – costs less applicable HAG			1,301		1,275
Net transfers to operating costs on disposals (Note 3 (ii))			(1,992)		(643)
Balance of Work In Progress for other RSLs at 31 March 2013			<u>244</u>		<u>935</u>

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

For the year ended 31 March 2013

9. Debtors	2013	2013	2012	2012
	Group	Association	Group	Association
	£000	£000	£000	£000
Arrears of rent	699	698	553	551
less: Provision for bad debts	<u>(301)</u>	<u>(301)</u>	<u>(132)</u>	<u>(131)</u>
	398	397	421	420
Sundry debtors and prepayments	1,510	1,488	891	887
Due from Kingdom Initiatives Limited	-	127	-	-
Interest Receivable	8	8	5	5
Car loans to employees	108	108	97	97
SHG in arrears	<u>1,742</u>	<u>1,742</u>	<u>1,098</u>	<u>1,098</u>
	<u>3,766</u>	<u>3,870</u>	<u>2,512</u>	<u>2,507</u>

10. Creditors: amounts falling due within one year	2013	2013	2012	2012
	Group	Association	Group	Association
	£000	£000	£000	£000
Contractors for certified work	2,006	2,006	2,416	2,416
Trade creditors	464	464	574	574
Sundry creditors and accruals, including prepaid rent	1,554	1,529	1,158	1,149
Other Taxation & Social Security costs	172	153	153	138
Due to Kingdom Initiatives Limited	-	-	-	3
Interest Payable accrual	150	150	110	110
Homestake cost accruals	136	136	124	124
HAG repayable	325	325	996	996
HAG in advance	475	475	-	-
Other Housing Capital Funding in advance	-	-	-	-
Housing loans (Note 12)	<u>2,300</u>	<u>2,291</u>	<u>6,996</u>	<u>6,987</u>
	<u>7,582</u>	<u>7,529</u>	<u>12,527</u>	<u>12,497</u>

An amount of £NIL relating to unspent grants received from the Coal Board Regeneration Fund is included in Sundry creditors and accruals. (2012: £NIL)

During the year the revolving credit facility was converted into a long term loan balance.

11. Creditors: amounts falling due after more than one year	2013	2013	2012	2012
	Group	Association	Group	Association
	£000	£000	£000	£000
Housing loans (Note 12)	<u>58,833</u>	<u>58,701</u>	<u>43,670</u>	<u>43,527</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 2013

	2013 Group £000	2013 Association £000	2012 Group £000	2012 Association £000
12. Loans				
Housing loans				
Loans secured by a charge on the Association's Housing, Land and Buildings and advanced by private lenders:	61,133	60,992	50,666	50,514
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 5.5% (2012 – 0.76% to 8.1%)				
	<u>61,133</u>	<u>60,992</u>	<u>50,666</u>	<u>50,514</u>
Repayable:				
Within one year (Note 10)	<u>2,300</u>	<u>2,291</u>	<u>6,996</u>	<u>6,987</u>
Between one & two years	2,302	2,285	1,993	1,986
Between two & five years	17,187	17,162	6,314	6,290
After more than five years	<u>39,344</u>	<u>39,254</u>	<u>35,363</u>	<u>35,251</u>
Amounts falling due after more than one year (Note 11)	<u>58,833</u>	<u>58,701</u>	<u>43,670</u>	<u>43,527</u>
	<u>61,133</u>	<u>60,992</u>	<u>50,666</u>	<u>50,514</u>
13. Share Capital	2013 Number	2012 Number	2013 £	2012 £
Group				
Shares of £1 each issued and fully paid:				
At 1 April	79	86	79	86
Issued during the year	6	7	6	7
Cancelled during the year	<u>(13)</u>	<u>(14)</u>	<u>(13)</u>	<u>(14)</u>
At 31 March	<u>72</u>	<u>79</u>	<u>72</u>	<u>79</u>
Association				
Shares of £1 each issued and fully paid:				
At 1 April	79	86	79	86
Issued during the year	6	7	6	7
Cancelled during the year	<u>(13)</u>	<u>(14)</u>	<u>(13)</u>	<u>(14)</u>
At 31 March	<u>72</u>	<u>79</u>	<u>72</u>	<u>79</u>
14. Interest Payable and similar charges	2013 Group £000	2013 Association £000	2012 Group £000	2012 Association £000
Interest payable in the year has been charged as follows:				
Loan Interest	<u>1,526</u>	<u>1,524</u>	<u>1,608</u>	<u>1,606</u>

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

For the year ended 31 March 2013

	2013	2012
	£000	£000
15. Capital Commitments		
Group and Association		
Housing Properties:		
Expenditure contracted less certified	<u>3,518</u>	<u>4,335</u>
16. Employees		
Group and Association		
i) Staff costs during year:		
Wages and salaries	6,452	6,344
Social security costs	456	423
Other pension costs	<u>684</u>	<u>666</u>
	<u>7,592</u>	<u>7,433</u>
ii) Staff numbers:		
	No.	No.
Average weekly number of employees (including relief staff working on an "as required" basis)	<u>342</u>	<u>335</u>
Number of employees as at 31 March		
Support & care staff	188	184
Administration staff	123	113
Maintenance staff	<u>20</u>	<u>21</u>
	<u>331</u>	<u>318</u>

As at 31 March 2013 the full time equivalent number of employees in post was 273 (2012 Association – 265).

Agency staff were employed during the year at a cost of £6,427 (2012 £101,261)

17. Auditors' Remuneration

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

	2013	2013	2012	2012
	Group	Association	Group	Association
	£000	£000	£000	£000
External Auditors:				
Audit Services	32	29	22	19
Tax & Advisory Services	-	-	1	-
Internal Audit	<u>12</u>	<u>12</u>	<u>16</u>	<u>16</u>
	<u>44</u>	<u>41</u>	<u>39</u>	<u>35</u>

18. Payments to Members and Committee Members

No Member of the Association received any fee or remuneration during the year. Members of the Committee were reimbursed for out of pocket travel expenses amounting to £1,621 (2012: £2,614).

During the year 2 (2012: 2) 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 2013

	2013	2012
	£000	£000
19. Remuneration of Directors		
The aggregate remuneration of 6 directors (2012 – 5) including benefits in kind was	<u>442</u>	<u>388</u>
The pension contributions of 6 directors were	<u>36</u>	<u>30</u>
Emoluments (excluding pension contributions) were paid in the following bandings:	No.	No.
£35,001 - £70,000	3	2
£70,001 - £80,000	-	1
£80,001 - £100,000	3	2

The total emoluments (excluding pension contributions) received by the highest paid director was £98,384 (2012: £95,477).

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 28. 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% (2012: 9.6%) and amounted to £9,390 (2012: £9,099).

At the year end, in addition to the above, 2 of the directors had car loans from the Association. The total balance of car loans due by directors at 31 March 2013 was £23,482 (2012: £30,009). The maximum balance outstanding during the year was £30,009 (2012: £40,217). 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.

	2013	2012
	£000	£000
20. Reconciliation of operating surplus to net cash flow from operating activities - Group		
Operating surplus	4,831	4,349
Depreciation charges	1,261	1,194
Depreciation – loss on disposal of components	1	74
Transfer from Housing Properties to Income & Expenditure Account	-	41
Increase/(Decrease) in creditors	795	(365)
(Increase)/Decrease in debtors	(607)	45
Decrease/(Increase) in Stocks and Work in Progress	<u>433</u>	<u>(572)</u>
Net cash inflow from operating activities	<u>6,714</u>	<u>4,766</u>
21. Reconciliation of net cashflow to movement in net debt – Group		
Increase/ (decrease) in cash in the period	4,438	3,400
Loans repaid	1,770	1,355
Cash received from new loans	<u>(12,238)</u>	<u>(10,350)</u>
Change in net debt	(6,030)	(5,595)
Net debt - opening	<u>(40,080)</u>	<u>(34,485)</u>
Net debt at 31 March	<u>(46,110)</u>	<u>(40,080)</u>

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

For the year ended 31 March 2013

22. Gross cash flows - Group

	2013	2012
	£000	£000
a) Returns on investments and servicing of finance		
Interest received	42	37
Interest paid	<u>(1,486)</u>	<u>(1,607)</u>
	<u>(1,444)</u>	<u>(1,570)</u>
b) Capital expenditure		
Payments to acquire tangible fixed assets	(17,272)	(17,444)
Receipts of housing grants	5,220	8,465
Receipts from sales of housing	<u>771</u>	<u>199</u>
	<u>(11,281)</u>	<u>(8,780)</u>
c) Financing		
Housing loans received	12,238	10,350
Housing loans repaid	<u>(1,770)</u>	<u>(1,355)</u>
Net cash inflow from financing	<u>10,468</u>	<u>8,995</u>

23. Analysis of changes in net debt - Group

	At 1 April 2012 £000	Cash flows £000	Other Changes £000	At 31 March 2013 £000
Cash in hand and at bank	10,586	4,438	-	15,024
Debt due within 1 year	(6,996)	1,770	2,926	(2,300)
Debt due between 1 and 2 years	(4,099)	-	(596)	(4,695)
Debt due between 2 and 5 years	(6,322)	-	(10,848)	(17,170)
Debt due after more than 5 years	<u>(33,249)</u>	<u>(12,238)</u>	<u>8,519</u>	<u>(36,968)</u>
Total	<u>(40,080)</u>	<u>(6,030)</u>	<u>(-)</u>	<u>46,109</u>

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

	2013	2012
	£000	£000
Operating surplus	4,839	4,288
Depreciation charges	1,249	1,185
Depreciation – loss on disposal of components	1	74
Transfer from Housing Properties to Income & Expenditure Account	-	41
Increase/(decrease) in creditors	767	(357)
(Increase)/decrease in debtors	(716)	41
Decrease/(increase) in Stocks and Work in Progress	<u>438</u>	<u>(572)</u>
Net cash inflow from operating activities	<u>6,578</u>	<u>4,700</u>

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

For the year ended 31 March 2013

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

Increase in cash in the period	4,332	3,356
Loans repaid	1,760	1,346
Cash received from new loans	<u>(12,238)</u>	<u>(10,350)</u>
Change in net debt	(6,146)	(5,648)
Net debt at 1 April	<u>(40,165)</u>	<u>(34,517)</u>
Net debt at 31 March	<u>(46,311)</u>	<u>(40,165)</u>

26. Gross cash flows - Association

	2013	2012
	£000	£000
a) Returns on investments and servicing of finance		
Interest received	41	36
Interest paid	<u>(1,484)</u>	<u>(1,605)</u>
	<u>(1,443)</u>	<u>(1,569)</u>
b) Capital expenditure		
Payments to acquire tangible fixed assets	(17,272)	(17,443)
Receipts of housing grants	5,220	8,465
Receipts from sales of tangible fixed assets	<u>771</u>	<u>199</u>
	<u>(11,281)</u>	<u>(8,779)</u>
c) Financing		
Housing loans received	12,238	10,350
Housing loans repaid	<u>(1,760)</u>	<u>(1,346)</u>
Net cash inflow from financing	<u>10,478</u>	<u>9,004</u>

27. Analysis of changes in net debt - Association

	At	Cash	Other	At 31 March
	1 April 2012	flows	Changes	2013
	£000	£000	£000	£000
Cash in hand and at bank	10,349	4,432	-	14,781
Debt due within 1 year	(6,987)	1,760	2,936	(2,291)
Debt due between 1 and 2 years	(4,084)	-	(594)	(4,678)
Debt due between 2 and 5 years	(6,297)	-	(10,848)	(17,145)
Debt due after more than 5 years	<u>(33,146)</u>	<u>(12,238)</u>	<u>8,506</u>	<u>(36,878)</u>
Total	<u>(40,165)</u>	<u>(6,046)</u>	<u>(-)</u>	<u>(46,311)</u>

28. Pension Obligations

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.

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

For the year ended 31 March 2013

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

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

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

A valuation as at 30 September 2012 is currently in progress and will be finalized by 31 December 2013. Preliminary results of this valuation indicate that the deficit has risen to approximately £304 million as at 30 September 2012, equivalent to a past service funding level of 56.4%

The annual cost of the Association's contributions to the Scheme is £684,000.

Based on the 30 September 2012 valuation results, the Association has been notified by the Pensions Trust that the amount to be paid annually, in relation to the past service deficit will increase to £605,903 from 1 April 2014. These annual deficit contributions will increase by 3% per annum and are expected to be cleared in 14 years. This equates to a Net Present Value (NPV) of £6,667,000.

Employer Debt

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

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

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 2012. As of this date the estimated employer debt for the Association was £17,134,411.

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

For the year ended 31 March 2013

29. Financial Commitments

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

	Offices, Works Depot £000
<u>At 31 March 13 expiry:</u>	
Less than 1 year	1
Between 1-2 years	<u>-</u>
Total as at 31 March 13	<u><u>1</u></u>

30. 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 £17,134,411 (Note 28). At the present time the Association has no intention of leaving the Scheme.

Repayment of Housing Association Grant is not required on any component disposals.

31. 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, invoiced charges and management services provided by the Association amounting to £97,084 (2012: £17,485). KIL issued invoices to the Association for purchases and invoiced charges totaling £21,335 (2012: £20,514).

The balance due by the Association to KIL as at 31 March 2013 was £nil (2012: £3,463). The balance due to the Association from KIL as at 31 March 2013 was £127,407 (2012: £nil). This balance includes gift aid of £93,273 (2012: £nil).

