

Kingdom Housing Association Limited – Consolidated

Report & Accounts

For the year ended 31 March 2014

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

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
REPORT of the MANAGEMENT COMMITTEE
For the year ended 31 March 2014**

Management Committee	Charles Milne	(Chairman)
	Laurie Naumann	(Vice Chairman)
	Janet Cheetham	(Resigned 16 September 2013)
	Thomas Condie	(Tenant Member)
	Loretta Mordi	(Sharing Owner Member)
	Douglas Murray	
	Vincent O'Hara	(Tenant Member)
	Liz Pow	
	Keith Haig	(Appointed 16 September 2013)
	Louise Poole	(Appointed 16 September 2013)
	Gordon Campbell	(Appointed 16 September 2013)
	Freya Lees	(Co-opted 18 November 2013)
Executive	Alan McGuckin	(Chief Executive) (Secretary) (Retired 30 September 2013)
	Bill Banks	(Interim Chief Executive) (Appointed 1 October 2013) (Permanent appointment June 2014)
	Eleanor Fotheringham	(Secretary) (Appointed 1 October 2013)
Registered Office	Saltire Centre Pentland Court Glenrothes KY6 2DA	
Registration Numbers	Co-operative and Community Benefit Societies Act 2014, 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	
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 2014

The Management Committee (the Committee) presents its report and consolidated accounts for the year ended 31 March 2014.

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. The Association 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 2014.

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 endeavor 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 6. 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 fifteen members on the Committee. At the year end the Committee comprised ten members and one co-optee. 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.

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During the year Kingdoms longstanding Chief Executive retired and a Strategic Options Appraisal was undertaken which concluded that Kingdom should recruit a new permanent Chief Executive and continue to operate as an independent RSL and pursue the agreed corporate strategy. The appraisal included an assessment of the strategic options available to Kingdom, the challenges, risks and opportunities, along with an appraisal of current performance and determined that Kingdom had the capacity and ability to deliver on its strategic objectives. The report included the recommendation to review the future management and operational structure, which could improve service delivery and provide efficiencies. This review will take place during 2014/15. The Interim Chief Executive was appointed permanently as Chief Executive from June 2014.

Housing Management & Housing Stock

At the year end the Group had a total of 3,692 properties under management, comprising 3,305 properties for social rent, 103 for supported housing and 284 for shared ownership. The group subsidiary, Kingdom Initiatives Limited (KIL) manages 117 mid-market rent properties including 21 properties owned by Fife Council & a further 8 rented through KIL. In addition KIL own 12 units which are managed along with a further 50 properties by KHA as lead tenancies. There were 16 social rented properties void at 31 March 2014.

During the year there were 288 new allocations in social rented stock, of which 248 were relets and 40 new developments, representing around 8.9 % of the total rented stock. Of the 248 relets it took an average of 25 days for each change of tenancy and of the 288, 80 properties were allocated to statutory homeless people.

During the year the Association consulted with tenants on the annual rent increase and applied a rent increase of 3.5% from 1 April 2014. The Association's aim is to restrict annual rent increases to annual inflation plus 1%. The annual rate of inflation used, at the end of October 2013, for the 2014 review, was 2.7%.

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 social 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 2014 187 properties did not meet the SHQS requirements mainly due to the need to improve energy efficiency in 83 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. During the year the Association also purchased its first site in Clackmannanshire, which will be developed in 2014/15.

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 2013/14, the Alliance completed 138 properties and was on site with a further 187 units, on 8 different sites. The funding agreement with the Scottish Government will allow a further 154 units to start on site during 2014/15.

The FHAA capital investment in housing properties for the year ended 31 March 2014 was £14.3m and was funded in part by way of £7.06m of subsidy provided by the Scottish Government and other grants. The remainder was funded from new loans and the Association's own resources.

Pressure on the funding of affordable housing has had an effect on the Association's grant-funded capital programme, however during the year the Scottish Government increased the funding benchmark by £16,000 per 3 person equivalent unit and this has improved project viability. From 2012/13 the development programme has been managed through the Strategic Local Programme (SLP), which is a 3 year programme covering the period 2012/13 – 2014/15. As at the end of March 2014 (year 2 of the SLP) the Association has achieved the programme targets and the 3 year programme will be achieved or exceeded. The actual scale of the future development programme will depend on the annual allocations during future SLP periods, however it is anticipated that sufficient funding will be available to meet the targets for the 5 year programme identified in Kingdom's Corporate Plan.

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Property Services

The Association carries out reactive repairs through an in-house maintenance team and during the year it invested £2.1m 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 £530,000. This will ensure that the stock is well maintained and extend the life of the properties.

Support & Care

Over 2013/14 KHA continued to provide support and care services to adults with a range of needs including homelessness. Due to the Framework for Social Work Contracts (over 30 hours) being implemented in June 2013, with a capped and reduced hourly rate, a range of savings options were discussed and taken forward to remain viable in the face of reduced income. We concluded a number of voluntary redundancies, introduced new terms and conditions for new staff from May 2013 and reapportioned the overheads attributable to the section. The Association will continue to review the direct costs of providing this service during 2014 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.

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. As at 31 March 2014 the Association had 53% (2013: 45%) 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 2014 was 393% (2013: 223%), 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.

At the year ended 31 March 2014 the Association had £10 million in cash reserves. Since that date an additional facility of £10 million has been put in place with Abbey National Treasury Services plc, part of Santander UK plc. Further loan facilities will be sought during the latter part of 2014 and early 2015 to ensure that sufficient funding is available to take forward the planned five year development programme.

Income & Expenditure

Group turnover for the year was £19.1 million offset by operating costs of £13.8 million, creating an operating surplus of £5.2 million. After paying loan interest of £1.5 million and receiving interest of just £69k, the surplus for the year before taxation amounted to £3.8 million (2013: £3.4 million). A separate income and expenditure account is presented for the Association at page 13.

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The Environment & Sustainability

The Scottish Government is committed to sustainable development and reducing the impact of climate change and this aim is shared by the Association. 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 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 performance management purposes and included in the Annual Return on the Charter (ARC), to the Scottish Housing Regulator. A summary of the main KPIs is as follows:

	Actual 2013-14	Target 2013-14	Actual 2012-13
Void loss	0.53%	0.75%	0.70%
Gross arrears - current tenants	2.91%	2.50%	2.82%
Gross arrears - all tenants [as per ARC report]	5.12%	3.50%	n/a
Average re-let times	25 days	31 days	26 days
% Staff costs: Turnover (excluding developments for sale)	42.6%	44.8%	43.4%
Sickness absence	4.6%	< 5.1%	5.1%
Management & Maintenance Administration costs per unit	£952	£924	£980
Routine Maintenance costs per unit	£610	£599	£609
% properties meeting SHQS requirements	94.2%	95.3%	92.2%
Emergency repairs completed within target response time	97.3%	100.0%	97.9%
Site Starts (new supply)	221 units	181 units	174 units
Site Completions (new supply)	138 units	126 units	213 units

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.

Void loss performance exceeded target for the year due to efficiency gains in recovering income. Arrears are slightly above the targets for the year largely due to the impact of the under occupancy charges. The Association has introduced proactive assistance services for tenants. Under Occupancy status has been introduced and is being managed through providing assistance to tenants to secure Discretionary Housing Payments to offset the charge. Under Occupancy is only one factor behind increasing arrears; the other is a general increase in arrears due to greater financial difficulty being faced by tenants.

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Staff Costs/Turnover ratio is in line with target and sickness absence levels are below target for the year and the actual for last year, demonstrating that absence management procedures are having a positive impact.

The number of properties remaining to be brought up to SHQS standard at the end of the year is 187 and whilst the number of compliant properties is slightly below the original target for the year, the association is on track to fully comply by 2015. The response time for emergency repairs was slightly below the 100% target and is comparable with the previous year

The indicators for unit site starts and unit completions for new supply affordable housing exceeded the respective targets for the year

Financial Review & Going Concern

At the year end the Group's reserves amounted to £30.0 million, (Association: £29.1 million). During the year the Group created a surplus of £3,838k (Association: £3,712k).

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. Additional £10m of funding was secured in July 2014 and the Association is presently discussing terms and conditions for further loan facilities with various lenders.

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.

The Group designated reserves represent amounts set aside to account for the net present value of the past service deficit on the Scottish Housing Association Pension Scheme.

Staffing

At 31 March 2014 the staffing establishment comprised 276 (2013: 273) 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 2014 the Committee approved an amount of £7,500 (2013: £7,500) for charitable causes, of which £4,266 (2013: £4,928) was distributed.

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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 employs internal auditors to carry out reviews to cover areas of Group operations identified by reference to 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 mitigate risk 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 subsidy from the Scottish Government and the local authorities. The subsidy provides an interest-free portion of the finance required to develop housing for rent and shared ownership.

During 2014/15 it is the intention of the Association to complete a comprehensive review of rent affordability and a rent structure review.

• **Maintenance**

The Association has an Asset Management Strategy, which covers all 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 medium term programmes of cyclical repairs arising from the predictable deterioration of building components. The cost of these repairs is charged to the Income and Expenditure Account. The Association has a long-term programme of planned repairs to replace major components that have reach the end of their life cycle, including works set out in legislation, the cost of which is capitalised in accordance with current accounting standards applicable to registered housing associations.

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 187 properties, approximately 5.8% 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
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For the year ended 31 March 2014**

Plans for the Future

The Association remains committed to three main aims of managing and maintaining the existing property portfolio, expanding the property portfolio through development of new properties and providing support and care to people with particular needs.

The Association is continuing to face a number of significant challenges, among them, cuts in public funding, welfare reform and a deficit in the Scottish Housing Associations' Pension Scheme (SHAPS), of which the Association is a member. During the year, the Committee considered options to reduce costs to offset some of the financial pressure from expected increases in pension costs, including the introduction of a Direct Contributions pensions scheme. The defined benefit pension scheme was closed to new applicants on 1 April 2014. In the future the Association will also look for opportunities for expansion through new business initiatives.

The Association will seek to optimise the development of new properties within the constraints set by the 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 continue with the preferred partner arrangements with the FHAA in Fife and will form appropriate alliances and partnerships in areas where it considers it is able to provide housing for its target client group.

The Finance Director retired on 6 June 2014 and a Temporary Accountant is in place while the Association reviews its requirements.

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
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For the year ended 31 March 2014**

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



Eleanor Fotheringham
Secretary
18 August 2014

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 2014 on pages 12 to 42. 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 Part 7 of the Co-operative and Community Benefit Societies Act 2014. 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 10, 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 Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

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 2014 and of the income and expenditure of the Group and the income and expenditure of the Association for the year then ended; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit 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 Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the 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
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date: *29 August 2014*

KINGDOM HOUSING ASSOCIATION LIMITED
CONSOLIDATED INCOME and EXPENDITURE ACCOUNT

For the year ended 31 March 2014

	Notes	2014	2013
		£000	£000
Turnover	2	19,054	19,705
less: Operating costs	2	<u>(13,846)</u>	<u>(14,874)</u>
Operating surplus		5,208	4,831
Gain on sale of housing properties	4	119	36
Gain on sale of other fixed assets		6	3
Interest receivable and similar income		69	45
Interest payable and similar charges	14	<u>(1,534)</u>	<u>(1,526)</u>
Surplus on ordinary activities before taxation		3,868	3,389
Taxation	5	<u>(30)</u>	<u>(19)</u>
Surplus for the year	6	<u>3,838</u>	<u>3,370</u>

The notes on pages 17 to 42 form part of these accounts.

The results relate wholly to continuing operations.

There were no unrecognisable 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 2014

	Notes	2014	2013
		£000	£000
Turnover	2	18,887	19,703
less: Operating costs	2	<u>(13,835)</u>	<u>(14,864)</u>
Operating surplus		5,052	4,839
Gain on sale of housing properties	4	119	36
Gain on sale of other fixed assets		6	3
Interest receivable and similar income		68	44
Interest payable and similar charges	14	<u>(1,533)</u>	<u>(1,524)</u>
Surplus on ordinary activities before taxation		3,712	3,398
Taxation	5	—	—
Surplus for the year	6	<u>3,712</u>	<u>3,398</u>

The notes on pages 17 to 42 form part of these accounts.

The results relate wholly to continuing operations.

There were no unrecognisable 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 2014

	Notes	2014 Group £000	2014 Association £000	2013 Group £000	2013 Association £000
Tangible fixed assets					
Housing properties - depreciated cost	7	258,720	258,074	247,435	246,782
Housing Association Grants	7	(171,227)	(171,227)	(167,158)	(167,158)
Other capital grants	7	(9,570)	(9,570)	(8,612)	(8,612)
		<u>77,923</u>	<u>77,277</u>	<u>71,665</u>	<u>71,012</u>
Fixed Asset Investments					
Homestake Costs	7	1,943	1,943	1,943	1,943
Homestake Grant		(1,935)	(1,935)	(1,935)	(1,935)
		8	8	8	8
Other fixed assets	7	<u>1,489</u>	<u>1,487</u>	<u>1,467</u>	<u>1,464</u>
Total assets		79,420	78,772	73,130	72,484
Current assets					
Stock and Work in Progress	8	1,082	1,082	621	621
Debtors	9	2,909	2,854	3,766	3,870
Cash at bank		<u>10,371</u>	<u>10,014</u>	<u>15,025</u>	<u>14,681</u>
Creditors: amounts falling due within one year	10	<u>(6,866)</u>	<u>(6,762)</u>	<u>(7,582)</u>	<u>(7,529)</u>
Net current assets		<u>7,496</u>	<u>7,188</u>	<u>11,829</u>	<u>11,643</u>
Total assets less current liabilities		86,916	85,960	84,969	84,127
Creditors: amounts falling due after more than one year	11,12	<u>(56,942)</u>	<u>(56,822)</u>	<u>(58,833)</u>	<u>58,701</u>
Net assets		<u>29,974</u>	<u>29,138</u>	<u>26,136</u>	<u>25,426</u>
Capital and reserves					
Share capital	13	-	-	-	-
Designated reserves	6	7,388	7,388	6,667	6,667
Revenue reserves	6	<u>22,586</u>	<u>21,750</u>	<u>19,469</u>	<u>18,759</u>
		<u>29,974</u>	<u>29,138</u>	<u>26,136</u>	<u>25,426</u>

Approved by the Management Committee on 18 August 2014 and signed on its behalf and authorised for issue by:

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

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

..... *Eleanor Fotheringham* **Eleanor Fotheringham**, Secretary

The notes on pages 17 to 42 form part of these accounts.

**KINGDOM HOUSING ASSOCIATION LIMITED
CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 31 March 2014

	Notes	2014 £000	2013 £000
Net cash inflow from operating activities	20	6,327	6,714
Returns on investments and servicing of finance	22(a)	(1,499)	(1,444)
Taxation	5	(30)	(19)
Capital expenditure	22(b)	<u>(7,579)</u>	<u>(11,281)</u>
Cash (outflow) before financing		(2,781)	(6,030)
Financing	22(c)	<u>(1,873)</u>	<u>10,468</u>
(Decrease)/increase in cash	23	<u>(4,654)</u>	<u>4,438</u>

The notes on pages 17 to 42 form part of these accounts.

KINGDOM HOUSING ASSOCIATION LIMITED
HOUSING ASSOCIATION CASH FLOW STATEMENT

For the year ended 31 March 2014

	Notes	2014 £000	2013 £000
Net cash inflow from operating activities	24	6,241	6,578
Returns on investments and servicing of finance	26	(1,499)	(1,443)
Capital expenditure	26	<u>(7,544)</u>	<u>(11,281)</u>
Cash (outflow)/inflow before financing		(2,802)	(6,146)
Financing	26	<u>(1,865)</u>	<u>10,478</u>
(Decrease)/increase in cash	27	<u>(4,667)</u>	<u>4,332</u>

The notes on pages 17 to 42 form part of these accounts.

KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES to the CONSOLIDATED ACCOUNTS
For the year ended 31 March 2014

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

1. Accounting Policies

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

a) Basis of Accounting

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

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.

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

For the year ended 31 March 2014

1. Accounting Policies (Contd.)

ii) Clerk of works allowances

Clerk of works allowances are determined by the Housing & Regeneration Directorate of the Scottish Government 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 home 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 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.

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

For the year ended 31 March 2014

1. Accounting Policies (Contd.)

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.

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 7). 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 years
Bathroom	35 years
Electrics	30 years
Doors	30 years
Electric Heating	20 years
Gas Heating	35 years
Kitchens	20 years
Roofs	60 years
Windows	30 years
Renewables	20 years

Other Fixed Assets

Office property	- 2% to 10% straight line
Housing and office furniture and fittings	- 10% to 20% straight line
Motor vehicles	- 20% straight line
Computer hardware and software	- 33% straight line

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

For the year ended 31 March 2014

1. Accounting Policies (Contd.)

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.

q) Designated Reserve for Pension Fund (Note 6)

During the year an amount of £721,000 was transferred from revenue reserves to the designated reserve for the past service deficit on the Scottish Housing Association Pension Scheme (SHAPS). These funds are 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 2014

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

i) By Class of Business - Group:

	Turnover	Operating Costs £000	Operating Surplus/(Deficit)	2013 Operating Surplus/(Deficit) £000
Social lettings (Note 3 (i))	£000 13,540	(7,881)	£000 5,659	4,842
Other activities (Note 3 (iii))	<u>5,514</u>	<u>(5,965)</u>	<u>(451)</u>	<u>(11)</u>
Total	<u>19,054</u>	<u>(13,846)</u>	<u>5,208</u>	<u>4,831</u>
2013	<u>19,705</u>	<u>(14,874)</u>	<u>4,831</u>	

ii) By Class of Business - Association:

	Turnover	Operating Costs £000	Operating Surplus/(Deficit) £000	2013 £000
Social lettings (Note 3 (ii))	13,102	(7,852)	5,250	4,670
Other activities (Note 3 (iv))	<u>5,785</u>	<u>(5,983)</u>	<u>(198)</u>	<u>169</u>
Total	<u>18,887</u>	<u>(13,835)</u>	<u>5,052</u>	<u>4,839</u>
2013	<u>19,703</u>	<u>14,864</u>	<u>4,839</u>	

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

i) Social Letting Activities – Group

	General Needs Housing £000	Supported Housing Accommodation	Shared Ownershp Housing	2014 Total £000	2013 Total £000
Turnover	£000 11,797	£000 760	£000 553	£000 13,110	£000 12,146
Rent receivable net of service charges	407	87	4	498	593
Service charges	12,204	847	557	13,608	12,739
Gross income from rents & service charges	<u>(60)</u>	<u>(5)</u>	<u>(3)</u>	<u>(68)</u>	<u>(85)</u>
Less voids	<u>12,144</u>	<u>842</u>	<u>554</u>	<u>13,540</u>	<u>12,654</u>
Net income from rents & service charges and Total turnover from social letting activities					

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

For the year ended 31 March 2014

i) Social Letting Activities - Group

	General Needs Housing £000	Supported Housing Accommodation £000	Shared Ownership Housing £000	2014 Total £000	2013 Total £000
Operating Costs					
Management & maintenance administration costs	3,130	85	270	3,485	3,427
Service costs	403	11	33	447	529
Planned & cyclical maintenance including major repairs costs	516	14	-	530	596
Reactive maintenance costs	2,016	54	-	2,070	2,004
Bad debts – rents & service charges	205	4	-	209	208
Depreciation of social housing	1,100	30	-	1,130	1,047
Depreciation of social housing – loss on disposal of components	<u>10</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>1</u>
Operating costs for social letting activities	7,380	198	303	7,881	7,812
Operating surplus/ (deficit) for social letting activities	<u>4,764</u>	<u>644</u>	<u>251</u>	<u>5,659</u>	<u>4,842</u>
2013 Operating surplus for social letting activities (As restated)	3,909	633	300	4,842	

ii) Social Letting Activities - Association

	General Needs Housing £000	Supported Housing Accommodation £000	Shared Ownership Housing £000	2014 Total £000	2013 Total £000
Turnover					
Rent receivable net of service charges	11,360	760	553	12,673	11,971
Service charges	406	87	4	497	586
Gross income from rents & service charges	11,766	847	557	13,170	12,557
Less voids	<u>(60)</u>	<u>(5)</u>	<u>(3)</u>	<u>(68)</u>	<u>(85)</u>
Net income from rents & service charges and total turnover from social letting activities	11,706	842	554	13,102	12,472
Operating Costs					
Management & maintenance administration costs	3,122	85	270	3,477	3,442
Service costs	393	11	33	437	523
Planned & cyclical maintenance including major repairs costs	516	14	-	530	596
Reactive maintenance costs	2,016	54	-	2,070	1,995
Bad debts – rents & service charges	204	4	-	208	208
Depreciation of social housing	1,100	30	-	1,130	1,037
Depreciation of social housing – loss on disposal of components	<u>10</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>1</u>
Operating costs for social letting activities	7,351	198	303	7,852	7,802
Operating surplus for social letting activities	<u>4,355</u>	<u>644</u>	<u>251</u>	<u>5,250</u>	<u>4,670</u>
2013 Operating surplus for social letting activities	3,737	633	300	4,670	

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

For the year ended 31 March 2014

4. Surplus on Sale of Housing Properties

	Group & Association 2014	Group & Association 2013
	£000	£000
Sale proceeds	184	80
Cost of properties	(118)	(41)
Expenses on disposal of properties	(6)	(3)
Falkirk write off	(15)	-
Disposal of components	48	-
Hag abatement	<u>26</u>	<u>-</u>
	<u>119</u>	<u>36</u>

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

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

For the year ended 31 March 2014

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.

	2014 Group	2014 Association	2013 Group	2013 Association
	£000	£000	£000	£000
	<u>30</u>	<u>-</u>	<u>-</u>	<u>-</u>

Current tax charge on income for the year on surplus on ordinary activities

Corporation tax calculated at 20% (2013: 20%)

Reconciliation:

Group profit on ordinary activities before tax
Non-taxable profits relating to Association
Non-taxable donation
Taxable profit on ordinary activities

	3,868
	(3,730)
	<u>138</u>

Profit on ordinary activities multiplied by the small company CT rate of 20% (2013: 20%)

Effects of:

Depreciation in excess of Capital Allowances

	28
	<u>2</u>
	<u>30</u>

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

For the year ended 31 March 2014

6. Revenue Reserves	Group		2014 Total	2013 Total	Association	
	2014 Total	2013 Total			2014 Total	2013 Total
i) Group and Association						
	£000	£000	£000	£000	£000	£000
Balance at 1 April	19,469	22,766	18,759	22,028	22,028	22,028
Surplus for year	3,838	3,370	3,712	3,398	3,398	3,398
Transfer from Designated Reserves	<u>(721)</u>	<u>(6,667)</u>	<u>(721)</u>	<u>(721)</u>	<u>(6,667)</u>	<u>(6,667)</u>
Balance at 31 March	<u>22,586</u>	<u>19,469</u>	<u>21,750</u>	<u>18,759</u>	<u>18,759</u>	<u>18,759</u>
ii) Designated Reserves						
Group & Association:						
	£000	£000	£000	£000	£000	£000
Balance at 1 April	6,667	6,667	-	-	-	-
Transfer from Revenue Reserves	<u>721</u>	<u>721</u>	<u>6,667</u>	<u>6,667</u>	<u>6,667</u>	<u>6,667</u>
Balance at 31 March	<u>7,388</u>	<u>7,388</u>	<u>6,667</u>	<u>6,667</u>	<u>6,667</u>	<u>6,667</u>

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

For the year ended 31 March 2014

**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 2013	13,321	67	232,022	9,475	1,053	255,938
Additions during year	22	-	292	12,772	-	13,086
Disposals during year	(118)	-	(609)	-	-	(727)
Transfers	-	(67)	11,897	(11,830)	-	-
At 31 March 2014	<u>13,225</u>	<u>-</u>	<u>243,602</u>	<u>10,417</u>	<u>1,053</u>	<u>268,297</u>

Depreciation

At 1 April 2013	-	-	8,500	-	-	8,500
Provided in year	-	-	1,140	-	-	1,140
Disposals in year	-	-	(63)	-	-	(63)
At 31 March 2014	<u>-</u>	<u>-</u>	<u>9,577</u>	<u>-</u>	<u>-</u>	<u>9,577</u>

Net depreciated value

At 31 March 2014	<u>13,225</u>	<u>-</u>	<u>234,025</u>	<u>10,417</u>	<u>1,053</u>	<u>258,720</u>
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>

No interest was capitalised during the year.

Major repairs expenditure of £662,010, including £148,549 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 2014

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 2013	10,141	62	151,936	3,966	1,053	167,158
Received during year	-	-	-	4,599	-	4,599
Repayable during year	(86)	-	(444)	-	-	(530)
Transfers	56	(62)	3,277	(3,271)	-	-
At 31 March 2014	<u>10,111</u>	<u>-</u>	<u>154,769</u>	<u>5,294</u>	<u>1,053</u>	<u>171,227</u>
Other Capital Grants						
At 1 April 2013	-	-	7,967	645	-	8,612
Received during year	-	-	34	1,059	-	1,093
Repayable during year	-	-	(135)	-	-	(135)
Transfers	-	-	559	(559)	-	-
At 31 March 2014	<u>-</u>	<u>-</u>	<u>8,425</u>	<u>1,145</u>	<u>-</u>	<u>9,570</u>
Net book value						
At 31 March 2014	<u>3,114</u>	<u>5</u>	<u>70,831</u>	<u>3,978</u>	<u>-</u>	<u>77,923</u>
At 31 March 2013	<u>3,180</u>	<u>5</u>	<u>63,617</u>	<u>4,864</u>	<u>-</u>	<u>71,665</u>

Development administration costs capitalised amounted to £235,719 (2013: £438,188) for which HAG amounting to £336,239 (2013: £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 2014

**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 2013	13,321	67	231,342	9,475	1,053	255,258
Additions in year	22	-	292	12,772	-	13,086
Disposal in year	(118)	-	(609)	-	-	(727)
Transfers	-	(67)	11,897	(11,830)	-	-
At 31 March 2014	<u>13,225</u>	<u>-</u>	<u>242,922</u>	<u>10,417</u>	<u>1,053</u>	<u>267,617</u>
Depreciation						
At 1 April 2013	-	-	8,476	-	-	8,476
Provided in year	-	-	1,130	-	-	1,130
Disposals in year	-	-	(63)	-	-	(63)
At 31 March 2014	<u>-</u>	<u>-</u>	<u>9,543</u>	<u>-</u>	<u>-</u>	<u>9,543</u>
Net depreciated value						
At 31 March 2014	<u>13,225</u>	<u>-</u>	<u>233,379</u>	<u>10,417</u>	<u>1,053</u>	<u>258,074</u>
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>

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 2014

	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 2013	10,141	62	151,936	3,966	1,053	£000 167,158
Received during year	-	-	-	4,599	-	4,599
Repayable during year	(86)	-	(444)	-	-	(530)
Transfers	56	(62)	3,277	(3,271)	-	-
At 31 March 2014	<u>10,111</u>	<u>-</u>	<u>154,769</u>	<u>5,294</u>	<u>1,053</u>	<u>171,227</u>
Other Capital Grants						
At 1 April 2013	-	-	7,967	645	-	8,612
Received during year	-	-	34	1,059	-	1,093
Repayable during year	-	-	(135)	-	-	(135)
Transfers	-	-	559	(559)	-	-
At 31 March 2014	<u>-</u>	<u>-</u>	<u>8,425</u>	<u>1,145</u>	<u>-</u>	<u>9,570</u>
Net book value						
At 31 March 2014	<u>3,114</u>	<u>-</u>	<u>70,185</u>	<u>3,978</u>	<u>-</u>	<u>77,277</u>
At 31 March 2013	<u>3,180</u>	<u>5</u>	<u>62,963</u>	<u>4,864</u>	<u>-</u>	<u>71,012</u>

	Group General Needs Housing No.	Association General Needs Housing No.	Group Supported Housing Accommodation No.	Association Supported Housing Accommodation No.	Group Shared Ownership Housing No.	Association Shared Ownership Housing No.	Group Total No.	Association Total No.
Units in Management								
At 1 April 2013 – managed by the Group/Association	3,235	3,231	103	89	277	277	3,615	3,597
At 1 April 2013 – managed by Fairfield Housing Co-operative	29	29	-	-	11	11	40	40
Total at 1 April 2013	<u>3,264</u>	<u>3,260</u>	<u>103</u>	<u>89</u>	<u>288</u>	<u>288</u>	<u>3,655</u>	<u>3,637</u>
At 31 March 2014 – managed by the Association	3,276	3,272	103	89	273	273	3,652	3,634
At 31 March 2014 – managed by Fairfield Housing Co-operative	29	29	-	-	11	11	40	40
Total at 31 March 2014	<u>3,305</u>	<u>3,301</u>	<u>103</u>	<u>89</u>	<u>284</u>	<u>284</u>	<u>3,692</u>	<u>3,674</u>

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

For the year ended 31 March 2014

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	1,950	(7)	1,943
Additions during the year	-	-	-
Disposals during the year	-	-	-
As at 31 March	<u>1,950</u>	<u>(7)</u>	<u>1,943</u>
Grant			
As at 1 April	1,935	-	1,935
Received during the year	-	-	-
Repayable on disposal	-	-	-
As at 31 March	<u>1,935</u>	<u>-</u>	<u>1,935</u>
Net Book Value			
As at 31 March 2014	<u>15</u>	<u>(7)</u>	<u>8</u>
As at 31 March 2013	<u>15</u>	<u>(7)</u>	<u>8</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	1,416	333	399	1,099	3,247
Additions during year	-	-	128	130	258
Disposals during the year	-	(1)	-	-	(1)
As at 31 March	<u>1,416</u>	<u>332</u>	<u>527</u>	<u>1,229</u>	<u>3,504</u>
Depreciation					
At 1 April	349	252	307	873	1,781
Provided during year	27	22	66	120	235
Disposals during the year	-	(1)	-	-	(1)
At 31 March	<u>376</u>	<u>273</u>	<u>373</u>	<u>993</u>	<u>2,015</u>
Net book value					
At 31 March 2014	<u>1,040</u>	<u>59</u>	<u>154</u>	<u>236</u>	<u>1,489</u>
At 31 March 2013	<u>1,067</u>	<u>81</u>	<u>92</u>	<u>227</u>	<u>1,467</u>

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

For the year ended 31 March 2014

(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	1,416	330	399	1,099	3,244
Additions during year	-	-	128	130	258
Disposals during the year	-	(1)	-	-	(1)
As at 31 March	<u>1,416</u>	<u>329</u>	<u>527</u>	<u>1,229</u>	<u>3,501</u>
Depreciation					
At 1 April	349	252	307	872	1,780
Provided during year	27	22	66	120	235
Disposals during the year	-	(1)	-	-	(1)
At 31 March	<u>376</u>	<u>273</u>	<u>373</u>	<u>992</u>	<u>2,014</u>
Net book value					
At 31 March 2014	<u>1,040</u>	<u>56</u>	<u>154</u>	<u>237</u>	<u>1,487</u>
At 31 March 2013	<u>1,067</u>	<u>78</u>	<u>92</u>	<u>227</u>	<u>1,464</u>
			2014		2013
			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)			969		244
Stock of materials held by Maintenance Teams			<u>113</u>		<u>109</u>
			<u>1,082</u>		<u>621</u>
Note:					
Work In Progress for other RSLs at 1 April 2013			244		935
Net additions during the year – costs less applicable HAG			725		1,301
Net transfers to operating costs on disposals (Note 3 (ii))			-		<u>(1,992)</u>
Balance of Work In Progress for other RSLs at 31 March 2014			<u>969</u>		<u>244</u>

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

For the year ended 31 March 2014

9. Debtors	2014	2014	2013	2013
	Group	Association	Group	Association
	£000	£000	£000	£000
Arrears of rent	676	673	699	698
less: Provision for bad debts	<u>(307)</u>	<u>(306)</u>	<u>(301)</u>	<u>(301)</u>
	369	367	398	397
Sundry debtors and prepayments	1,059	1,006	1,510	1,488
Due from Kingdom Initiatives Limited	-	-	-	127
Grants Receivable	225	225	-	-
Interest Receivable	15	15	8	8
Car loans to employees	82	82	108	108
SHG in arrears	<u>1,159</u>	<u>1,159</u>	<u>1,742</u>	<u>1,742</u>
	<u>2,909</u>	<u>2,854</u>	<u>3,766</u>	<u>3,870</u>

10. Creditors: amounts falling due within one year	2014	2014	2013	2013
	Group	Association	Group	Association
	£000	£000	£000	£000
Contractors for certified work	1,954	1,954	2,006	2,006
Trade creditors	232	232	464	464
Sundry creditors and accruals, including prepaid rent	1,438	1,375	1,554	1,529
Other Taxation & Social Security costs	160	160	172	153
Due to Kingdom Initiatives Limited	-	1	-	-
Interest Payable accrual	123	123	150	150
Homestake cost accruals	136	136	136	136
Corporation Tax	30	-	-	-
HAG repayable	475	475	325	325
HAG in advance	-	-	475	474
Housing loans (Note 12)	<u>2,318</u>	<u>2,306</u>	<u>2,300</u>	<u>2,291</u>
	<u>6,866</u>	<u>6,762</u>	<u>7,582</u>	<u>7,529</u>

11. Creditors: amounts falling due after more than one year	2014	2014	2013	2013
	Group	Association	Group	Association
	£000	£000	£000	£000
Housing loans (Note 12)	<u>56,942</u>	<u>56,822</u>	<u>58,833</u>	<u>58,701</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 2014

	2014 Group £000	2014 Association £000	2013 Group £000	2013 Association £000
12. Loans				
Housing loans				
Loans secured by a charge on the Association's Housing, Land and Buildings and advanced by private lenders:	59,260	59,128	61,133	60,992
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% (2013 – 0.76% to 5.5%)				
	<u>59,260</u>	<u>59,128</u>	<u>60,133</u>	<u>60,992</u>
Repayable:				
Within one year (Note 10)	<u>2,318</u>	<u>2,306</u>	<u>2,300</u>	<u>2,291</u>
Between one & two years	2,437	2,413	2,302	2,285
Between two & five years	17,242	17,206	17,187	17,162
After more than five years	<u>37,263</u>	<u>37,203</u>	<u>39,344</u>	<u>39,254</u>
Amounts falling due after more than one year (Note 11)	<u>56,942</u>	<u>56,822</u>	<u>58,833</u>	<u>58,701</u>
	<u>59,260</u>	<u>59,128</u>	<u>61,133</u>	<u>60,992</u>
	2014	2013	2014	2013
13. Share Capital	Number	Number	£	£
Group				
Shares of £1 each issued and fully paid:				
At 1 April	72	79	72	79
Issued during the year	4	6	4	6
Cancelled during the year	<u>(8)</u>	<u>(13)</u>	<u>(8)</u>	<u>(13)</u>
At 31 March	<u>68</u>	<u>72</u>	<u>68</u>	<u>72</u>
Association				
Shares of £1 each issued and fully paid:				
At 1 April	72	79	72	79
Issued during the year	4	6	4	6
Cancelled during the year	<u>(8)</u>	<u>(13)</u>	<u>(8)</u>	<u>(13)</u>
At 31 March	<u>68</u>	<u>72</u>	<u>68</u>	<u>72</u>
14. Interest Payable and similar charges	2014	2014	2013	2013
	Group	Association	Group	Association
	£000	£000	£000	£000
Interest payable in the year has been charged as follows:				
Loan Interest	<u>1,534</u>	<u>1,533</u>	<u>1,526</u>	<u>1,524</u>

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

For the year ended 31 March 2014

	2014 £000	2013 £000
15. Capital Commitments		
Group and Association		
Housing Properties:		
Expenditure contracted less certified	<u>11,920</u>	<u>3,518</u>

16. Employees

Group and Association

i) Staff costs during year:

Wages and salaries	6,945	6,452
Social security costs	474	456
Other pension costs	<u>689</u>	<u>684</u>

Within staff costs are £66,000 relating to redundancy costs incurred during the year. 8,108 7,592

ii) Staff numbers:

	No.	No.
Average weekly number of employees (including relief staff working on an "as required" basis)	<u>356</u>	<u>342</u>
Number of employees as at 31 March		
Support & care staff	192	188
Administration staff	120	123
Maintenance staff	<u>23</u>	<u>20</u>
	<u>335</u>	<u>331</u>

As at 31 March 2014 the full time equivalent number of employees in post was 276 (2013: Association – 273).

Agency staff were employed during the year at a cost of £62,019 (2013: £6,427)

17. Auditors' Remuneration

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

External Auditors:	2014		2013	
	Group £000	Association £000	Group £000	Association £000
Audit Services	20	15	32	29
Tax & Advisory Services	6	6	-	-
Internal Audit	<u>9</u>	<u>9</u>	<u>12</u>	<u>12</u>
	<u>35</u>	<u>30</u>	<u>44</u>	<u>41</u>

18. Payments to Members and Committee Members

No Member of the Association received any fee or remuneration during the year. Members of the Committee were reimbursed for out of pocket travel expenses amounting to £2,650 (2013: £1,621).

During the year 2 (2013: 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 2014

	2014	2013
	£000	£000
19. Remuneration of Directors		
The aggregate remuneration of 5 directors (2013 – 6) including benefits in kind was	<u>403</u>	<u>442</u>
The pension contributions of 5 directors were	<u>34</u>	<u>36</u>
Emoluments (excluding pension contributions) were paid in the following bandings:	No.	No.
£60,001 - £70,000	0	2
£70,001 - £80,000	2	-
£80,001 - £90,000	1	2
£90,001 - £100,000	1	1

The total emoluments (excluding pension contributions) received by the highest paid director was £92,432 (2013: £98,384).

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% (2013: 9.6%) and amounted to £4,695 (2013: £9,390).

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 2014 was £22,036 (2013: £23,482). The maximum balance outstanding during the year was £28,711 (2013: £30,009). 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.

	2014	2013
	£000	£000
20. Reconciliation of operating surplus to net cash flow from operating activities - Group		
Operating surplus	5,208	4,831
Depreciation charges	1,374	1,126
(Decrease)/increase in creditors	(300)	795
Decrease/(Increase) in debtors	506	(607)
(Increase)/decrease in Stocks and Work in Progress	<u>(461)</u>	<u>433</u>
Net cash inflow from operating activities	<u>6,327</u>	<u>6,714</u>
21. Reconciliation of net cashflow to movement in net debt – Group		
Decrease/(increase) in cash in the period	(4,654)	4,438
Loans repaid	1,873	1,770
Cash received from new loans	-	<u>(12,238)</u>
Change in net debt	<u>(2,781)</u>	<u>(6,030)</u>
Net debt - opening	<u>(46,110)</u>	<u>(40,080)</u>
Net debt at 31 March	<u>(48,891)</u>	<u>(46,110)</u>

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

For the year ended 31 March 2014

22. Gross cash flows - Group

	2014	2013
	£000	£000
a) Returns on investments and servicing of finance		
Interest received	62	42
Interest paid	<u>(1,561)</u>	<u>(1,486)</u>
	<u>(1,499)</u>	<u>(1,444)</u>
b) Capital expenditure		
Payments to acquire tangible fixed assets	(13,396)	(17,272)
Receipts of housing grants	5,639	5,220
Receipts from sales of housing	<u>178</u>	<u>771</u>
	<u>(7,579)</u>	<u>(11,281)</u>
c) Financing		
Housing loans received	-	12,238
Housing loans repaid	<u>(1,873)</u>	<u>(1,770)</u>
Net cash inflow from financing	<u>(1,873)</u>	<u>10,468</u>

23. Analysis of changes in net debt - Group

	At 1 April 2013 £000	Cash flows £000	Other Changes £000	At 31 March 2014 £000
Cash in hand and at bank	15,025	(4,654)	-	10,371
Debt due within 1 year	(2,300)	1,873	(1,891)	(2,318)
Debt due between 1 and 2 years	(2,302)	(-)	(135)	(2,437)
Debt due between 2 and 5 years	(17,187)	(-)	(55)	(17,242)
Debt due after more than 5 years	<u>(39,344)</u>	<u>(-)</u>	<u>2,079</u>	<u>(37,265)</u>
Total	<u>(46,109)</u>	<u>(2,781)</u>	<u>(-)</u>	<u>(48,891)</u>

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

	2014	2013
	£000	£000
Operating surplus	5,052	4,839
Depreciation charges	1,364	1,249
Depreciation – loss on disposal of components	-	1
(Decrease)/increase in creditors	(379)	767
Decrease/(increase) in debtors	665	(716)
(Increase)/decrease in Stocks and Work in Progress	<u>(461)</u>	<u>438</u>
Net cash inflow from operating activities	<u>6,241</u>	<u>6,578</u>

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

For the year ended 31 March 2014

25. Reconciliation of net cashflow to movement in net debt – Association	2014 £000	2013 £000
(Decrease)/increase in cash in the period	(4,667)	4,332
Loans repaid	1,865	1,760
Cash received from new loans	-	<u>(12,238)</u>
Change in net debt	(2,802)	(6,146)
Net debt at 1 April	<u>(46,311)</u>	<u>(40,165)</u>
Net debt at 31 March	<u>(49,113)</u>	<u>(46,311)</u>
 26. Gross cash flows - Association	 2014 £000	 2013 £000
a) Returns on investments and servicing of finance		
Interest received	61	41
Interest paid	<u>(1,560)</u>	<u>(1,484)</u>
	<u>(1,499)</u>	<u>(1,443)</u>
b) Capital expenditure		
Payments to acquire tangible fixed assets	(13,396)	(17,272)
Receipts of housing grants	5,640	5,220
Receipts from sales of housing	<u>212</u>	<u>771</u>
	<u>(7,544)</u>	<u>(11,281)</u>
c) Financing		
Housing loans received	-	12,238
Housing loans repaid	<u>(1,865)</u>	<u>(1,760)</u>
Net cash inflow/(outflow) from financing	<u>1,865</u>	<u>10,478</u>

27. Analysis of changes in net debt - Association

	At 1 April 2013 £000	Cash flows £000	Other Changes £000	At 31 March 2014 £000
Cash in hand and at bank	14,681	(4,667)	-	10,014
Debt due within 1 year	(2,291)	1,865	(1,880)	(2,306)
Debt due between 1 and 2 years	(2,285)	-	(128)	(2,413)
Debt due between 2 and 5 years	(17,162)	-	(44)	(17,206)
Debt due after more than 5 years	<u>(39,254)</u>	-	<u>2,052</u>	<u>(37,202)</u>
Total	<u>(46,311)</u>	<u>(2,802)</u>	<u>-</u>	<u>(49,113)</u>

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

For the year ended 31 March 2014

28. Pension Obligations

a) Scottish Housing Associations' Pension Scheme

Summary of Scheme

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

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

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

The last formal valuation of the Scheme was performed as at 30 September 2012 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £304 million, equivalent to a past service funding level of 54.6%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. 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 £470 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

The annual cost of the Association's contributions to the Scheme is £605,903.

The Association has been notified of the amount to be paid for the past service pension deficit being £50,491 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 LIMITED - CONSOLIDATED NOTES to the CONSOLIDATED ACCOUNTS (Cont'd)

For the year ended 31 March 2014

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 £7,388,000.

Summary of Scheme

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

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

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

The valuation results at 30 September 2011 were completed in 2012 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore, revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

b) Pensions Trust's Growth Plan

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 liability attributable to employment with the leaving employer compared to the total amount of the Plan's 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 amount of the debt therefore depends on many factors including total Plan liabilities, Plan 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. Therefore, the amounts of debt can be volatile over time.

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

For the year ended 31 March 2014

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 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 14 expiry:</u>	
Less than 1 year	1
Between 1-2 years	-
Total as at 31 March 14	<u>1</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 £7,388,000 (Note 28(a)). 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, reinvoyed charges and management services provided by the Association amounting to £277,770 (2013: £97,084). KIL issued invoices to the Association for purchases and reinvoyed charges totaling £22,213 (2013: £21,335).

32. Post Balance Sheet Event

In July 2014 the Association secured an additional £10m loan facility with Abbey National Treasury Services plc.