

**Kingdom Housing Association Limited – Consolidated**  
**Report and Financial Statements**  
**for the year ended 31<sup>st</sup> March 2016**

Registration Details  
Scottish Housing Regulator Reg. No. HEP 142  
Scottish Charity No SC000874  
Financial Conduct Authority Company number SP1981RS

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED**  
**Report and Financial Statements**  
**for the year ended 31<sup>st</sup> March 2016**

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|                             |  |  |
|-----------------------------|--|--|
| <b>Board of Management</b>  | Charles Milne  | (Chairman)   |
|                             | Laurie Naumann   | (Vice Chairman)  |
|                             | Thomas Condie  |  |
|                             | Loretta Mordi  |  |
|                             | Douglas Murray   |  |
|                             | Vincent O'Hara   | (resigned 21 <sup>st</sup> September 2015)   |
|                             | Liz Pow  | (resigned 21 <sup>st</sup> September 2015)   |
|                             | Keith Haig   | Chair of Audit and Corporate Governance  |
|                             | Louise Poole   |  |
|                             | Gordon Campbell  |  |
|                             | Freya Lees   |  |
|                             | Linda Leslie   | (appointed 21 <sup>st</sup> September 2015)  |
|                             | David Little   | (co-opted 15 <sup>th</sup> December 2015)  |
| Iain Connelly               | (co-opted 16 <sup>th</sup> May 2016)   |  |
| <b>Executive</b>            | Bill Banks   | Chief Executive (and Company Secretary from 1 <sup>st</sup> June 2016)                               |
|                             | Eleanor Fotheringham   | Director of Resources and Company Secretary (retired 30 <sup>th</sup> June 2016)                     |
|                             | Norah Smith  | Director of Housing and Care   |
|                             | Nicholas Pollard   | Director of Finance & IT (and Director of Corporate Support Services from 1 <sup>st</sup> July 2016) |
| <b>Registered Office</b>    | Saltire Centre<br>Pentland Court<br>Glenrothes<br>KY6 2DA  |  |
| <b>Registration Numbers</b> | Co-operative and Community Benefit Societies Act 2014,<br>Reg. No.1981 R(S)<br>Scottish Housing Regulator Reg. No. HEP 142<br>Scottish Charity No SC000874 |  |
| <b>Independent Auditors</b> | RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP)<br>First Floor, Quay 2<br>139 Fountainbridge<br>Edinburgh<br>EH3 9QG                                  |  |
| <b>Principal Banker</b>     | Bank of Scotland<br>67 Bank Street<br>Lochgelly KY5 9QN  |  |

# **KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED**

## **Report and Financial Statements**

### **for the year ended 31<sup>st</sup> March 2016**

The Board of Management (the Board) presents its report and audited consolidated financial statements for the year ended 31<sup>st</sup> March 2016.

#### **Legal Status**

Kingdom Housing Association Limited (KHA), is incorporated in Scotland and registered with the Financial Conduct Authority (FCA) under the Co-operative and Community Benefit Societies Act, 2014 as a mutual society under registration number SP1981RS and is registered as a Registered Social Landlord, HEP142 with the Scottish Housing Regulator (SHR). It is also a Scottish Charity registered with the Office of the Scottish Charity Regulator (OSCR) No. SC000874.

KHA has a wholly owned subsidiary company, Kingdom Initiatives Limited (KIL), registered with Companies House under the Companies Act 2006, registration number SC383963 which is a non charitable company limited by shares.

These consolidated financial statements include the results of KHA and KIL (the Group) for the year to 31<sup>st</sup> March 2016.

#### **Principal activities**

KHA's principal activity is the provision and management of affordable housing using Scottish Secure Tenancies. The mission statement of KHA is to 'provide more than a home' and this is reflected in the additional activities provided, relating to Support & Care and Wider Role. KHA operates in East Central Scotland, providing affordable housing to meet a range of needs.

KHA 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, local authorities as well as private finance and its own resources. Despite the current climate KHA endeavors to maintain a development programme to provide affordable housing, including social rent and mid-market rent properties where the rent is based upon a percentage of the appropriate Local Housing Allowance and hence higher than social rents via KIL. KHA also has a significant number of shared ownership properties and also provides accommodation for homeless people.

KHA is part of the Fife Housing Association Alliance (FHAA), comprising four Fife-based Registered Social Landlords (RSLs), namely KHA, Fife Housing Association Ltd, Glen Housing Association Ltd and Ore Valley Housing Association Ltd. This alliance works to provide new affordable housing in Fife. KHA is the lead developer.

KHA uses budgeting, management accounts, key performance indicators and business planning tools to measure the performance of the business against its stated objectives. The actual results against targets are shown on page 16. These indicators are reviewed regularly by KHA's Governing Body and its Audit and Corporate Governance sub committee and are reported to the SHR.

The principal activities of KIL are to manage properties through leases and Scottish Assured Tenancy agreements, relating mainly to properties leased to it but owned by KHA. KIL also provides development services to third parties as well as undertaking any activities not allowed by KHA as a Scottish charity.

The principle of KHA owned but leased property to KIL is likely to increase as KHA further develops Mid-Market Rents (MMR) properties for on leasing to KIL. Those properties will be available for let at MMR rents based on Local Housing Allowances. During 2016/17 KIL will be developing 9 MMR properties, that will be retained and managed by KIL. There will also be 16 new homes built by KIL for sale to priority applicants under the Partnership Support for Regeneration funding.

#### **Governance**

The management, control and services between the two organisations KHA and KIL are outlined in the following agreements:-

- Independence Agreement
- Members Agreement
- Services Agreement

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These agreements are reviewed on an annual basis to ensure the appropriate governance arrangements are in place and are operating effectively.

The Governing Body of KHA is a Board of Management which has a minimum of 7 and a maximum of 15 members. As at the date of the statement of financial position, 31<sup>st</sup> March 2016 there were 11 Board members, including one co-opted member, with a wide range of skills, knowledge and experience. As at the date of the statement of financial position none of the Members was a tenant and one of the Members was a sharing owner.

To support the Board of Management, we have established the following sub committees:-

- Audit & Corporate Governance Sub Committee (A&CG)
- Senior Management Remuneration & Succession Planning Sub Committee (SMR&SP)
- Policy Sub Committee

The Governing Body of KIL is a Board of Directors, which at the year end consisted of four Directors, one of whom is the appointed Chairperson. Two of the four Directors are also members of the KHA Board of Management (David Little and Freya Lees) and one of the Directors is KHA Chief Executive (Bill Banks). There are clear reporting arrangements between the members of the group with minutes of the KIL meeting being presented to the KHA Board and a standing agenda item on the KIL Board papers for any items to be referred from and to KHA. Both governing bodies operate within agreed rules, policies and financial regulations with delegated authority given to the Chief Executive and Executive Management Team of KHA. Key performance indicators and regular operational reports are provided to the boards of KHA and KIL to enable them to monitor progress in meeting the agreed objectives.

We recognise that retaining and attracting Board members for KHA and KIL is a challenge for both organisations. During the year a comprehensive governance review was undertaken to assess the skills, knowledge and experience available within the Board and an action plan agreed to address any gaps identified and agree the succession planning arrangements for the Board composition.

#### **Strategy, Objectives and Business Review**

Our Corporate Plan identifies our strategic objectives across all our areas of activity and during the year we have successfully achieved and contributed towards our objectives.

This can be demonstrated through our achievements in areas such as the following:

- Completion of 213 new affordable homes (2015: 183), bringing our stock of social rented properties to 3,419 as at end March 2016 (2015: 3,388)
- Providing high quality services to our tenants and other customers which is evidenced through high satisfaction levels and good performance outputs
- Our Support & Care projects delivered services to 257 service users, (2015: 251)
- We have delivered on our financial plans and comfortably comply with all our loan covenants
- We have demonstrated innovation through the range of products and services we provide, including the introduction of mobile working arrangements which improve customer services and provide organisational benefits
- We employ 367 staff and offer good terms and conditions and for the last 13 years we have maintained our Investors in People (IIP) Recognition
- We recognise the risks and challenges facing us and we share experiences and good practice, which raises our profile, promotes our work and builds on our reputation and the work of RSLs in the sector

Our Corporate Plan is monitored on an ongoing basis and fully reviewed each year to ensure our strategy is updated to address the risks and further our objectives.

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In addition to assessments of our performance against our strategic objectives, we have a suite of Key Performance Indicators across all our areas of activity and this confirms high levels of performance that are comparable with or better than many other social landlords in the sector.

KHA has a track record of collaborative working with partners and we recognise the success that can be delivered through this approach. We also fully acknowledge the impact external factors can have on our business and our understanding of environmental and economic factors is reflected in our business plan and strategies.

We also recognise the range of stakeholders who have an interest in our work and have developed a good understanding of their expectations.

We operate in a relatively uncertain environment and this is reflected in the assessments of the risks and challenges we face. We have identified the strategic and operational risks and implemented mitigation control measures to help us continue to deliver on our objectives and build our resilience to change.

KHA is an organisation that has grown and developed over the years and our business strategy identifies our plans for continued growth over the next 5 years and the development of our activities to improve our customer services.

#### Resources

The human resources, health and safety and administration services provided by the Resources Department are designed to support the governing bodies of the Group, Management and staff through the development, implementation, monitoring and review of effective policies and procedures, with guidance and advice provided by experienced and qualified staff.

Attracting, developing and retaining individuals both for our governing bodies and for our staff teams, who are committed to our business, is key to our success. It is important that we have mechanisms in place to identify and measure what motivates and excites people to join and stay with our organisation. This information will help ensure that we target our resources in developing or improving these areas and as a result improve both our attraction and retention rates.

One of Kingdom's strategic objectives is to be a good employer and part of our vision is to be an employer of choice. Our values of fairness, innovation, sustainability, collaborative working, recognising the contribution of our tenants, stakeholders and workforce and treating people with respect underpin how we want to manage and develop our people.

During 2015/16 our IIP re-accreditation, the Employee Opinion Survey (EOS) and our Staff Recruitment and Retention/Staff Development 2014/15 internal audit gave us a number of insights into how we are doing on those objectives, vision and values. We are doing very well. From the IIP assessment we found that 96% of staff gave a positive score when asked to rate whether Kingdom is a "great place to work". We also heard that there are some great management practices, that employees are of the view that their terms and conditions are good and that we are getting better at organisational communication. The EOS told us that 93% of employees are satisfied with their overall job and nearly as many (89%) are satisfied with Kingdom as an employer. The internal audit told us that we are good at following our policies and procedures on recruitment and retention and staff development.

As always there is room for improvement. All three pieces of work highlighted some areas we can develop to make Kingdom an even better place to work. We are going to work on those areas and move from **good to great**. Areas for improvement have been identified in relation to the following:

- Leadership & Management
- Performance Management and staff development
- Staff Recognition
- Absence Management
- Staff Communications and Consultation

Our People Plan, "Good to Great", has been developed and sets out our objectives and the steps required to achieve improvements in the above areas.

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

It has been another busy year within the Housing Department of Kingdom. We now own properties in Fife, Clackmannan, Falkirk and Perth and Kinross District Council areas. We manage our own stock in all of these areas except Perth and Kinross where we have a management agreement with Fairfield Housing Cooperative.

We allocated 386 properties in the period 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016. During this period we allocated 288 re-let properties and the average time to allocate a re-let property was 31 days. This was 4 days higher than the average for the previous year but even with this increase we were still within our void loss budget.

We also allocated 98 New Build properties and the average time to allocate a new property was 2 days which is the same as the previous year. We also helped reduce the homeless figures by allocating 95 of our 386 allocations to statutory homeless applicants.

We did not have any hard to let properties or voids over 6 months and were under our void provision budget at the end of the reporting period.

We managed to reduce the gross arrears by £153k during the reporting period and at the 31<sup>st</sup> March 2016 our gross arrears were £388k which is 2.58% of the annual debit and within our KPI of 2.9%.

In our interim survey this year, tenant satisfaction in relation to the rents being value for money has fallen slightly from 82% to 80%. An affordability assessment study was carried out prior to the 2.5% rent increase for 2016/2017 and this indicated that our rents were affordable to 70% of our tenants.

We have continued to develop our approach to Welfare Reform, ensuring that the organisation and tenants are prepared for the future. We have assisted the majority of tenants to apply for and secure Discretionary Housing Payments to offset the under occupancy charge. At the 31<sup>st</sup> March 2016 we only had 2 tenants from the 407 currently deemed as under occupying who have not secured this award. In addition, we have continued to support tenants to secure the appropriate benefits and maximise their income so that we maximise rent collection.

Our performance over the year in relation to dealing with neighbour disputes and anti social behaviour improved with 97.58% of the resolved disputes being resolved within our 20 day target. This is a 4.58% improvement on the previous year.

During the year we improved our approach to tenant involvement by appointing a Tenant Participation Officer and reviewing our Tenant and Customer Participation Policy. In the coming year we will implement a programme of scrutiny exercises and will also set up a Tenant's forum and an owner's forum to enable tenants and owners help shape the services that we provide. In our latest interim satisfaction survey, the level of satisfaction of tenants in regard to opportunities to participate in the landlords decisions was 87% which was slightly below the 88% recorded the previous year.

We have continued to provide factoring services to approximately 448 owners and sharing owners and continue to work to reduce debt in this area. The level of activity in this area has reduced year on year as last year there was a significant roof repair project undertaken.

We have continued to bring additional MMR properties into management and these have been allocated effectively with no apparent issues.

There are a number of risks and uncertainties as we move into the next financial year:

- The introduction of universal credit over the coming year will present challenges in relation to rent collection. A significant amount of work has been done to support tenants to prepare for this and work will continue over the coming year to ensure that we are in a position to maximise rental income
- We recognise that the need for tenancy sustainment support is increasing and likely to continue to do so in the light of welfare reform. We are therefore appointing a tenancy sustainment worker and money advice /arrears officer (temporary 1 year) to help us maximise our income and our customer's income as well as helping tenants sustain their tenancies
- As we continue to have a healthy development programme, we must ensure that we have adequate resources to ensure that our houses are effectively managed and the right support to tenants is given

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At the end of the financial year 2015/2016 the Group was managing 4,090 properties and a breakdown of the stock in management is provided below:

|                                   |              |
|-----------------------------------|--------------|
| Social rented                     | 3,419        |
| Shared ownership                  | 268          |
| Leased                            | 25           |
| Lead tenancies                    | 50           |
| Non self contained leased         | 10           |
| Non self contained                | 3            |
| Non housing                       | 33           |
| MMR (managed by KIL)              | 241          |
| KIL owned properties              | 20           |
| Managed on behalf of Fife Council | 21           |
| <b>Total</b>                      | <b>4,090</b> |

During the year, Kingdom consulted with tenants on the annual rent increase and applied a rent increase of 2.5% from 1<sup>st</sup> April 2016.

Kingdom, together with its partners 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.

KHA's social housing stock comprises houses and flats, with around 56% represented by houses and 44% by flats. Most of the housing stock was built after 1982.

Kingdom met the deadline of 31<sup>st</sup> March 2015 for all social rented properties to meet the Scottish Housing Quality Standard (SHQS), except those with abeyances and exemptions. We continue to work to maintain this and improving properties with abeyances, where there has been a change of circumstances which makes this possible. At 31<sup>st</sup> March 2016 there were 135 properties exempt from the standards and 214 with abeyances. The elements that require improvement are energy efficiency in 23 properties and kitchen storage in the remaining properties.

**Support and Care**

In 2015/16 we continued to support approximately 257 individuals to live in their own homes in the community, providing varying levels of support from a few hours per week to full 24/7 cover, including sleepovers. In addition, we provided temporary accommodation and outreach services for people who were homeless through the services at James Bank, Dunfermline.

In 2014/15 we fully established the new core and cluster service for four young men with Autism and Challenge in Falkirk, which continued to do well. In 2015/16 we established a further two 24/7 services for two young men with similar needs and have also taken on some smaller care services. Service hours have increased to 977 per week.

We were accepted into the Falkirk framework in late 2015 and are ranked within the top 3 providers, providing opportunities for significant development as a result.

Within Fife, the hours of support have also increased throughout the year by approximately 230 per week. We were accepted into the Fife Framework for the Under 30 hours care at home service in September 2015 and are ranked the top provider. We hope that this will also give opportunities for significant development in the area.



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Staff turnover in Support and Care has reduced from approximately 29% to 25% in 2015/16. While this is a positive shift, it is still higher than we would aim for. Factors affecting turnover include uncertainty in the sector, low salaries and significant choice of providers and alternative employment opportunities. A review of recruitment and retention was undertaken and improvements are currently being implemented, which it is hoped will further reduce staff turnover.

Sickness absence has reduced slightly, but it still remains a significant cost to the organisation.

The rota planning and outcomes monitoring system was fully implemented over the past year and is having a positive impact on the quality of services provided.

We have continued to invest in training for staff and are well placed to meet the Scottish Social Services Council registration requirements with approximately 85% of support workers having achieved or working towards the appropriate qualification. All supervisory and managerial staff have the relevant qualifications and have completed registration.

The leadership and management training for supervisory and management staff was very positive and has improved support to staff. This is being built on in the coming year with the same staff undertaking performance management training.

The Care Inspectorate reports improved in the main with grades of 5 and 6, very good and excellent being achieved.

The financial contribution to the organisation from support and care is estimated at £254k before the allocation of overheads and prior to in year budgetary adjustments. Those in year adjustments resulted in the contribution being reduced to £5k. This is less than was forecast, the reasons for this include:

- No uplifts to contracted rates combined with a staff salary increase
- High turnover of staff
- High sickness absence costs
- Non delivery of hours due to supported individuals being hospitalised or on holiday with family
- We delivered 97% on average of contracted hours across the year

There are a number of risks and uncertainties in the coming year:

- The work to determine the overall viability of the service being concluded
- The discussions with Local Authorities on increases to sleepover rates and funding awards to meet the new living wage need to be concluded
- Continuous improvement in staff turnover and sickness management to reduce service delivery costs

#### **Development**

It has been another active year in respect of our Development Activity, where we have continued to provide a new supply of affordable housing to meet a wide range of housing needs.

The majority of our development activity continues to be in Fife; however our areas of operation extend into adjacent Local Authority areas. During the year we completed 27 new homes for social rent at Alloa Road, Tullibody, which is our first affordable housing project in Clackmannanshire and 14 properties in Crieff in Perth and Kinross. We have existing stock in Falkirk and during the year we identified various potential sites as part of a future pipeline programme.

In Fife we have been working on various projects, including the following:

- Fraser Avenue, Inverkeithing (a major regeneration project of 189 homes)
- Guardbridge (66 new homes)
- Pittencrieff Street, Dunfermline (65 flats)
- Pottery Street, Kirkcaldy (39 flats)

We can demonstrate very successful results across all development Key Performance Indicators (KPIs) and our track record, experience and history of collaborative working contributes to our delivery of a successful development programme.

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During 2015/16 we invested £14.05 million in new development projects for Kingdom and our partners, with £6.22 million being provided in subsidies from the Scottish Government and Local Authorities. The investment in new supply housing resulted in us starting on site with 154 new units and we completed a further 213 units during the year as part of the development programme we manage.

Our Corporate Plan identifies our objective of continuing to provide new affordable housing, which contributes to meeting the growing housing need across all our areas of operation. While the priority is predominately the development of new social rented provision, we also recognise there is a high demand for other affordable housing tenures.

The need for intermediate rented housing is being addressed through the provision of MMR homes. During the year we completed 114 MMR properties as part of the development programme in Fife. While demand for MMR is very high from applicants who meet the priority criteria, it would be a high risk strategy to provide MMR in all our areas of operation. Therefore we aim to limit the provision to local market areas where the current and future demand can clearly be tested and demonstrated through our rigorous market assessments.

Collaborative working is an approach that KHA has adopted for many years. It builds productive relationships, spreads and reduces risks and provides opportunities for us which would not easily be pursued by KHA as a lone venture. In respect of our development activity we have maintained excellent working relationships with the Scottish Government, Local Authorities and Partnering Housing Associations, which has allowed us to maximise available funding. We also actively participate in a variety of strategic development groups including the following:

- Affordable Housing Policy and Delivery Groups
- Strategic Housing Investment Programme (SHIP) and Strategic Local Programme (SLP) Groups
- Local Housing Strategy Implementation Group
- Local Authority Housing Partnerships

Through our involvement in groups such as the above, we are able to share our experience and influence future strategy within our areas of operation. We have continued the good partnership working arrangements we have with the other Fife based Registered Social Landlords (RSLs), as part of the Fife Alliance arrangement. We have a similarly successful relationship with Fairfield Housing Co-operative in Perth. These arrangements allow us to deliver procurement efficiencies and provide mutual benefits for all parties. Other successful collaborative relationships include the contract arrangements with our contractors and consultants, other public and private sector organisations and various community partnerships with a range of groups.

Maintaining high quality standards is an objective that we will not compromise, given this is a significant sustainability factor that not only results in high quality housing but also positively contributes towards our management and maintenance costs through lower turnover, reduced reactive repairs, voids and housing management costs and enhanced component life cycles. The high quality helps sustain tenancies, improves our tenants' health and well-being and addresses issues associated with fuel poverty. During the year all the projects we developed were designed and built to fully meet Housing for Varying Needs Standards and achieved Secured by Design accreditation. The majority of our projects have also secured the enhanced greener standard subsidy, which has allowed us to achieve the building regulations Silver Standard for Sustainability.

We carry out post completion satisfaction surveys with our new tenants and residents on all our completed developments. The survey for projects completed during the year has confirmed a 92% overall satisfaction level with the quality and design of the new homes.

Development of new housing can be high risk and uncertain; however we have developed robust procurement and project management processes that mitigate the risks and contribute towards our successful KPIs. During the year we have continued to use the Brix Development module, which has allowed us to test different development scenarios and improve our project financial appraisal methodology, demonstrating viability and sustainability over the longer term.

Through our development and financial appraisal processes we have managed to improve project viability, through demonstrating the need for enhanced benchmark subsidies and securing additional funding, from other sources, where necessary, to achieve optimum funding levels.

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Various factors have impacted on our development programme during the year, which has resulted in delayed project starts and slippage. It has still been a successful year for new housing development. In addition to the new site starts and completions, we have identified and have continued to develop proposals for our pipeline programme, which will assist us in achieving our development objectives in the future.

#### Asset Management

Maintaining our housing stock to the highest possible quality standards is a key priority for us and this is reflected in our Asset Management Strategy, through our approach to areas such as:-

- Design criteria for new affordable homes which incorporate durable components and provide acceptable replacement life cycles
- Quality reactive repairs services and voids standards
- Planned replacement and improvement programmes
- Reactive and proactive customer services, which maintain high levels of satisfaction

We operate an in-house repairs service which covers both reactive and emergency repairs and have introduced a small team who now carry out our kitchen replacements programme. This year we carried out a total of more than 12,650 repairs of which 2,587 were emergency repairs. The use of the in-house services has provided us with more control over maintenance scheduling, achieved cost efficiencies and increased our customer satisfaction levels.

We measure our performance across all repairs categories and examples of the main performance outputs are summarised below:-

|   |         |
|---|---------|
| • Out of hours emergency repairs (response % achieved)        | 99.7%   |
| • Average time to complete an emergency repair (hours)        | 2.21hrs |
| • Routine Repairs (Response % achieved)                       | 87.4%   |
| • Repairs appointments kept                                   | 90.76%  |
| • % properties with valid and current gas safety certificates | 99.97%  |

Whilst the above results are good in comparison to many of our peer RSLs, we operate within a performance culture of continuous improvement and aim to improve on these in the future.

During the year we maintained our SHQS compliance and started our programme for the new Energy Efficiency Standard for Social Housing (EESH).

Satisfaction with our repairs service has continued and during 2015/16 we recorded a 94.98% satisfaction level for the overall repairs service provided to our tenants.

Our appointments system has been further developed during the year with a significant increase in the number of appointments offered to tenants.

The key risks and constraints which could impact on our repairs services have been identified and control measures have been introduced to mitigate the risks.

Our priorities for the next year focus on improving our services to tenants, business development and planned stock improvements. Efficiencies and process improvements will also be introduced in the future through the implementation of a new asset management system.

Sustainability is a key priority for KHA and our approach to asset management contributes to this through our design standards, component selection and repairs services and assists both environmental and tenancy sustainability.

KHA's Mission Statement is; "to provide more than a home" and we meet this through a range of services which provide added value.

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#### **Care and Repair Project**

KHA has been managing the Fife Care and Repair Project for over 20 years and it has evolved over this time.

The Project now mainly provides a disability adaptation and repairs and improvement service to older and disabled people enabling them to continue to live in their own homes. 293 adaptations were carried out last year and all business targets were achieved.

The Project is complemented by our Small Repairs Service, which carried out over 780 repairs for older owner occupiers in our Communities during the year.

Satisfaction with the Care & Repair and Small Repairs Services is exceptionally high at 98% and 99% respectively.

#### **Community Initiatives**

We deliver various projects that provide potential benefits to our tenants and residents who live in the communities where we operated. Examples include education initiatives in local schools, support to community groups, energy advice services and public art and financial inclusion projects.

This approach has been very successful to date and will be further enhanced in the future through the formalisation of Community Benefits clauses in our procurement and contract documents.

#### **Our Power**

Kingdom is a member of "Our Power" which is an energy supply company, registered as a Community Benefit Society that has been established by a number of Scottish RSLs with an aim to help alleviate fuel poverty, using their combined buying power and customer base. The Group's financial risk is limited to its initial membership fee and the Our Power does not distribute profits to members.

#### **Fife Works**

Fife Works is one of our community benefits initiatives and is our employability project.

The highest risk to the project is the reliance on funding to support the initiatives and this is an area we fully recognise. We have a successful track record of securing funding and the current funding sources will deliver the projects into mid 2016. We will continue to identify and source funding that will extend the projects beyond this date. We are also investigating processes that will mainstream many of the activities into the advice and assistance services we provide to tenants.

During the year Fife Works assisted over 517 people in our communities and helped 237 people to access employment.

#### **Information Communication Technology**

In the financial year 2015/16 Kingdom moved our technical infrastructure to a secure off premises data centre, implemented an improved network, uncontented internet and managed firewall solution adding business resilience.

Kingdom continued to implement mobile technology and the Board of Management and Senior Management Team now have access to on-line board papers, overall mobile devices managed by our ICT team increased from 300 to 350.

New thin client systems were introduced at all office locations providing improved experience for service users.

ICT lead business improvement at Kingdom and have a dedicated resource working with all departments to progress improved processes and effective ways of working.

In 2016/17 business improvement will lead to substantial savings and operating efficiencies providing scope for the business to grow without increasing overheads.

We have plans to work closely with our housing management system provider Orchard to implement various systems which are customer focused including text messaging and a self service portal supporting our tenants. We are also improving systems and Property Lettings and Void modules will be re-implemented to provide effective systems. We will be introducing a Customer Contact Centre to enhance our customer service.

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Our technical infrastructure will be reviewed with a drive towards cloud delivery in financial year 2017/18.

**Financial Report**

**Financial Reporting Standard 102/Statement of Recommended Practice 2014**

For the first time the report and financial statements reflect the implementation of Financial Reporting Standard 102 and the consequent Statement of Recommended Practice for Registered Social Landlords 2014. The accounting policies of the Group have been revised and changes made to ensure compliance. The comparative figures have been restated where necessary. Detailed explanations of the changes are set out in note 39 to the financial statements.

The accounting changes do not affect the day to day operations of the Group as they are only accounting changes, but may affect the ratios relied upon by the Group's lenders. Lenders have agreed that no detriment will be caused to the Group for issues arising solely from application of the new Standard.

**Treasury and loans**

KHA 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. The Treasury Management Policy allows a maximum of 75% and a minimum of 45% at fixed rates of interest. As at 31<sup>st</sup> March 2016 KHA had 50% (2015: 45%) of its loan portfolio at fixed rates of interest. KHA is taking advantage of the low London Inter Bank Offer Rates (LIBOR) and base rates on offer on its variable rate debt but recognises the risks attached to that where the next interest rate movement is likely to be upwards. KHA will therefore seek to fix more of its debt interest costs moving forward gaining certainty on those costs.

The fixed debt has a weighted average cost of funds of 3.62% whilst the variable debt has a weighted average cost of funds of 1.50%. The weighted average cost of funds of all KHA's borrowings is 2.46%.

KHA's lenders have set minimum levels of interest cover (operating surplus/ interest payable) that must be met. The level of interest cover at 31<sup>st</sup> March 2016 was a minimum of 385% (2015: 450%), significantly higher than the minimum level required by the lenders' financial covenant test of 115%.

KHA's lenders also require a gearing covenant test (debt/net worth) to be met with no more than 40%, this being the lowest of all lenders and therefore the threshold. KHA's gearing as at the year end was 27%, which was significantly below the maximum threshold.

KHA undertook during 2015/16 a whole stock loan security valuation exercise. The outcome of that is that KHA has secured 2,098 properties to its lenders under both Existing Use Value – Social Housing and Market Value-Subject to Tenancies amounting to £90.8 million in security value. There remain 1,500 general needs properties plus 257 shared ownership and 116 other properties that are unencumbered.

All covenants with all lenders were therefore met.

During 2015/16 KHA entered in to a new loan agreement for £5.222 million with Allia and has committed to on-lend £2.62 million of those funds for KIL developments. At the year ended 31<sup>st</sup> March 2016 KHA had £11.93 million (2015: £10.44 million) in cash at bank. In addition KHA had left to draw £5 million of its facility with Abbey National Treasury Services plc, part of Santander UK plc.

KHA's corporate plan for the next five years requires significant debt funding to be put in place to deliver the proposed development objectives with support from Fife Council and the Scottish Government through the grant regime. In addition, during the period of the corporate plan a significant amount of existing variable debt will require refinancing as it reaches the end of its originally agreed life which will add to that funding requirement of approximately £80 million to 2023. This will significantly impact upon both interest cover and gearing covenants but the forecast is for them to remain within current covenant thresholds. KHA is seeking to consolidate its borrowing with its existing lenders where possible to achieve efficiencies in operations and consistency of covenants to support its growth ambitions.

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#### Kingdom Initiatives Limited

The main activity of KIL, during 2015/16 has been the management of MMR housing. As at 31<sup>st</sup> March 2016, KHA had 241 completed MMR units. The properties are owned by KHA and leased to KIL, who let the tenancies and are responsible for the management and maintenance of the projects.

KHA has a programme of future MMR projects and as at the end of the year there were 41 units on site, which will be completed during 2016/17, where it is the intention to lease the completed projects to KIL.

KIL currently leases 21 flats from Fife Council, which are let as MMR tenancies and additional projects are planned for 2016/17 and beyond with approximately 121 units being developed by Fife Council with the intention of their being managed by KIL.

KIL also owns 20 properties which are rented. The properties owned by KIL strengthen its asset base and contribute to meeting affordable housing needs. The current business plan does not identify any concerns related to this stock condition or demand for the properties. Some properties owned by KIL are leased to KHA, for lead tenancy purposes.

The MMR portfolio of properties managed by KIL does not rely on capital investment or KIL loans, therefore the portfolio is low risk and provides guaranteed income.

KIL's operating performance for 2015/16 led to the generation of a pre-tax operating surplus of £142k (2015: £139k). KIL has opted not to gift aid profits back to its parent KHA in order to build a demonstrable track record of profitability and accumulate reserves for the purpose of supporting the planned future activities. The profit after tax was therefore £112k (2014/15 £109k).

KIL has loans with Dunfermline Building Society, part of the Nationwide amounting to £112k (2015: £122k), which are all LIBOR linked loans. The weighted average cost of funds on those loans is 1.07% and the loans are amortising until 2028. There are no loan covenants for KIL's loans. As at 31<sup>st</sup> March 2016 KIL had cash at bank of £600k (2015: £476k) and accumulated reserves of £1,057k (2014: £945k).

During 2015/16 the Corporate Plan was developed and opportunities identified for KIL to expand current activities and introduce further business development initiatives.

KIL does not employ staff and receives services from KHA. There is a KIL Independence Agreement, however KHA exercises control over KIL by approving the business plan and budget and reviewing this on a quarterly basis.

Board members of KIL are also approved and can be removed by KHA. The non executive directors who served in 2015/16 for KIL were David Little (Chairperson), Eric Towns (resigned 15<sup>th</sup> February 2016), Derek Helmore (appointed 19<sup>th</sup> October 2015), Freya Lees (appointed 16<sup>th</sup> November 2015) and Bill Banks, who is also the Chief Executive of KHA.

**Statement of Comprehensive Income** The implementation of FRS102 has led to some changes in accounting for income and costs. Previously the amortisation of Government grants was netted against housing asset depreciation, whereas now these are shown gross. Non Government grants are taken to income when the conditions of the grant have been met, usually when the scheme build is completed instead of being held as credit balances netted against the relevant assets. Note 39 to the financial statements sets out the detail of the changes made to the comparative figures to accord with FRS102. The commentary below reflects the restated numbers.

Group turnover for the year was £23.27 million (2015: £23.57 million) offset by operating costs of £17.23 million (2015: £17.62 million), creating an operating surplus of £6.04 million (2015: £5.95 million). After paying loan interest of £1.68 million (2015: £1.8 million) including an unwinding of discount of £0.16 million (2015: £0.24 million) in respect of the pension provision, adding gains on sales of £144k (2015: £179k) and receiving interest of just £45k (2015: £47k), the surplus for the year before taxation amounted to £4.55 million (2015: £4.38 million). After making the payment of tax in respect of the non charitable trading subsidiary company the surplus after taxation was £4.52 million (2015: £4.35 million). A separate statement of comprehensive income is presented for KHA at page 26.

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Rents were increased for 2015/16 by 0.5% and 113 new properties came in to the letting pool during the year together with acquisition of 4 properties from owner occupier, sharing owner and mortgage to rent purchases. There were also 4 disposals of shared ownership stock during the year as sharing owners exercised their right to tranche-up and acquire their home. Void performance remains low at 1.01% of rents receivable (2015: 0.55%).

Management and maintenance administration costs per unit were marginally lower than the prior year at £773 per unit (2015: £789). The repair and maintenance cost per unit was £719 per unit (2015: £741 per unit).

Bad debts performance continues to improve year on year accounting for 0.48% of rent receivable (2015: 0.96%). This is despite the Group taking a prudent view on writing off and providing for bad debts at the year end.

In other activities it is important to note that the support and care activity delivered less than its planned contribution to overheads during the period and incurred an operating loss during the year. A significant review of amounts being held due to and by the Group in respect of historic development activities was undertaken and a number of these have been written off.

Although the amount of net debt increased during the period, interest costs remained broadly consistent with prior years owing to low LIBOR rates on approximately half of the loan portfolio.

The Group received trading income from the established renewable energy equipment as a result of Feed in Tariff agreements. That income amounting to £272k has been offset by costs incurred in that activity. There is no corporation tax due on that activity owing to the application of Annual Investment Allowances.

#### **Statement of Financial Position**

The implementation of FRS102 has led to significant changes in the presentation of housing assets and associated grants. Previously housing assets were shown net of grants. Government grants (Housing Association Grant) are now disaggregated and shown as deferred income on the liability side of the statement of financial position. Non government grants are now taken to income when the conditions associated with the grant have been met. In addition depreciation on the cost of housing assets was netted against the amortisation of associated grants, whereas now depreciation is accounted for gross and grant amortisation is credited directly to income. The impact has been to increase both sides of the statement of financial position. The second significant change is the transfer of the designated pension deficit reserve to liabilities, with the use of high quality corporate bond rates to discount future payments to clear the pension deficit. Note 39 to the financial statements sets out the detail of the changes made to the comparative figures to accord with FRS102. The commentary below reflects the restated numbers.

The fixed asset base of the Group continues to grow with the development of new units with grant funding. The very high cash holdings of the Group are a reflection of not only the very prudent forecasting but also delays in planned development expenditure where funds had been drawn in anticipation of that expenditure. The Group met its annual historic deficit recovery plan payment cost of £0.64 million for the pension scheme during the year and plans further payments up to 2027 to clear the deficit. This is now represented by the pension liability in the statement of financial position.

The Group reserves now stand at £34.53 million (2015: £30.00 million).

#### **The Environment & Sustainability**

The Scottish Government is committed to sustainable development and reducing the impact of climate change and this aim is shared by KHA. 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 Five Works community initiatives managed by KHA. 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.

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KHA has been recognised through various awards for the environmental and sustainability work it has progressed.

**Key Performance Indicators (KPIs)**

KHA 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<br>2015-16 | Target<br>2015-16 | Actual<br>2014-15 |
|--|-------------------|-------------------|-------------------|
| Void loss  | 1.01%             | 0.75%             | 0.50%             |
| Gross arrears - current tenants [as per ARC report] (%)                | 2.57%             | 2.90%             | 3.38%             |
| Gross arrears - all tenants [as per ARC report] (%)                    | 4.45%             | 3.50%             | 5.60%             |
| Average re-let time [as per ARC report] (days)                         | 31 days           | 27 days           | 27 days           |
| Staff costs: Turnover (excluding developments for sale) (%)            | 36.86%            | 45.20%            | 39.05%            |
| Sickness absence (days per employee) (days)                            | 12.5              | <10               | 13.3              |
| Management & Maintenance Administration costs per unit (£)             | £773              | £867              | £789              |
| Routine Maintenance costs per unit (£)                                 | £719              | £665              | £741              |
| Properties meeting SHQS requirements (%)                               | 100.00%           | 100.00%           | 93.40%            |
| Emergency repairs completed within target response time (out of hours) | 99.70%            | 95.00%            | 99.60%            |
| Emergency repairs completed within target response time (daytime)      | 96.50%            | 95.00%            | 92.00%            |
| Site Starts (new supply)   | 154 units         | 202 units         | 128 units         |
| Site Completions (new supply)  | 213 units         | 213 units         | 160 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 slightly exceeded target for the year due to efficiency gains in recovering income. Owing to proactive assistance services arrears for current tenants are positive against a target that was increased over last year, anticipating greater financial difficulties being faced by tenants due to economic conditions. Arrears for all tenants, while above target shows an improvement on the previous year.

Average re-let times are above target and above last year's performance owing to properties requiring more repairs at changeover and longer than planned voids.

Staff costs as a proportion of turnover are slightly less than planned. Sickness absence levels remain higher than target and while an improvement over last year substantially exceed national averages. The approach to sickness absences is being re-examined.

Management and maintenance costs per unit were below target owing to less than forecast spend on routine repairs and planned maintenance and the impact of capitalisation of some costs.

KHA fully complied with SHQS by the deadline set by Scottish Ministers taking account of exemptions and abeyances. The emergency repair service response times exceeded targets and improved on last year.

Site starts experienced slippage due to planning delays and concerns over viability.



# **KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED**

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#### **Financial Review & Going Concern**

At the year end the Group's reserves amounted to £34.53 million, (Association: £33.47 million). During the year the Group created a surplus of £4.55 million (Association: £4.41 million).

The Board is of the opinion that KHA 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 KHA's business. An additional £10m of funding was secured in July 2014 of which as at the year ended 31<sup>st</sup> March 2016 there remained £5 million undrawn and KHA 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 KHA and the post-acquisition reserves of its subsidiary, KIL.

#### **Staffing**

At 31<sup>st</sup> March 2016 the staffing establishment comprised 296 (2015: 274) full time equivalent persons.

KHA 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 KHA. 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.

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

#### **Charitable Fund and Donations**

Each year the Board approves an amount to be made available to support appropriate registered charitable causes. During the year to 31<sup>st</sup> March 2016 the Board approved an amount of £7,500 (2015: £7,500) for charitable causes, of which £3,374 (2015: £3,347) was distributed.

#### **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 Board, senior management and all staff. The Group aims to make all employees aware of risks through training and communication.

The Board employs external 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.

KHA has a number of insurance policies in place transferring key risks that the Group are exposed to.

Key strategic 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. A more recent emerging key risk is the ONS reclassification of RSLs. The Group mitigates 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.

The table below outlines the key strategic risks faced by KHA, the inherent risk and the residual risk after the application of operational management and monitoring tools referred to above.

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| Key risks   | Inherent risk level | Residual Risk Level |
|---|---------------------|---------------------|
| Reduced private finance availability                    | Minor               | Minor               |
| Increased cost of finance                               | Serious             | Minor               |
| Reduced grant funding for new development               | Serious             | Moderate            |
| Increased Voids   | Serious             | Minor               |
| Increased cost inflation                                | Minor               | Minor               |
| Failure to optimise existing IT                         | Serious             | Minor               |
| Welfare reform impact on tenancy sustainability         | Serious             | Moderate            |
| Pension costs   | Serious             | Minor               |
| Weak governance   | Serious             | Moderate            |
| New entrants increasing competition in social housing   | Serious             | Moderate            |
| New entrants increasing competition in support and care | Serious             | Moderate            |
| Reduced Support and Care funding                        | Serious             | Moderate            |
| Risk of rent controls                                   | Minor               | Minor               |
| Increased sustainability requirements                   | Serious             | Moderate            |
| Fraud   | Critical            | Moderate            |
| Increased employment legislation increasing costs       | Serious             | Moderate            |
| ONS reclassification                                    | Serious             | Serious             |

**Health and Safety**

The Board and Senior Management are aware of its responsibilities on all matters relating to health and safety. KHA maintains detailed health and safety policies and provides staff training and education on health and safety matters. KHA has a Health and Safety group which is attended by Senior Management. In addition, KHA'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 KHA using a points-based system that takes account of a number of attributes of each property. KHA 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.

Rental increases are determined by the Board having consideration to affordability based on an independent affordability analysis, the effects of inflation on our cost base as well as ensuring we can meet our future maintenance and repair obligations and new stock development objectives.

During 2014/15 KHA completed a comprehensive review of rent affordability and a rent structure review implementing a revised structure of rents across all its housing stock for the new financial year 2015-16. KHA determined that as the restructuring of rents was taking place during 2015-16 and that had favourable and adverse ramifications for many tenants that the general rent increase would be limited and therefore KHA raised rents by 0.5% for the 2015-16 year. KHA has determined using a similar approach that in 2016-17 rents will rise by 2.5%.

**Maintenance**

KHA has an Asset Management Strategy, which covers all owned and managed housing stock and other properties and facilities..

KHA 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 statement of comprehensive income. KHA has a long-term programme of planned repairs to replace major components that have reached 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.

KHA has a legal obligation to ensure that all of its properties remain at the SHQS beyond 2016. In addition KHA will be expected to meet the EESSH by 2020.

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#### **Treasury Management**

KHA does not enter into financial transactions of a speculative nature. At the year end KHA had an appropriate mix of fixed and variable rate funding arrangements in place with its principal lenders. KHA has an active treasury management approach. The Treasury Management policy sets out a minimum and a maximum proportion of the loan portfolio that may be held at fixed and floating rates of interest.

#### **Plans for the Future**

KHA 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

KHA is continuing to face a number of significant challenges, among them, public sector funding pressures and welfare reforms affecting our tenants.

KHA 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. KHA 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.

During 2016-17 KHA will develop a new subsidiary company to improve the viability of the Support and Care business.

The Group has development plans for the next 5 years which include more than 1,500 homes being built by the Group for affordable housing letting. This will lead to a significant future private finance requirement over that period.

#### **Credit Payment Policy**

KHA 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.

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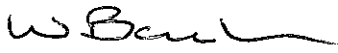
**Statement as to the disclosure of information to the auditors**

The Board 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 Board Members has confirmed that they have taken all the steps that they ought to have taken as Board Members in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

**Auditors**

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

By Order of the Board



William Banks  
Chief Executive and Secretary  
Date: 15<sup>th</sup> August 2016

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**Statement of Board's responsibilities under the Co-operative and Community Benefit Societies Act 2014 for a registered social landlord (RSL)**

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the RSL and of the surplus or deficit for that period. In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- 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 RSL will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the RSL and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Housing Associations Determination of Accounting Requirements 2014 . It is responsible for safeguarding the assets of the RSL and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



William Banks  
Chief Executive and Secretary  
Date: 15<sup>th</sup> August 2016

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED**  
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**Board's Statement of Internal Financial Control**

The Board acknowledges its ultimate responsibility for ensuring that KHA has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

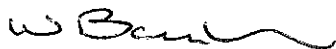
- the reliability of financial information used within the RSL, or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets against unauthorised use or disposition

It is the Board's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable, and not absolute, assurance against material financial mis-statement or loss or failure to meet objectives. Key elements of KHA's systems include the following:

- a) An appropriate control environment has been created by careful recruitment training and appraisal of suitably qualified staff and provision of comprehensive guidance on the standards and controls in the form of formal policies and procedures to be applied throughout KHA.
- b) The system of internal financial control has been developed to ensure it monitors control, supports the achievement of KHA's aims and objectives and safeguards its assets.
- c) 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 Board quarterly. Forecasts and budgets are prepared and regularly reviewed and updated to assist financial decision making.
- d) Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies.
- e) Major business risks and their financial implications are assessed systematically by reference to established criteria. This allows the Board and Senior Management team to evaluate the nature and extent of those risks and manage them efficiently, effectively and economically.
- f) The financial implications of major business risks are controlled by means of formal policies and procedures including the documentation of key systems and rules relating to delegated authorities which reserve significant matters to the Board for decision, segregation of duties in appropriate areas and physical controls over assets and access to records.
- g) All significant new initiatives, major commitments and investment projects and their financial implications are assessed and are subject to formal authorisation procedures through the Board.
- h) The Board 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 Board confirms that it has reviewed the effectiveness of KHA's system of internal financial control as it operated during the year under review. No material weaknesses were found which resulted in material losses, contingencies or uncertainties which require disclosure in these financial statements or in the auditors' report on the financial statements.

By Order of the Board



William Banks  
Chief Executive and Secretary  
Date: 15<sup>th</sup> August 2016

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KINGDOM HOUSING ASSOCIATION  
LIMITED ON CORPORATE GOVERNANCE MATTERS**

In addition to our audit of the Financial Statements, we have reviewed your statement on page 22 concerning the Association's compliance with the information required by the Regulatory Standards for systemically important RSLs in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

**Basis of Opinion**

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Management Committee and Officers of the Association and examination of relevant documents. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

**Opinion**

In our opinion the Statement on Internal Financial Control on page 22 has provided the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

*RSM UK Audit LLP*

RSM UK Audit LLP (formerly BAKER TILLY UK AUDIT LLP)  
Statutory Auditor  
Chartered Accountants  
First Floor, Quay 2  
139 Fountainbridge  
Edinburgh  
EH3 9QG

Date: *17 August 2016*

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KINGDOM HOUSING ASSOCIATION LIMITED**

We have audited the group and parent association financial statements of Kingdom Housing Association for the year ended 31 March 2016 (the "financial statements") on pages 25 to 62. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 Board and auditor**

As explained more fully in the Board's Responsibilities Statement set out on page 21, the Board 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 2016 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 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 – December 2014.

**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.

*RSM UK Audit LLP*

RSM UK Audit LLP (formerly BAKER TILLY UK AUDIT LLP)

Statutory Auditor  
Chartered Accountants  
First Floor, Quay 2  
139 Fountainbridge  
Edinburgh  
EH3 9QG

Date *17 August 2016*



**KINGDOM HOUSING ASSOCIATION LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 31<sup>st</sup> March 2016**

|  | Notes | 2016<br>£000    | 2015<br>£000<br>restated |
|--|-------|-----------------|--------------------------|
| Turnover                                       | 3     | 23,265          | 23,573                   |
| less: Operating expenditure                    | 3     | <u>(17,225)</u> | <u>(17,621)</u>          |
| Operating surplus                              |       | 6,040           | 5,952                    |
| Gain on sale of housing properties             | 6     | 144             | 179                      |
| Gain on sale of other fixed assets             |       | -               | 3                        |
| Interest receivable and similar income         | 7     | 45              | 47                       |
| Interest payable and financing costs           | 8     | <u>(1,679)</u>  | <u>(1,803)</u>           |
| Surplus on ordinary activities before taxation | 5     | 4,550           | 4,378                    |
| Taxation                                       | 9     | <u>(31)</u>     | <u>(30)</u>              |
| Total comprehensive income for the year        |       | <u>4,519</u>    | <u>4,348</u>             |

The comparative figures have been restated in order to implement Financial Reporting Standard 102 applicable to housing associations (Note 39)

The notes on pages 31 to 62 form part of these financial statements.

The results relate wholly to continuing operations.

There were no unrecognised surpluses or deficits in the current year other than those included in the statement of comprehensive income.

**KINGDOM HOUSING ASSOCIATION LIMITED**  
**HOUSING ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 31<sup>st</sup> March 2016**

|  | Notes | 2016            | 2015            |
|--|-------|-----------------|-----------------|
|  |       | £000            | £000            |
| Turnover                                       | 3     | 22,944          | 23,334          |
| less: Operating expenditure                    | 3     | <u>(17,045)</u> | <u>(17,522)</u> |
| Operating surplus                              |       | 5,899           | 5,812           |
| Gain on sale of housing properties             | 6     | 144             | 179             |
| Gain on sale of other fixed assets             |       | -               | 3               |
| Interest receivable and similar income         | 7     | 44              | 46              |
| Interest payable and financing costs           | 8     | <u>(1,678)</u>  | <u>(1,802)</u>  |
| Surplus on ordinary activities before taxation | 5     | 4,409           | 4,238           |
| Taxation                                       | 9     | <u>-</u>        | <u>-</u>        |
| Total comprehensive income for the year        |       | <u>4,409</u>    | <u>4,238</u>    |

The comparative figures have been restated in order to implement Financial Reporting Standard 102 applicable to housing associations (Note 39)

The notes on pages 31 to 62 form part of these financial statements.

The results relate wholly to continuing operations.

There were no unrecognised surpluses or deficits in the current year other than those included in the statement of comprehensive income.

**KINGDOM HOUSING ASSOCIATION LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**As at 31<sup>st</sup> March 2016**

|   | Notes | 2016<br>Group<br>£000 | 2016<br>Association<br>£000 | 2015<br>Group<br>£000<br>restated | 2015<br>Association<br>£000<br>restated |
|---|-------|-----------------------|-----------------------------|-----------------------------------|---|
| <b>Tangible fixed assets</b>                                  |       |                       |                             |                                   |   |
| Housing properties - depreciated cost                         | 10    | 262,868               | 261,939                     | 253,577                           | 252,940                                 |
| Other tangible fixed assets                                   | 10    | 1,179                 | 1,177                       | 1,241                             | 1,239                                   |
| Intangible fixed assets                                       | 10    | 98                    | 98                          | 149                               | 149                                     |
| Fixed asset investment - Homestake                            | 11    | 1,935                 | 1,935                       | 1,935                             | 1,935                                   |
| Fixed asset investment  | 11    | -                     | -                           | -                                 | -                                       |
| <b>Total fixed assets</b>                                     |       | <u>266,080</u>        | <u>265,149</u>              | <u>256,902</u>                    | <u>256,263</u>                          |
| <b>Current assets</b>   |       |                       |                             |                                   |   |
| Stock and work in progress                                    | 12,13 | 153                   | 153                         | 130                               | 130                                     |
| Trade and other receivables                                   | 14    | 3,765                 | 3,390                       | 3,579                             | 3,505                                   |
| Cash and cash equivalents                                     |       | <u>12,527</u>         | <u>11,927</u>               | <u>10,920</u>                     | <u>10,444</u>                           |
|   |       | 16,445                | 15,470                      | 14,629                            | 14,079                                  |
| <b>Payables: amounts falling due within one year</b>          | 15    | <u>(9,648)</u>        | <u>(9,196)</u>              | <u>(9,633)</u>                    | <u>(9,500)</u>                          |
| <b>Net current assets</b>                                     |       | <u>6,797</u>          | <u>6,274</u>                | <u>4,996</u>                      | <u>4,579</u>                            |
| <b>Total assets less current liabilities</b>                  |       | 272,877               | 271,423                     | 261,898                           | 260,842                                 |
| <b>Payables: amounts falling due after more than one year</b> | 16,17 | (63,979)              | (63,877)                    | (59,949)                          | (59,839)                                |
| Deferred capital grants                                       | 18    | (166,967)             | (166,671)                   | (164,068)                         | (164,068)                               |
| Provisions  | 20    | <u>(7,406)</u>        | <u>(7,406)</u>              | <u>(7,875)</u>                    | <u>(7,875)</u>                          |
|   |       | <u>(238,352)</u>      | <u>(237,954)</u>            | <u>(231,892)</u>                  | <u>(231,782)</u>                        |
| <b>Net assets</b>   |       | <u>34,525</u>         | <u>33,469</u>               | <u>30,006</u>                     | <u>29,060</u>                           |
| <b>Capital and reserves</b>                                   |       |                       |                             |                                   |   |
| Share capital   | 21    | -                     | -                           | -                                 | -                                       |
| Revenue reserves  |       | <u>34,525</u>         | <u>33,469</u>               | <u>30,006</u>                     | <u>29,060</u>                           |
|   |       | <u>34,525</u>         | <u>33,469</u>               | <u>30,006</u>                     | <u>29,060</u>                           |

The comparative figures have been restated in order to implement Financial Reporting Standard 102 applicable to housing associations (Note 39)

Approved by the Board of Management on 15<sup>th</sup> August 2016 and signed on its behalf and authorised for issue by:

..... Charles Milne, Board Member  
 ..... Laurie Naumann, Board Member  
 ..... William Banks, Secretary

The notes on pages 31 to 62 form part of these financial statements.

**KINGDOM HOUSING ASSOCIATION LIMITED**  
**STATEMENT OF CHANGES IN RESERVES**

**As at 31<sup>st</sup> March 2016**

**GROUP**

|  | <b>Income and expenditure<br/>reserve<br/>£000<br/>(restated)</b> |
|--|---|
| Balance at 1 <sup>st</sup> April 2014                  | 25,658  |
| Surplus for the year ended 31 <sup>st</sup> March 2015 | <u>4,348</u>  |
| Balance at 31 <sup>st</sup> March 2015                 | 30,006  |
| Surplus for the year ended 31 <sup>st</sup> March 2016 | <u>4,519</u>  |
| Balance at 31 <sup>st</sup> March 2016                 | <u>34,525</u>   |

**ASSOCIATION**

|  |               |
|--|---------------|
| Balance at 1 <sup>st</sup> April 2014                  | 24,822        |
| Surplus for the year ended 31 <sup>st</sup> March 2015 | <u>4,238</u>  |
| Balance at 31 <sup>st</sup> March 2015                 | 29,060        |
| Surplus for the year ended 31 <sup>st</sup> March 2016 | <u>4,409</u>  |
| Balance at 31 <sup>st</sup> March 2016                 | <u>33,469</u> |

The notes on pages 31 to 62 form part of these financial statements.

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

**For the year ended 31<sup>st</sup> March 2016**

|  | Notes     | 2016<br>£000         | 2015<br>£000<br>restated |
|--|-----------|----------------------|--------------------------|
| <b>Net cash inflow from operating activities</b> | <b>27</b> | 7,895                | 8,327                    |
| <b>Cashflow from investing activities</b>        |           |                      |                          |
| Payments to acquire tangible fixed assets        |           | (13,879)             | (18,842)                 |
| Receipts of housing grants                       |           | 5,251                | 8,972                    |
| Receipts from sales of tangible fixed assets     |           | 374                  | 572                      |
| Interest received                                |           | 45                   | 48                       |
| Net cash used in investing activities            |           | <u>(8,209)</u>       | <u>(9,250)</u>           |
| <b>Cashflow from financing activities</b>        |           |                      |                          |
| Interest paid                                    |           | (1,518)              | (1,642)                  |
| Housing loans received                           |           | 5,222                | 5,000                    |
| Housing loans paid                               |           | (1,797)              | (1,885)                  |
| Other changes                                    |           | 14                   | -                        |
| Net cash from financing activities               |           | <u>1,921</u>         | <u>1,473</u>             |
| Net increase in cash                             |           | 1,607                | 550                      |
| Cash at beginning of year                        |           | <u>10,920</u>        | <u>10,370</u>            |
| Cash at end of year                              |           | <u><u>12,527</u></u> | <u><u>10,920</u></u>     |

The notes on pages 31 to 62 form part of these financial statements.

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

**For the year ended 31<sup>st</sup> March 2016**

|  | Notes     | 2016<br>£000         | 2015<br>£000<br>restated |
|--|-----------|----------------------|--------------------------|
| <b>Net cash inflow from operating activities</b> | <b>31</b> | 7,942                | 8,198                    |
| <b>Cashflow from investing activities</b>        |           |                      |                          |
| Payments to acquire tangible fixed assets        |           | (13,763)             | (18,842)                 |
| Receipts of housing grants                       |           | 4,954                | 8,972                    |
| Receipts from sales of tangible fixed assets     |           | 374                  | 572                      |
| Interest received                                |           | 44                   | 47                       |
| Net cash used in investing activities            |           | <u>(8,391)</u>       | <u>(9,250)</u>           |
| <b>Cashflow from financing activities</b>        |           |                      |                          |
| Interest paid                                    |           | (1,516)              | (1,642)                  |
| Housing loans received                           |           | 5,222                | 5,000                    |
| Housing loans repaid                             |           | (1,787)              | (1,875)                  |
| Other changes                                    |           | 13                   | -                        |
| Net cash from financing activities               |           | <u>1,932</u>         | <u>1,483</u>             |
| Net increase in cash                             |           | 1,483                | 431                      |
| Cash at beginning of year                        |           | <u>10,444</u>        | <u>10,013</u>            |
| Cash at end of year                              |           | <u><u>11,927</u></u> | <u><u>10,444</u></u>     |

The notes on pages 31 to 62 form part of these financial statements.

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED  
NOTES to the CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31<sup>st</sup> March 2016**

**1. Legal status**

Kingdom Housing Association Limited (KHA) is a limited company incorporated under the Co-operative and Community Benefit Societies Act 2014. It is a housing association, registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010, a Registered Social Landlord and a Scottish Charity.

KHA and its subsidiary are referred to as "the Group". KHA's wholly owned subsidiary is Kingdom Initiatives Limited (KIL), a non-charitable body, whose principal role is to support the achievement of the Group's objectives as a public benefit entity.

The principal activity of the Group is the provision of social housing and associated housing management and property maintenance services.

**2. Accounting Policies**

This is the first year in which the financial statements have been prepared under the Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102) and the Statement of Recommended Practice (SORP): Accounting by Registered Social Landlords 2014 and the comparatives have been restated where required. See Note 39 for an explanation of the transition and the consequent changes made to the financial statements. These statements are presented in £'000's Sterling.

The principal accounting policies of KHA are set out in paragraphs a) to w) below.

**a) Basis of Preparation**

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2014 "Statement of Recommended Practice for Registered Housing Providers" and the comply with the Determination of Accounting Requirements 2014, and under the historical cost convention, modified to include certain financial instruments at fair value. There are no instruments at fair value (Note 19).

**b) Basis of Consolidation**

The Group financial statements consolidate those of KHA and its wholly owned subsidiary company Kingdom Initiatives Limited (KIL). All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

**c) Going Concern**

The Board of Management consider that 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 Board and submitted to the Scottish Housing Regulator. These plans were prepared using assumptions agreed by the Executive Management Team and, where appropriate, in conjunction with KHA's Housing Investment Group, and demonstrate that KHA is financially viable. The assumptions used for the long term plans and the impairment review are considered to be appropriate.

**d) Significant Judgements and Estimates**

Preparation of the financial statements requires management to make significant judgements and estimates concerning the future. Judgements and estimates are based on experience, advice from experts and other factors. The resulting accounting may not equal the eventual results. The items in the financial statements where such judgements and estimates have been made include:

- The Group's loans from its funders are judged by management to be basic financial instruments under the definition in FRS 102 and are accounted for under the amortised cost method (see (s) below).
- The Group's housing assets are judged by management to be social housing and are accounted for at cost less depreciation and impairments (see (i) – (n) below and Note 10).

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED  
NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)  
for the year ended 31<sup>st</sup> March 2016**

- Government grants are judged by management to be associated with social housing and are accounted for as deferred income and amortised on a pro rata basis over the life of each related building component (see (g) below and Note 18). In addition the conditions associated with grants are considered by management to determine any contingent liability arising from potential repayment (see Note 37).
- Management are not aware of any impairment indicators that would trigger impairment reviews of the Group's housing assets and cause a significant reduction in value.
- Management have estimated the residual values of housing properties and the life cycles of the components of buildings and have depreciated accordingly (see (n) below).
- The lease arrangements entered into by the Group are judged by management to be operational.
- Based on actuarial review management have considered the historic pension liability and have made appropriate provision (see (h) below and Note 20).
- Judgements have been made over the recoverability of receivables based on experience and accord with the Group's provisioning policy (see (s) below).

**e) Investment in Subsidiary**

KHA's investment in its subsidiary, KIL, is accounted for at cost less impairment.

**f) Turnover**

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

Rental and service charge income is recognised from the date that the property is let. Income from sales of housing built for sale and first tranche sales of shared equity properties is recognised on legal completion of the sales transaction. Support and care services income is recognised when due under the agreed contractual terms.

**g) Housing Association Grants**

Government Grants: Housing Association Grant and Other Grants

Housing Association Grant (HAG) is payable by Scottish Ministers to enable KHA to develop new properties and modernise existing properties for social housing. The amount of HAG is calculated on qualifying costs of each scheme in accordance with instructions issued from time to time by the Housing & Regeneration Directorate of the Scottish Government. Other grants are provided by Local Authorities from second home Council tax and Mortgage to Rent schemes operated by Scottish Government and are also defined as Government grants.

**Government grants include:**

**i) Acquisition and development allowances**

Acquisition and development allowances are intended to finance certain internal administrative costs relating to the acquisition and development of housing land and buildings for approved schemes and are taken to income when the related costs are incurred.

**ii) Clerk of works allowances**

Clerk of works allowances are intended to finance the costs of employing a clerk of works and are taken to income when the related costs are incurred.

**iii) Building components**

Government grants attributable to building components are intended to offset construction costs and are accounted for as deferred income, which is amortised to income over the life of the relevant components. When a component is replaced the associated balance of grant is taken to income.



**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED  
NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)  
for the year ended 31<sup>st</sup> March 2016**

Government grants are paid directly to KHA and are reflected in the accounts when due to be received.

Allowances received in advance are shown as grants repayable in accounts payable (Note 15) and allowances receivable are shown as grants receivable in accounts receivable (Note 14).

Government grants are 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 is included at (Note 37) detailing the level of grants potentially repayable.

Grants received in respect of revenue expenditure are credited to income in the same period as the expenditure to which it relates. Where grants are provided for performance related schemes they are taken to income when the conditions of the grant have been met.

**Non-housing grants**

Other Non-housing grants are included in income when received. At the year end any amounts of grant not fully applied for the purpose received are accounted for as deferred income and are included in accounts payable: amounts falling due within one year (Note 15).

**h) Employee benefits**

Short term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred. The cost of annual leave and time off in lieu earned but not taken by employees at the year end date is accrued as a liability.

KHA participates in the Scottish Housing Associations' Pension Scheme (SHAPS), a defined contribution scheme administered by The Pensions Trust on a multi-employer shared basis.

KHA previously participated in a SHAPS defined benefit pension scheme, which closed to new members. There is a shortfall of scheme assets compared to the estimated actuarial liability, which is accounted for as a provision at the present value of the future contributions payable to remedy the shortfall. The discount rate is derived from the rate of return on high quality corporate bonds. The unwinding of the discount is recognised as a finance cost in the period in which it arises (Notes 20 and 35).

**i) Tangible Fixed Assets – Housing Land and Buildings**

The Group categorises its housing tangible fixed assets into housing properties held for letting, shared ownership and hostel. The development cost of housing properties held for letting is attributed to individual components and includes the following:

- cost of acquiring land and buildings
- development expenditure
- capitalised interest

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. All housing properties are stated at cost less depreciation and impairment.

**j) Expenditure on New Properties**

The cost of each property held for letting is attributed to the individual components that comprise that property to create a cost and depreciation provision 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. New properties under construction are accounted for at cost and are not depreciated.

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED  
 NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)  
 for the year ended 31<sup>st</sup> March 2016**

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

Planned maintenance expenditure is attributed to individual components that are depreciated over their useful lives. As this expenditure relates to the replacement of existing components, the cost is capitalised and 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 expenditure.

**l) Sale of Housing Properties**

KHA has charitable status and is exempt from right to buy legislation, as it was registered prior to enactment. KHA develops properties for sale on a shared ownership basis, including Homestake, 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. The apportioned cost of the initial tranche is recorded as a current asset with the remaining balance held as a tangible fixed asset.

The sale of initial tranches is accounted for through income, where sales proceeds are shown in turnover and the appropriate proportion of the cost of the property sold charged to cost of sale. Sales of subsequent tranches are accounted as disposals of tangible fixed assets. Any grants received that cannot be repaid from the proceeds of sale are abated and credited to income.

**m) Properties Managed by Agents**

KHA uses an agent to manage a number of its properties. There is a management agreement in place that sets out the service levels required by KHA. The cost of managing the properties is charged to expenditure on an accruals basis.

**n) Depreciation**

Social Housing Assets accepting land are depreciated. Depreciation is charged at rates calculated to write off the cost, less estimated residual value, of each property or component of asset evenly over its expected useful life.

Component life cycles are set out below:

**Housing Properties**

|                  |               |
|------------------|---------------|
| Land             | Infinite      |
| Structure        | 100 years     |
| Bathroom         | 35 years      |
| Electrics        | 20 - 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      |
| Lifts            | 25 years      |
| Shared Ownership | 100 years     |
| Hostel           | 100 years     |

Where impairment indicators or reversals thereof are identified, housing properties are reviewed for any change in value by comparing their carrying value with the higher of their estimated value in use as social housing and fair value less costs to sell, with any material loss charged to expenditure. If the impairment loss reverses, the carrying amount is increased to the revised estimate of its recoverable amount, but not in excess of its original carrying value. The impairment loss reversal is recognised in income.

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED  
NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)  
for the year ended 31<sup>st</sup> March 2016**

**o) Fixed Asset Investments**

Homestake arrangements are treated as fixed asset investments and are recorded at cost less any impairment and are not depreciated. The associated Government grants are recorded as deferred income, but are not amortised.

**p) Other Tangible Fixed Assets**

Other tangible fixed assets are stated at cost less depreciation and impairment. The rates of depreciation are as follows:

|   |               |
|---|---------------|
| Office property                           | 10 – 50 years |
| Housing and office furniture and fittings | 5 - 10 years  |
| Motor vehicles                            | 5 years       |
| Computer hardware                         | 3 years       |

**q) Intangible Fixed Assets**

Intangible fixed assets are stated at cost less depreciation and comprise computer software and licences. The rate of depreciation is 3 years.

**r) Inventories and Work in Progress**

Inventories and Work in Progress (WIP) are stated at the lower of cost and fair value less costs to sell. Developments in progress for other Registered Social Landlords are included in WIP at cost net of any related HAG.

**s) Financial Instruments**

**i) Receivables**

Receivables due within one year are measured at transaction price, less settlements and any impairment. Where receivables are determined to be longer term and where the effect of time value of money is considered significant, the estimated cashflows are discounted at an appropriate rate.

**ii) Payables**

Payables due within one year are measured at transaction price less settlements.

**iii) Bank Loans**

All bank loans are judged to be basic financial instruments and are measured initially at fair value, net of transaction costs. Subsequent measurement is at amortised cost using the effective interest rate method, which discounts estimated future cashflows for the expected life of the loan.

**t) Apportionment of Management Expenses**

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

**u) Leases**

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

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED  
NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)  
for the year ended 31<sup>st</sup> March 2016**

**v) Taxation**

KHA as a registered charity is not subject to corporation tax on its charitable activities, but is subject to corporation tax on its non-charitable trading activities. KIL is subject to corporation tax. Taxation is accrued based on taxable profits for the year.

The Group is registered for VAT. A significant proportion of the Group income is exempt from VAT, but VAT is reclaimed where possible under partial exemption calculations of activity deemed subject to VAT.

**w) Contingencies**

Contingent assets and liabilities are not recognised, but are disclosed in Note 37.

**KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED  
NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)  
for the year ended 31<sup>st</sup> March 2016**

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

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

|                                 | Turnover             | Operating Costs        | Operating Surplus/(Deficit) | 2015 Operating Surplus/(Deficit) Restated |
|---------------------------------|----------------------|------------------------|-----------------------------|---|
| Social lettings (Note 4 (i))    | £000<br>17,744       | £000<br>(10,944)       | £000<br>6,800               | £000<br>5,984                             |
| Other activities (Note 4 (iii)) | <u>5,521</u>         | <u>(6,281)</u>         | <u>(760)</u>                | <u>(32)</u>                               |
| <b>Total</b>                    | <b><u>23,265</u></b> | <b><u>(17,225)</u></b> | <b><u>6,040</u></b>         | <b><u>5,952</u></b>                       |
|                                 |                      |                        | <b><u>5,952</u></b>         |   |
|                                 |                      |                        |                             | <b>2015</b>                               |

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

|                                | Turnover             | Operating Costs        | Operating Surplus/(Deficit) | 2015                |
|--------------------------------|----------------------|------------------------|-----------------------------|---------------------|
| Social lettings (Note 4 (ii))  | £000<br>16,504       | £000<br>(10,749)       | £000<br>5,754               | £000<br>5,349       |
| Other activities (Note 4 (iv)) | <u>6,440</u>         | <u>(6,297)</u>         | <u>143</u>                  | <u>463</u>          |
| <b>Total</b>                   | <b><u>22,944</u></b> | <b><u>(17,045)</u></b> | <b><u>5,899</u></b>         | <b><u>5,812</u></b> |
|                                |                      |                        | <b><u>5,812</u></b>         |                     |
|                                |                      |                        |                             | <b>2015</b>         |

**4. 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 | 2016 Total           | 2015 Total restated  |
|---|-----------------------|---------------------------------|--------------------------|----------------------|----------------------|
| <b>Turnover</b>   | £000                  | £000                            | £000                     | £000                 | £000                 |
| Rent receivable net of service charges  | 13,740                | 743                             | 538                      | 15,021               | 14,169               |
| Service charges   | <u>336</u>            | <u>142</u>                      | <u>5</u>                 | <u>483</u>           | <u>440</u>           |
| Gross income from rents & service charges   | 14,076                | 885                             | 543                      | 15,504               | 14,609               |
| Less voids  | <u>(114)</u>          | <u>(38)</u>                     | <u>-</u>                 | <u>(152)</u>         | <u>(79)</u>          |
| Net income from rents and service charges and total turnover from Social Letting activities | 13,962                | 847                             | 543                      | 15,352               | 14,530               |
| Grant released from deferred income   | 2,258                 | 13                              | 121                      | 2,392                | 1,823                |
| <b>Total turnover from Social letting activities</b>  | <b><u>16,220</u></b>  | <b><u>860</u></b>               | <b><u>664</u></b>        | <b><u>17,744</u></b> | <b><u>16,353</u></b> |

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

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

|   | General Needs<br>Housing<br>£000 | Supported Housing<br>Accommodation<br>£000 | Shared Ownership<br>Housing<br>£000 | 2016 Total    | 2015 Total<br>restated<br>£000 |
|---|----------------------------------|--|-------------------------------------|---------------|--------------------------------|
| <b>i) Social Letting Activities - Group</b>                     |                                  |  |                                     |               |                                |
| <b>Operating Costs</b>  |                                  |  |                                     |               |                                |
| Management & maintenance administration costs                   | 2,765                            | 67   | 203                                 | 3,035         | 3,587                          |
| Service costs   | 444                              | 10   | 32                                  | 486           | 502                            |
| Planned & cyclical maintenance including major repairs costs    | 528                              | 11   | -                                   | 539           | 487                            |
| Reactive maintenance costs                                      | 2,764                            | 69   | -                                   | 2,833         | 2,752                          |
| Bad debts – rents & service charges                             | 70                               | 2  | -                                   | 72            | 219                            |
| Depreciation of social housing                                  | 3,813                            | 13   | 153                                 | 3,979         | 2,822                          |
| Operating costs for social letting activities                   | <u>10,384</u>                    | <u>172</u>                                 | <u>388</u>                          | <u>10,944</u> | <u>10,369</u>                  |
| Operating surplus/ (deficit) for social letting activities      | <u>5,836</u>                     | <u>688</u>                                 | <u>276</u>                          | <u>6,800</u>  | <u>5,984</u>                   |
| 2015 Operating surplus for social letting activities (restated) | <u>5,109</u>                     | <u>615</u>                                 | <u>260</u>                          | <u>5,984</u>  |                                |

|  | General Needs<br>Housing<br>£000 | Supported Housing<br>Accommodation<br>£000 | Shared Ownership<br>Housing<br>£000 | 2016 Total    | 2015 Total<br>restated<br>£000 |
|--|----------------------------------|--|-------------------------------------|---------------|--------------------------------|
| <b>ii) Social Letting Activities - Association</b>                     |                                  |  |                                     |               |                                |
| <b>Turnover</b>  |                                  |  |                                     |               |                                |
| Rent receivable net of service charges                                 | 12,478                           | 743  | 538                                 | 13,759        | 13,398                         |
| Service charges  | 336                              | 141  | 5                                   | 482           | 439                            |
| Gross income from rents & service charges                              | 12,814                           | 884  | 543                                 | 14,241        | 13,837                         |
| Less voids   | (92)                             | (37)                                       | -                                   | (129)         | (65)                           |
| Net income from rents & service charges from social letting activities | 12,722                           | 847  | 543                                 | 14,112        | 13,772                         |
| Grants released from deferred income                                   | 2,258                            | 13   | 121                                 | 2,392         | 1,823                          |
| <b>Total turnover from social letting activities</b>                   | <u>14,980</u>                    | <u>860</u>                                 | <u>664</u>                          | <u>16,504</u> | <u>15,595</u>                  |
| <b>Operating Costs</b>   |                                  |  |                                     |               |                                |
| Management & maintenance administration costs                          | 2,701                            | 67   | 203                                 | 2,971         | 3,523                          |
| Service costs  | 421                              | 11   | 31                                  | 463           | 486                            |
| Planned & cyclical maintenance including major repairs costs           | 442                              | 11   | -                                   | 453           | 487                            |
| Reactive maintenance costs   | 2,756                            | 69   | -                                   | 2,825         | 2,719                          |
| Bad debts – rents & service charges                                    | 66                               | 2  | -                                   | 68            | 219                            |
| Depreciation of social housing   | 3,803                            | 13   | 153                                 | 3,968         | 2,812                          |
| Operating costs for social letting activities                          | <u>10,189</u>                    | <u>172</u>                                 | <u>387</u>                          | <u>10,749</u> | <u>10,246</u>                  |
| Operating surplus for social letting activities                        | <u>4,791</u>                     | <u>687</u>                                 | <u>276</u>                          | <u>5,754</u>  | <u>5,349</u>                   |
| 2015 Operating surplus for social letting activities (restated)        | <u>4,474</u>                     | <u>615</u>                                 | <u>260</u>                          | <u>5,349</u>  |                                |

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

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

|   | Grants from<br>Scottish<br>Ministers<br>£000 | Other<br>Revenue<br>Grants<br>£000 | Supporting<br>People Income<br>£000 | Other Income<br>£000 | 2016<br>Total Turnover<br>£000 | 2015<br>Total Turnover<br>restated<br>£000 |
|---|--|------------------------------------|-------------------------------------|----------------------|--------------------------------|--|
| iii) Other Activities - Group   |  |                                    |                                     |                      |                                |  |
| Turnover  |  |                                    |                                     |                      |                                |  |
| Wider Role activities undertaken to support the community   | -  | -                                  | -                                   | 35                   | 35                             | 35   |
| Care and repair of property   | -  | 271                                | -                                   | -                    | 271                            | 251  |
| Development and construction of property activities   | -  | -                                  | -                                   | -                    | -                              | -  |
| Support activities  | -  | -                                  | 4,434                               | -                    | 4,434                          | 4,258                                      |
| Care activities   | -  | -                                  | -                                   | -                    | -                              | -  |
| Other agency/ management services   | -  | -                                  | -                                   | 35                   | 35                             | 48   |
| Developments for sale to registered social landlords  | -  | -                                  | -                                   | -                    | -                              | 2,058                                      |
| Developments and improvements for sale, (including first tranche shared ownership sales) to non registered social landlords | -  | -                                  | -                                   | -                    | -                              | -  |
| Factoring   | -  | -                                  | -                                   | 115                  | 115                            | 147  |
| Other activities  | -  | -                                  | -                                   | 631                  | 631                            | 423  |
|   |  | <u>271</u>                         | <u>4,434</u>                        | <u>816</u>           | <u>5,521</u>                   | <u>7,220</u>                               |
|   |  |                                    |                                     |                      |                                |  |
|   |  |                                    |                                     |                      |                                |  |
| Wider Role activities undertaken to support the community   |  | £000                               | £000                                | £000                 | £000                           | £000                                       |
| Care and repair of property   |  | 35                                 | (51)                                | (16)                 | (64)                           | (64)                                       |
| Development and construction of property activities   |  | 271                                | (265)                               | 6                    | (41)                           | (41)                                       |
| Support activities  |  | -                                  | (719)                               | (719)                | (309)                          | (309)                                      |
| Care activities   |  | 4,434                              | (4,852)                             | (418)                | -                              | -  |
| Care activities   |  | -                                  | -                                   | -                    | -                              | -  |
| Other agency/ management services   |  | 35                                 | (9)                                 | 26                   | 37                             | 37   |
| Developments for sale to registered social landlords  |  | -                                  | -                                   | -                    | 15                             | 122  |
| Developments and improvements for sale, (including first tranche shared ownership sales) to non registered social landlords |  | -                                  | -                                   | 15                   | -                              | -  |
| Factoring   |  | 115                                | (111)                               | (11)                 | (3)                            | (3)  |
| Other activities  |  | 631                                | (274)                               | 357                  | 111                            | 111  |
| <b>Operating surplus/ (deficit)</b>   |  | <u>5,521</u>                       | <u>(6,266)</u>                      | <u>(760)</u>         | <u>(32)</u>                    | <u>(32)</u>                                |
| 2015 Operating surplus/ (deficit) for other activities (restated)   |  | 7,220                              | (7,252)                             | (32)                 | (32)                           | (32)                                       |

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

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

| iv) Other Activities - Association  | Grants from<br>Scottish<br>Ministers<br>£000 | Other<br>Revenue<br>Grants<br>£000 | Supporting<br>People Income<br>£000 | Other Income<br>£000         | 2016<br>Total Turnover<br>£000           | 2015<br>Total Turnover<br>restated<br>£000 |
|---|--|------------------------------------|-------------------------------------|------------------------------|--|--|
|   |  |                                    |                                     |                              |  |  |
| Wider Role activities undertaken to support the community   | -  | -                                  | -                                   | 35                           | 35                                       | 35   |
| Care and repair of property   | -  | 271                                | -                                   | -                            | 271                                      | 251  |
| Development and construction of property activities   | -  | -                                  | -                                   | -                            | -  | -  |
| Support activities  | -  | -                                  | 3,874                               | 561                          | 4,435                                    | 4,258                                      |
| Care activities   | -  | -                                  | -                                   | -                            | -  | -  |
| Other agency/ management services   | -  | -                                  | -                                   | 35                           | 35                                       | 48   |
| Developments for sale to registered social landlords  | -  | -                                  | -                                   | -                            | -  | 2,058                                      |
| Developments and improvements for sale, (including first tranche shared ownership sales) to non registered social landlords | -  | -                                  | -                                   | -                            | -  | -  |
| Mid Market Rent Received  | -  | -                                  | -                                   | 882                          | 882                                      | 483  |
| Factoring   | -  | -                                  | -                                   | 116                          | 116                                      | 147  |
| Other activities  | -  | -                                  | -                                   | 666                          | 666                                      | 459  |
|   | -  | <u>271</u>                         | <u>3,874</u>                        | <u>2,295</u>                 | <u>6,440</u>                             | <u>7,739</u>                               |
|   |  | <b>Total Turnover</b>              | <b>Operating Costs – Bad Debts</b>  | <b>Other Operating Costs</b> | <b>2016 Operating Surplus/ (Deficit)</b> | <b>2015</b>                                |
|   |  | £000                               | £000                                | £000                         | £000                                     | £000                                       |
| Wider Role activities undertaken to support the community   |  | 35                                 | -                                   | (51)                         | (16)                                     | (64)                                       |
| Care and repair of property   |  | 271                                | -                                   | (265)                        | 6  | (41)                                       |
| Development and construction of property activities   |  | -                                  | -                                   | (719)                        | (719)                                    | 115  |
| Support activities  |  | 4,435                              | -                                   | (4,852)                      | (417)                                    | (310)                                      |
| Care activities   |  | -                                  | -                                   | -                            | -  | -  |
| Other agency/ management services   |  | 35                                 | -                                   | -                            | 35                                       | 48   |
| Developments for sale to registered social landlords (Note 8)   |  | -                                  | -                                   | 15                           | 15                                       | 122  |
| Developments and improvements for sale, (including first tranche shared ownership sales) to non registered social landlords |  | -                                  | -                                   | -                            | -  | -  |
| Mid Market Rent Received  |  | 882                                | -                                   | -                            | 882                                      | 483  |
| Factoring   |  | 116                                | (15)                                | (112)                        | (12)                                     | (2)  |
| Other activities  |  | 666                                | -                                   | (297)                        | 369                                      | 112  |
| <b>Operating surplus/ (deficit)</b>   |  | <u>6,440</u>                       | <u>(15)</u>                         | <u>(6,282)</u>               | <u>143</u>                               | <u>463</u>                                 |
| 2015 Operating surplus/ (deficit) for other activities  |  | <u>7,739</u>                       | <u>-</u>                            | <u>(7,276)</u>               | <u>463</u>                               |  |



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

**5. Operating Surplus**

|   | Group<br>2016 | Association<br>2016 | Group<br>2015 | Association<br>2015 |
|---|---------------|---------------------|---------------|---------------------|
|   | £000          | £000                | £000          | £000                |
| Operating surplus is stated after charging/(crediting): |               |                     |               |                     |
| Surplus on disposal of tangible fixed assets            | 144           | 144                 | 179           | 179                 |
| Depreciation of housing properties                      | 3,979         | 3,969               | 2,822         | 2,813               |
| Depreciation of other tangible fixed assets             | 131           | 129                 | 146           | 144                 |
| Internal Audit fees                                     | 25            | 21                  | 13            | 10                  |
| Accounting, tax and services advice                     | 9             | 9                   | -             | -                   |
| External Audit fees                                     | 16            | 14                  | 18            | 16                  |

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

|                                    | Group &<br>Association<br>2016 | Group &<br>Association<br>2015 |
|------------------------------------|--------------------------------|--------------------------------|
|                                    | £000                           | £000                           |
| Sale proceeds                      | 424                            | 548                            |
| Cost of properties                 | (272)                          | (352)                          |
| Expenses on disposal of properties | (8)                            | -                              |
| Disposal of components             | =                              | (17)                           |
|                                    | <u>144</u>                     | <u>179</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, subsequent to first tranche sales.

**7. Interest receivable and similar income**

|                           | Group<br>2016 | Association<br>2016 | Group<br>2015 | Association<br>2015 |
|---------------------------|---------------|---------------------|---------------|---------------------|
|                           | £000          | £000                | £000          | £000                |
| Interest on cash balances | <u>45</u>     | <u>44</u>           | <u>47</u>     | <u>46</u>           |

**8. Interest payable and finance costs**

|   | Group<br>2016 | Association<br>2016 | Group<br>2015 | Association<br>2015 |
|---|---------------|---------------------|---------------|---------------------|
|   | £000          | £000                | £000          | £000                |
| Interest payable in the year has been charged as follows: |               |                     |               |                     |
| Loan Interest   | 1,518         | 1,517               | 1,560         | 1,559               |
| Unwinding of discount on provisions (Note 20)             | <u>161</u>    | <u>161</u>          | <u>243</u>    | <u>243</u>          |
|   | <u>1,679</u>  | <u>1,678</u>        | <u>1,803</u>  | <u>1,802</u>        |

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

**9. Taxation**

KHA has charitable status and therefore it has no liability to corporation tax on its charitable activities for the year. KHA's tax charges relate to non-charitable trading activity.

KHA receives income from energy suppliers from renewable energy systems which is subject to corporation taxation but owing to historic costs and losses no taxation falls due in this period on this activity.

Kingdom Initiatives Limited is liable to pay UK corporation tax and its liability is included in the consolidated financial statements.

|   | 2016<br>Group  | 2016<br>Association | 2015<br>Group  | 2015<br>Association |
|---|----------------|---------------------|----------------|---------------------|
|   | £000           | £000                | £000           | £000                |
| Current tax charge on income for the year on surplus on ordinary activities               | <u>31</u>      | =                   | <u>30</u>      | =                   |
| Corporation tax calculated at 20% (2015: 20%)   |                |                     |                |                     |
| <u>Reconciliation:</u>  |                |                     |                |                     |
| Group surplus on ordinary activities before tax   | 4,550          |                     | 4,378          |                     |
| Non-taxable surplus relating to Association   | <u>(4,397)</u> |                     | <u>(4,229)</u> |                     |
| Taxable surplus on ordinary activities  | 153            |                     | 149            |                     |
| Surplus on ordinary activities multiplied by the small company CT rate of 20% (2015: 20%) | 31             |                     | 29             |                     |
| Effects of:   |                |                     |                |                     |
| Depreciation in excess of Capital Allowances  | -              |                     | <u>1</u>       |                     |
|   | <u>31</u>      |                     | <u>30</u>      |                     |

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

**10. Tangible fixed assets  
Group:**

**i) Housing properties Cost**

|  | Shared<br>Ownership<br>properties<br>held for<br>letting | Housing<br>Properties<br>held<br>for<br>letting | Housing<br>Properties<br>in course of<br>construction | Hostel<br>Property<br>held<br>for<br>letting | Housing<br>Properties Total |
|--|--|---|---|--|-----------------------------|
|  | £000   | £000  | £000  | £000   | £000                        |
| At 1 <sup>st</sup> April 2015 (restated) | 12,851   | 257,712   | 15,331  | 1,053  | 286,947                     |
| Additions during year                    | 96   | 265   | 13,140  | -  | 13,501                      |
| Disposals during year                    | (272)  | (110)   | -   | -  | (382)                       |
| Transfers                                | <u>(161)</u>   | <u>23,178</u>                                   | <u>(23,017)</u>                                       | <u>-</u>                                     | <u>-</u>                    |
| At 31 <sup>st</sup> March 2016           | <u>12,514</u>  | <u>281,045</u>                                  | <u>5,454</u>  | <u>1,053</u>                                 | <u>300,066</u>              |

**Depreciation**

|  |              |               |          |            |               |
|--|--------------|---------------|----------|------------|---------------|
| At 1 <sup>st</sup> April 2015 (restated) | 1,746        | 31,495        | -        | 130        | 33,371        |
| Provided in year                         | 153          | 3,813         | -        | 13         | 3,979         |
| Disposals in year                        | (49)         | (103)         | -        | -          | (152)         |
| Transfers                                | <u>-</u>     | <u>-</u>      | <u>-</u> | <u>-</u>   | <u>-</u>      |
| At 31 <sup>st</sup> March 2016           | <u>1,850</u> | <u>35,204</u> | <u>-</u> | <u>142</u> | <u>37,198</u> |

**Net depreciated value**

|   |               |                |               |            |                |
|---|---------------|----------------|---------------|------------|----------------|
| At 31 <sup>st</sup> March 2016            | <u>10,664</u> | <u>245,839</u> | <u>5,454</u>  | <u>911</u> | <u>262,868</u> |
| At 31 <sup>st</sup> March 2015 (restated) | <u>11,105</u> | <u>226,217</u> | <u>15,331</u> | <u>924</u> | <u>253,577</u> |

No interest was capitalised during the year.

Major repairs expenditure during the period of £796,584 (2015: £692,696) is included in the statement of comprehensive income. During the period £184,650 (2015: £240,896) in respect of maintenance administration costs, was included in the statement of financial position.

Development administration costs included in the statement of financial position amounted to £101,838 (2015: £620,895). KHA's properties have been reviewed for impairment and no provision was considered necessary.

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

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

| ii) Housing properties Cost               | Shared<br>Ownership<br>properties<br>held for<br>letting<br>£000 | Housing<br>properties<br>held<br>for<br>letting<br>£000 | Housing<br>properties<br>in course<br>of<br>construction<br>£000 | Hostel<br>Property<br>held<br>for<br>letting<br>£000 | Housing<br>Properties Total<br>£000 |
|---|--|---|--|--|-------------------------------------|
| At 1 <sup>st</sup> April 2015 (restated)  | 12,851   | 257,031   | 15,331   | 1,053  | 286,266                             |
| Additions in year                         | 96   | 265   | 12,837   | -  | 13,198                              |
| Disposal in year                          | (272)  | (110)   | -  | -  | (382)                               |
| Transfers                                 | <u>(160)</u>   | <u>23,177</u>   | <u>(23,017)</u>  | <u>-</u>   | <u>-</u>                            |
| At 31 <sup>st</sup> March 2016            | <u>12,515</u>  | <u>280,363</u>  | <u>5,151</u>   | <u>1,053</u>   | <u>299,082</u>                      |
| <b>Depreciation</b>                       |  |   |  |  |                                     |
| At 1 <sup>st</sup> April 2015 (restated)  | 1,746  | 31,451  | -  | 130  | 33,326                              |
| Provided in year                          | 153  | 3,803   | -  | 13   | 3,969                               |
| Disposals in year                         | (49)   | (103)   | -  | -  | (152)                               |
| Transfers                                 | -  | -   | -  | -  | -                                   |
| At 31 <sup>st</sup> March 2016            | <u>1,850</u>   | <u>35,151</u>   | <u>-</u>   | <u>142</u>   | <u>37,143</u>                       |
| <b>Net depreciated value</b>              |  |   |  |  |                                     |
| At 31 <sup>st</sup> March 2016            | <u>10,665</u>  | <u>245,212</u>  | <u>5,151</u>   | <u>911</u>   | <u>261,939</u>                      |
| At 31 <sup>st</sup> March 2015 (restated) | <u>11,105</u>  | <u>225,581</u>  | <u>15,331</u>  | <u>923</u>   | <u>252,940</u>                      |

No interest was capitalised during the year.

| General<br>Housing | Support<br>Housing<br>Accommodation | Shared<br>Ownership<br>Housing | Total        |
|--------------------|-------------------------------------|--------------------------------|--------------|
| 3,312              | 89                                  | 273                            | 3,674        |
| <b>3,529</b>       | <b>89</b>                           | <b>268</b>                     | <b>3,886</b> |
| 3,353              | 89                                  | 273                            | 3,715        |
| <b>3,570</b>       | <b>89</b>                           | <b>268</b>                     | <b>3,927</b> |

As at 1<sup>st</sup> April 2015 - managed by the Association  
As at 31<sup>st</sup> March 2016 - managed by the Association

As at 1<sup>st</sup> April 2015 - managed by Group  
As at 31<sup>st</sup> March 2016 - managed by Group

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

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

**(iii) Other fixed assets  
Group:**

|                                   | Heritable<br>office<br>Property<br>£000 | Furniture<br>and<br>equipment<br>£000 | Motor<br>vehicles<br>£000 | Computer<br>hardware<br>£000 | Total<br>£000 |
|-----------------------------------|---|---------------------------------------|---------------------------|------------------------------|---------------|
| <b>Cost</b>                       |   |                                       |                           |                              |               |
| At 1 <sup>st</sup> April 2015     | 1,422                                   | 333                                   | 519                       | 788                          | 3,062         |
| Additions during year             | 10                                      | -                                     | -                         | 59                           | 69            |
| Disposals during the year         | -                                       | (26)                                  | (69)                      | (407)                        | (502)         |
| As at 31 <sup>st</sup> March 2016 | <u>1,432</u>                            | <u>307</u>                            | <u>450</u>                | <u>440</u>                   | <u>2,629</u>  |
| <b>Depreciation</b>               |   |                                       |                           |                              |               |
| At 1 <sup>st</sup> April 2015     | 406                                     | 290                                   | 395                       | 730                          | 1,821         |
| Provided during year              | 27                                      | 14                                    | 39                        | 51                           | 131           |
| Disposals during the year         | -                                       | (26)                                  | (69)                      | (407)                        | (502)         |
| At 31 <sup>st</sup> March 2016    | <u>433</u>                              | <u>278</u>                            | <u>365</u>                | <u>374</u>                   | <u>1,450</u>  |
| <b>Net book value</b>             |   |                                       |                           |                              |               |
| At 31 <sup>st</sup> March 2016    | <u>999</u>                              | <u>29</u>                             | <u>85</u>                 | <u>66</u>                    | <u>1,179</u>  |
| At 31 <sup>st</sup> March 2015    | <u>1,016</u>                            | <u>43</u>                             | <u>124</u>                | <u>58</u>                    | <u>1,241</u>  |

**(iv) Other fixed assets  
Association:**

|                                   | Heritable<br>office<br>Property<br>£000 | Furniture<br>and<br>equipment<br>£000 | Motor<br>vehicles<br>£000 | Computer<br>hardware<br>£000 | Total<br>£000 |
|-----------------------------------|---|---------------------------------------|---------------------------|------------------------------|---------------|
| <b>Cost</b>                       |   |                                       |                           |                              |               |
| At 1 <sup>st</sup> April 2015     | 1,417                                   | 333                                   | 518                       | 788                          | 3,056         |
| Additions during year             | 10                                      | -                                     | -                         | 59                           | 69            |
| Disposals during the year         | -                                       | (26)                                  | (69)                      | (407)                        | (502)         |
| As at 31 <sup>st</sup> March 2016 | <u>1,427</u>                            | <u>307</u>                            | <u>449</u>                | <u>440</u>                   | <u>2,623</u>  |
| <b>Depreciation</b>               |   |                                       |                           |                              |               |
| At 1 <sup>st</sup> April 2015     | 404                                     | 290                                   | 395                       | 730                          | 1,819         |
| Provided during year              | 26                                      | 13                                    | 39                        | 51                           | 129           |
| Disposals during the year         | -                                       | (26)                                  | (69)                      | (407)                        | (502)         |
| At 31 <sup>st</sup> March 2015    | <u>430</u>                              | <u>277</u>                            | <u>365</u>                | <u>374</u>                   | <u>1,446</u>  |
| <b>Net book value</b>             |   |                                       |                           |                              |               |
| At 31 <sup>st</sup> March 2016    | <u>997</u>                              | <u>30</u>                             | <u>84</u>                 | <u>66</u>                    | <u>1,177</u>  |
| At 31 <sup>st</sup> March 2015    | <u>1,013</u>                            | <u>45</u>                             | <u>123</u>                | <u>58</u>                    | <u>1,239</u>  |

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

**(v) Intangible fixed assets**

|                                | <b>Group and<br/>Association</b>      |
|--------------------------------|---------------------------------------|
|                                | <b>Computer<br/>Software<br/>£000</b> |
| <b>Cost</b>                    |                                       |
| At 1 <sup>st</sup> April       | 547                                   |
| Additions during year          | 46                                    |
| Disposals in year              | <u>(57)</u>                           |
| At 31 <sup>st</sup> March 2016 | <u>536</u>                            |
| <b>Depreciation</b>            |                                       |
| At 1 <sup>st</sup> April       | 398                                   |
| Provided during year           | 97                                    |
| Disposals                      | <u>(57)</u>                           |
| At 31 <sup>st</sup> March 2016 | <u>438</u>                            |
| <b>Net book value</b>          |                                       |
| At 31 <sup>st</sup> March 2016 | <u>98</u>                             |
| At 31 <sup>st</sup> March 2015 | <u>149</u>                            |

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

**11. Fixed Asset Investments**

|  | <b>2016</b>                  | <b>2015</b>                  |
|--|------------------------------|------------------------------|
|  | <b>Association</b>           | <b>Association</b>           |
|  | <b>£</b>                     | <b>£</b>                     |
| <b>Investment in Subsidiary</b>  |                              | (restated)                   |
| The fixed asset investment comprises 100 ordinary shares of £1 each fully paid in Kingdom Initiatives Limited, a wholly owned subsidiary engaged in the provision of social housing and associated services. | 100                          | 100                          |
| <b>Investment in Homestake</b>   | <b>Group and Association</b> | <b>Group and Association</b> |
|  | <b>£000</b>                  | <b>£000</b>                  |
| Homestake at cost  | 1,935                        | 1,935                        |

**12. Properties Held for Sale**

|   | <b>Group and Association</b> | <b>Group and Association</b> |
|---|------------------------------|------------------------------|
|   | <b>£000</b>                  | <b>£000</b>                  |
|   |                              | (restated)                   |
| Work In Progress for other RSLs at 1 <sup>st</sup> April 2015             | -                            | 969                          |
| Net additions during the year – costs less applicable HAG                 | 1                            | -                            |
| Net transfers to operating costs on disposals (Note 3 (iv))               | -                            | 869                          |
| Balance of Work In Progress for other RSLs at 31 <sup>st</sup> March 2016 | <u>1</u>                     | <u>(1,838)</u>               |

**13. Stocks and Work in Progress**

|  | <b>Group and Association</b> | <b>Group and Association</b> |
|--|------------------------------|------------------------------|
|  | <b>£000</b>                  | <b>£000</b>                  |
|  |                              | (restated)                   |
| Stock of materials held by Maintenance Teams | <u>152</u>                   | <u>130</u>                   |
|  | <u>152</u>                   | <u>130</u>                   |

**14. Receivables**

|                                      | <b>2016</b>  | <b>2016</b>        | <b>2015</b>  | <b>2015</b>        |
|--------------------------------------|--------------|--------------------|--------------|--------------------|
|                                      | <b>Group</b> | <b>Association</b> | <b>Group</b> | <b>Association</b> |
|                                      | <b>£000</b>  | <b>£000</b>        | <b>£000</b>  | <b>£000</b>        |
|                                      |              |                    | (restated)   | (restated)         |
| Arrears of rent                      | 388          | 382                | 541          | 537                |
| Less: Provision for bad debts        | <u>(271)</u> | <u>(267)</u>       | <u>(310)</u> | <u>(309)</u>       |
|                                      | 117          | 115                | 231          | 228                |
| Sundry receivables                   | 990          | 860                | 1,184        | 1,111              |
| Prepayments                          | 410          | 410                | 297          | 297                |
| Due from Kingdom Initiatives Limited | -            | 52                 | -            | 2                  |
| Interest receivable                  | 14           | 14                 | 14           | 14                 |
| Car loans to employees               | 77           | 77                 | 110          | 110                |
| SHG in arrears                       | <u>2,158</u> | <u>1,862</u>       | <u>1,743</u> | <u>1,743</u>       |
|                                      | <u>3,766</u> | <u>3,390</u>       | <u>3,579</u> | <u>3,505</u>       |

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

| <b>15. Payables: amounts falling due within one year</b> | <b>2016<br/>Group<br/>£000</b> | <b>2016<br/>Association<br/>£000</b> | <b>2015<br/>Group<br/>£000<br/>(restated)</b> | <b>2015<br/>Association<br/>£000<br/>(restated)</b> |
|--|--------------------------------|--------------------------------------|---|---|
| Contractors for certified work                           | 2,148                          | 1,958                                | 2,410   | 2,410   |
| Trade payables   | 460                            | 460                                  | 377   | 377   |
| Deferred income - Government grants                      | 2,327                          | 2,327                                | 2,368   | 2,368   |
| Sundry payables and accruals                             | 1,702                          | 1,492                                | 1,298   | 1,205   |
| Prepaid rent   | 217                            | 206                                  | 207   | 207   |
| Other Taxation & Social Security costs                   | 160                            | 160                                  | 148   | 148   |
| Interest payable accrual                                 | 42                             | 42                                   | 42  | 42  |
| Corporation Tax  | 31                             | -                                    | 30  | -   |
| HAG repayable  | 726                            | 726                                  | 330   | 330   |
| Housing loans (Note 17)                                  | <u>1,835</u>                   | <u>1,825</u>                         | <u>2,425</u>                                  | <u>2,413</u>  |
|  | <u>9,648</u>                   | <u>9,196</u>                         | <u>9,635</u>                                  | <u>9,500</u>  |

| <b>16. Payables: amounts falling due after more than one year</b> | <b>2016<br/>Group<br/>£000</b> | <b>2016<br/>Association<br/>£000</b> | <b>2015<br/>Group<br/>£000<br/>(restated)</b> | <b>2015<br/>Association<br/>£000<br/>(restated)</b> |
|---|--------------------------------|--------------------------------------|---|---|
| Housing loans (Note 17)   | <u>63,979</u>                  | <u>63,877</u>                        | <u>59,949</u>                                 | <u>59,839</u>                                       |

The current instalments due on the above loans are included in Note 15 above.

| <b>17. Loans</b> | <b>2016<br/>Group<br/>£000</b> | <b>2016<br/>Association<br/>£000</b> | <b>2015<br/>Group<br/>£000<br/>(restated)</b> | <b>2015<br/>Association<br/>£000<br/>(restated)</b> |
|------------------|--------------------------------|--------------------------------------|---|---|
|------------------|--------------------------------|--------------------------------------|---|---|

**Housing loans**

Loans secured by a charge on KHA's Housing, Land and Buildings and advanced by private lenders:

|  |        |        |        |        |
|--|--------|--------|--------|--------|
|  | 65,813 | 65,701 | 62,374 | 62,253 |
|--|--------|--------|--------|--------|

The loans are repayable by annual instalments of principal and interest, the last of which fall to be repaid on dates between 2018 and 2044: the loans bear interest at rates from 0.76% to 4.75% (2015 – 0.76% to 4.91 %).

|  |               |               |               |               |
|--|---------------|---------------|---------------|---------------|
|  | <u>65,813</u> | <u>65,701</u> | <u>62,374</u> | <u>62,253</u> |
| Repayable:   |               |               |               |               |
| Within one year (Note 15)                              | <u>1,835</u>  | <u>1,825</u>  | <u>2,425</u>  | <u>2,413</u>  |
| Between one & two years                                | 11,834        | 11,824        | 2,318         | 2,306         |
| Between two & five years                               | 10,437        | 10,406        | 17,241        | 17,205        |
| After more than five years                             | <u>41,707</u> | <u>41,646</u> | <u>40,390</u> | <u>40,329</u> |
| Amounts falling due after more than one year (Note 16) | <u>63,978</u> | <u>63,877</u> | <u>59,949</u> | <u>59,839</u> |
|  | <u>65,813</u> | <u>65,701</u> | <u>62,374</u> | <u>62,253</u> |



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NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**

**18. Deferred Income – Government grants**

|  | <b>Group<br/>2016<br/>£000</b> | <b>Association<br/>2016<br/>£000</b> | <b>Group and<br/>Association<br/>2015<br/>£000<br/>(restated)</b> |
|--|--------------------------------|--------------------------------------|---|
| As at 1 <sup>st</sup> April                | 166,435                        | 166,435                              | 158,783   |
| Received in year                           | 5,445                          | 5,149                                | 9,759   |
| Repayable                                  | (195)                          | (194)                                | (283)   |
| Released to income                         | <u>(2,392)</u>                 | <u>(2,392)</u>                       | <u>(1,824)</u>  |
| As at 31 <sup>st</sup> March               | <u>169,294</u>                 | <u>168,998</u>                       | <u>166,435</u>  |
| Amounts to be released within 1 year       | 2,327                          | 2,327                                | 2,368   |
| Amounts to be released in more than 1 year | <u>166,967</u>                 | <u>166,671</u>                       | <u>164,067</u>  |
|  | <u>169,294</u>                 | <u>168,998</u>                       | <u>166,435</u>  |

**19. Financial Instruments**

|   | <b>2016<br/>Group<br/>£000</b> | <b>2016<br/>Association<br/>£000</b> | <b>2015<br/>Group<br/>£000<br/>(restated)</b> | <b>2015<br/>Association<br/>£000<br/>(restated)</b> |
|---|--------------------------------|--------------------------------------|---|---|
| Financial assets: Debt instruments measured at amortised cost |                                |                                      |   |   |
| Arrears of rent   | 117                            | 115                                  | 231   | 228   |
| Sundry receivables  | 990                            | 861                                  | 1,186   | 1,112   |
| Due from Kingdom Initiatives Limited                          | -                              | 52                                   | -   | 2   |
| Interest receivable   | 14                             | 14                                   | 14  | 14  |
| Car loans to employees  | 77                             | 77                                   | 110   | 110   |
| Cash  | <u>12,527</u>                  | <u>11,927</u>                        | <u>10,920</u>                                 | <u>10,444</u>                                       |
| Total   | <u>13,725</u>                  | <u>13,046</u>                        | <u>12,461</u>                                 | <u>11,910</u>                                       |
| Financial liabilities: Measured at amortised cost             |                                |                                      |   |   |
| Housing loans   | 65,813                         | 65,701                               | 62,374  | 62,253  |
| Contractors for certified work                                | 2,148                          | 1,958                                | 2,410   | 2,410   |
| Trade payables  | 460                            | 460                                  | 377   | 377   |
| Sundry payables and accruals                                  | 1,702                          | 1,492                                | 1,296   | 1,205   |
| Interest payable accrual                                      | 42                             | 42                                   | 42  | 42  |
| HAG repayable   | 726                            | 726                                  | 330   | 330   |
| Pension provision   | <u>7,406</u>                   | <u>7,406</u>                         | <u>7,875</u>                                  | <u>7,875</u>  |
| Total   | <u>78,297</u>                  | <u>77,785</u>                        | <u>74,704</u>                                 | <u>74,492</u>                                       |

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

**20. Provisions**

The provision represents the Association's share of the deficit of the Scottish Housing Associations' Pension Scheme, a defined benefit scheme (Note 35).

|                              | <b>Group and<br/>Association<br/>2016<br/>£000</b> | <b>Group and<br/>Association<br/>2015<br/>£000<br/>(restated)</b> |
|------------------------------|--|---|
| As at 1 <sup>st</sup> April  | 7,875  | 7,702   |
| Utilised in the year         | (603)  | (585)   |
| Unwinding of discount        | 161  | 243   |
| Change in discount rate      | <u>(27)</u>  | <u>515</u>  |
| As at 31 <sup>st</sup> March | <u>7,406</u>                                       | <u>7,875</u>  |

**21. Share Capital**

|  | <b>2016<br/>Number</b> | <b>2015<br/>Number</b> | <b>2016<br/>£</b> | <b>2015<br/>£</b> |
|--|------------------------|------------------------|-------------------|-------------------|
| <b>Group and Association</b>             |                        |                        |                   |                   |
| Shares of £1 each issued and fully paid: |                        |                        |                   |                   |
| At 1 <sup>st</sup> April                 | 58                     | 68                     | 58                | 68                |
| Issued during the year                   | 3                      | 1                      | 3                 | 1                 |
| Cancelled during the year                | <u>(8)</u>             | <u>(11)</u>            | <u>(8)</u>        | <u>(11)</u>       |
| At 31 <sup>st</sup> March                | <u>53</u>              | <u>58</u>              | <u>53</u>         | <u>58</u>         |

**22. Capital Commitments**

|   | <b>Group<br/>2016<br/>£000</b> | <b>Association<br/>2016<br/>£000</b> | <b>Group<br/>2015<br/>£000</b> | <b>Association<br/>2015<br/>£000</b> |
|---|--------------------------------|--------------------------------------|--------------------------------|--------------------------------------|
| Housing Properties:<br>Expenditure contracted but not provided<br>in the financial statements | <u>13,043</u>                  | <u>10,361</u>                        | <u>8,889</u>                   | <u>8,889</u>                         |

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

| <b>23. Employees</b>                             | <b>2016</b>  | <b>2015</b>  |
|--|--------------|--------------|
| Group and Association                            | <b>£000</b>  | <b>£000</b>  |
|  |              | (restated)   |
| i) Staff costs during year:                      |              |              |
| Wages and salaries                               | 7,596        | 7,122        |
| Social security costs                            | 593          | 538          |
| Other pension costs                              | 331          | 249          |
| Change in assumption regarding pension provision | <u>(27)</u>  | <u>514</u>   |
|  | <u>8,493</u> | <u>8,423</u> |

There were no redundancy costs incurred during the year (2015: £19,000 included in staff costs).

| ii) Staff numbers:   | <b>2016</b> | <b>2015</b> |
|--|-------------|-------------|
|  | <b>No.</b>  | <b>No.</b>  |
| Average monthly number of employees (including relief staff working on an "as required" basis) | 367         | 357         |
| Number of employees as at 31 <sup>st</sup> March:  |             |             |
| Support & care staff   | 204         | 179         |
| Administration staff   | 128         | 123         |
| Maintenance staff  | <u>25</u>   | <u>24</u>   |
|  | <u>357</u>  | <u>326</u>  |
| Full time equivalent employees   | <u>296</u>  | <u>274</u>  |

Agency staff were employed during the year at a cost of £190,298 (2015: £224,966).

**24. Auditors' Remuneration**

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

|                         | <b>2016</b>  | <b>2016</b>        | <b>2015</b>  | <b>2015</b>        |
|-------------------------|--------------|--------------------|--------------|--------------------|
|                         | <b>Group</b> | <b>Association</b> | <b>Group</b> | <b>Association</b> |
|                         | <b>£000</b>  | <b>£000</b>        | <b>£000</b>  | <b>£000</b>        |
| External Audit Services | 25           | 21                 | 19           | 16                 |
| Tax & Advisory Services | 7            | 5                  | -            | -                  |
| Internal Audit          | <u>14</u>    | <u>14</u>          | <u>10</u>    | <u>10</u>          |
|                         | <u>46</u>    | <u>40</u>          | <u>29</u>    | <u>26</u>          |

**25. Payments to Members and Board Members**

No Member of KHA received any fee or remuneration during the year. Members of the Board were reimbursed for out of pocket travel expenses amounting to £2,380 (2015: £3,197).

During the year 2 (2015: 2) Members of the Board were tenants of KHA. The tenancies of these Members are on normal terms.

During the year 1 Member of the Board was a sharing owner. The shared owner arrangements for this Member are on normal terms.

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NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**

|   | <b>2016</b> | <b>2015</b> |
|---|-------------|-------------|
|   | <b>£000</b> | <b>£000</b> |
| <b>26. Remuneration of Key Management Personnel</b>                                 |             |             |
| The aggregate remuneration of 4 directors (2015 – 5) including benefits in kind was | <u>367</u>  | <u>308</u>  |
| The pension contributions of 4 directors were                                       | <u>27</u>   | <u>16</u>   |
| Emoluments (excluding pension contributions) were paid in the following bandings:   | <b>No.</b>  | <b>No.</b>  |
| £10,001 - £15,000   | -           | 2           |
| £60,001 - £70,000   | -           | -           |
| £70,001 - £80,000   | 2           | 2           |
| £80,001 - £90,000   | 1           | -           |
| £90,001 - £100,000  | -           | -           |
| £100,001 - £110,000   | 1           | 1           |

The total emoluments (excluding pension contributions) received by the highest paid director was £106,153 (2015: £103,861).

Key Management Personnel are defined to include the Chief Executive and any other person reporting directly to the Chief Executive or the Board. The Chief Executive is an ordinary member of KHA's Pension Scheme described in Note 35. No enhanced or special terms apply to his membership and KHA does not contribute to any other pension on his behalf. KHA's pension contributions for the Chief Executive in the year are 8% (2015: 6%) and amounted to £8,250 (2015: £6,051).

At the year end one director had a car loan from KHA. The total balance of car loans due by directors at 31<sup>st</sup> March 2016 was £3,704 (2015: £7,726). The maximum balance outstanding during the year was £7,726 (2015: £22,936). 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 KHA.

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

**27. Reconciliation of surplus to net cash generated from operations - Group**

|  | <b>2016</b>         | <b>2015</b>         |
|--|---------------------|---------------------|
|  | <b>£000</b>         | <b>£000</b>         |
| Surplus for the year                                   | 4,519               | 4,348               |
| Adjustments for non-cash items                         |                     |                     |
| Depreciation on tangible fixed assets                  | 4,208               | 3,053               |
| Capital grants taken to income                         | (2,392)             | (1,823)             |
| Increase/(decrease) in provisions                      | (27)                | 514                 |
| (Gain)/loss on disposal of tangible fixed assets       | (144)               | (182)               |
| Interest received                                      | (45)                | (47)                |
| Interest paid  | <u>1,680</u>        | <u>1,803</u>        |
| Operating cashflows before movement in working capital | 7,799               | 7,666               |
| Decrease/(increase) in stock                           | (23)                | 953                 |
| Decrease/(increase) in debtors                         | (185)               | (301)               |
| Increase/(decrease) in creditors                       | <u>304</u>          | <u>9</u>            |
| Cash generated from/(used in) operations               | <u><u>7,895</u></u> | <u><u>8,327</u></u> |

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

| <b>28. Reconciliation of net cash flow to movement in net debt – Group</b> | <b>2016<br/>£000</b> | <b>2015<br/>£000</b><br>(restated) |
|--|----------------------|------------------------------------|
| Increase in cash in the period   | 1,607                | 551                                |
| Loans repaid   | 1,799                | 1,886                              |
| Cash received from new loans   | <u>(5,222)</u>       | <u>(5,000)</u>                     |
| Change in net debt   | (1,818)              | (2,563)                            |
| Net debt - opening   | <u>(51,454)</u>      | <u>(48,891)</u>                    |
| Net debt at 31 <sup>st</sup> March   | <u>(53,272)</u>      | <u>(51,454)</u>                    |

| <b>29. Gross cash flows - Group</b>                | <b>2016<br/>£000</b> | <b>2015<br/>£000</b> |
|--|----------------------|----------------------|
| a) Returns on investments and servicing of finance |                      |                      |
| Interest received                                  | 45                   | 48                   |
| Interest paid                                      | <u>(1,518)</u>       | <u>(1,642)</u>       |
|  | <u>(1,473)</u>       | <u>(1,594)</u>       |
| b) Capital expenditure                             |                      |                      |
| Payments to acquire tangible fixed assets          | (13,879)             | (18,842)             |
| Receipts of housing grants                         | 5,251                | 8,972                |
| Receipts from sales of housing                     | 374                  | 572                  |
|  | <u>(8,254)</u>       | <u>(9,298)</u>       |
| c) Financing                                       |                      |                      |
| Housing loans received                             | 5,222                | 5,000                |
| Housing loans repaid                               | (1,797)              | (1,886)              |
| Other changes                                      | 14                   | -                    |
| Net cash inflow from financing                     | <u>3,439</u>         | <u>3,114</u>         |

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

|                                  | <b>At<br/>1<sup>st</sup> April<br/>2015<br/>£000</b> | <b>Cash<br/>flows<br/>£000</b> | <b>Other<br/>Changes<br/>£000</b> | <b>At 31<sup>st</sup><br/>March<br/>2016<br/>£000</b> |
|----------------------------------|--|--------------------------------|-----------------------------------|---|
| Cash in hand and at bank         | 10,920   | 1,607                          | -                                 | 12,527  |
| Debt due within 1 year           | (2,318)  | 1,799                          | (1,302)                           | (1,821)   |
| Debt due between 1 and 2 years   | (2,425)  | -                              | (9,409)                           | (11,834)  |
| Debt due between 2 and 5 years   | (17,241)   | -                              | 6,804                             | (10,437)  |
| Debt due after more than 5 years | <u>(40,390)</u>                                      | <u>(5,222)</u>                 | <u>3,905</u>                      | <u>(41,707)</u>                                       |
| Total                            | <u>(51,454)</u>                                      | <u>(1,818)</u>                 | <u>(2)</u>                        | <u>(53,274)</u>                                       |

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

**31. Reconciliation of surplus to net cash generated from operations - Association**

|  | <b>2016</b>  | <b>2015</b>  |
|--|--------------|--------------|
|  | <b>£000</b>  | <b>£000</b>  |
| Surplus for the year                                   | 4,409        | 4,238        |
| Adjustments for non-cash items                         |              |              |
| Depreciation on tangible fixed assets                  | 4,196        | 3,042        |
| Capital grants taken to income                         | (2,392)      | (1,823)      |
| Increase/(decrease) in provisions                      | (27)         | 514          |
| (Gain) on disposal of tangible fixed assets            | (144)        | (182)        |
| Interest received                                      | (44)         | (46)         |
| Interest paid  | 1,678        | 1,802        |
| Operating cashflows before movement in working capital | <u>7,676</u> | <u>7,545</u> |
| Decrease/(increase) in stock                           | (23)         | 953          |
| Decrease/(increase) in debtors                         | 115          | (288)        |
| Increase/(decrease) in creditors                       | 174          | (12)         |
| Cash generated from/(used in) operations               | <u>7,942</u> | <u>8,198</u> |

**32. Reconciliation of net cash flow to movement in net debt – Association**

|                                    | <b>2016</b>     | <b>2015</b>     |
|------------------------------------|-----------------|-----------------|
|                                    | <b>£000</b>     | <b>£000</b>     |
| Increase in cash in the period     | 1,483           | 432             |
| Loans repaid                       | 1,787           | 1,875           |
| Cash received from new loans       | (5,222)         | (5,000)         |
| Other changes                      | (13)            | -               |
| Change in net debt                 | (1,965)         | (2,693)         |
| Net debt at 1 <sup>st</sup> April  | <u>(51,809)</u> | <u>(49,116)</u> |
| Net debt at 31 <sup>st</sup> March | <u>(53,774)</u> | <u>(51,809)</u> |

**33. Gross cash flows - Association**

|  | <b>2016</b>    | <b>2015</b>    |
|--|----------------|----------------|
|  | <b>£000</b>    | <b>£000</b>    |
| a) Returns on investments and servicing of finance |                |                |
| Interest received                                  | 44             | 47             |
| Interest paid                                      | <u>(1,516)</u> | <u>(1,642)</u> |
|  | <u>(1,472)</u> | <u>(1,595)</u> |
| b) Capital expenditure                             |                |                |
| Payments to acquire tangible fixed assets          | (13,763)       | (18,842)       |
| Receipts of housing grants                         | 4,954          | 8,972          |
| Receipts from sales of housing                     | 374            | 573            |
|  | <u>(8,438)</u> | <u>(9,297)</u> |
| c) Financing                                       |                |                |
| Housing loans received                             | 5,222          | 5,000          |
| Housing loans repaid                               | (1,787)        | (1,875)        |
| Other changes                                      | 13             | -              |
| Net cash inflow from financing                     | <u>3,448</u>   | <u>3,125</u>   |

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

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

|                                  | At<br>1 <sup>st</sup> April 2015<br>£000 | Cash<br>flows<br>£000 | Other<br>Changes<br>£000 | At 31 <sup>st</sup> March<br>2016<br>£000 |
|----------------------------------|--|-----------------------|--------------------------|---|
| Cash in hand and at bank         | 10,444                                   | 1,483                 | -                        | 11,927                                    |
| Debt due within 1 year           | (2,307)                                  | 1,787                 | (1,305)                  | (1,825)                                   |
| Debt due between 1 and 2 years   | (2,413)                                  | -                     | (9,411)                  | (11,824)                                  |
| Debt due between 2 and 5 years   | (17,205)                                 | -                     | 6,799                    | (10,406)                                  |
| Debt due after more than 5 years | <u>(40,328)</u>                          | <u>(5,222)</u>        | <u>3,904</u>             | <u>(41,646)</u>                           |
| Total                            | <u>(51,809)</u>                          | <u>(1,952)</u>        | <u>(13)</u>              | <u>(53,774)</u>                           |

**35. Pension Obligations**

**a) Scottish Housing Associations' Pension Scheme**

KHA participates in the Scottish Housing Associations' Pension Scheme ('the Scheme'), a multi-employer scheme that provides benefits to some 155 non-associated employers. The Scheme is a defined benefit scheme in the UK.

It is not possible for KHA to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme. Therefore it accounts for the Scheme as a defined contribution scheme.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004, which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, sets out the framework for funding defined benefit occupational pension schemes in the UK.

The Scheme is classified as a "last man standing arrangement". KHA is therefore potentially liable for other participating employers' obligations if those employers are unable to meet their share of the Scheme deficit following withdrawal from the Scheme. However, participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme (see Employer Debt section below).

A full actuarial valuation of the Scheme was carried out at 30<sup>th</sup> September 2012, which showed assets of £394 million, liabilities of £698m and a deficit of £304m. In order to eliminate this funding shortfall, the trustees and participating employers have agreed that additional contributions will be paid to the Scheme of £26.4m per annum from 1<sup>st</sup> April 2014 until 30<sup>th</sup> September 2027. The annual amount is payable monthly and increases by 3% on each anniversary. For the year ended 31<sup>st</sup> March 2016 the KHA paid £0.603m (2015: £0.585m) for its share of the contribution to the deficit.

The recovery plan contributions are allocated to each participating employer in line with its estimated share of the Scheme liabilities.

KHA has agreed to the deficit funding arrangement and recognises a liability for this obligation (Note 20). The amount recognised is the net present value of the deficit reduction contributions payable under the agreement using discount rates reflecting high quality corporate bond yields. The discount rate used at 31<sup>st</sup> March 2016 was 2.29% (2015: 2.22%).



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

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

#### **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.

KHA 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<sup>th</sup> September 2014. As of this date the estimated employer debt for the Association was £22.66m, which has been treated as a contingent liability (Note 37).

#### **b) Pensions Trust's Growth Plan**

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<sup>th</sup> 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%. KHA does not make any contributions to the Plan.

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

**36. Financial Commitments**

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

|                       | <b>2016</b> | <b>2015</b> |
|-----------------------|-------------|-------------|
|                       | <b>£000</b> | <b>£000</b> |
| Amounts due:          |             |             |
| Within one year       | 95          | 94          |
| Between 1 and 5 years | <u>279</u>  | <u>369</u>  |
|                       | <u>374</u>  | <u>463</u>  |

**37. Contingent Liabilities**

KHA participates in a multi employer pension scheme. Should KHA leave the Scheme the amount of employer debt has been estimated as £22,660,526 (Note 35(a)). At the present time KHA has no intention of leaving the Scheme.

Repayment of Housing Association Grant is not required on any component disposals. There are certain circumstances under which the total grant received by KHA and KIL as at 31<sup>st</sup> March 2016 of £190.8 million which may be repayable to Scottish Ministers. The Board does not expect those circumstances to crystallize.

**38. Related Party Transactions**

Certain Members of the Board identified on page 3 had tenancy and occupancy agreements with KHA during the period. These operate in the same way as all of KHA's other tenancy and occupancy agreements. As at the date of the statement of financial position there was one Member with outstanding balances due to the Association of £351.70. Since the statement of financial position date however this amount has been paid.

During the year 1 Member of the Board was a sharing owner. The shared owner arrangements for this Member are on normal terms.

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

KHA issued invoices to KIL for purchases, re-invoiced charges and management services provided by KHA amounting to £921,386 (2015: £511,698). KIL issued invoices to KHA for purchases and re-invoiced charges totaling £23,455 (2015: £23,056).

At the date of the statement of financial position £51,658 was due to KHA from KIL.

## KINGDOM HOUSING ASSOCIATION LIMITED - CONSOLIDATED NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

### 39. First Time adoption of FRS102

The financial statements have been prepared in accordance with FRS102 and the SORP 2014 for the year ended 31 March 2016. The transition to FRS102 has impacted on several accounting policies leading to changes in the presentation of the financial statements. Changes in accounting policy require prior year comparative figures to be restated, as if the changes had been in place in prior years. The notes below provide explanations of the changes in accounting policies and their impact. The ensuing tables reconcile previously reported figures with the restated amounts at 31<sup>st</sup> March 2015 for the Group financial statements and those of KHA.

#### Reference

- 1,2 Employee benefits - Untaken/borrowed leave accrual  
FRS102 requires KHA to recognise the cost of all employee benefits to which its employees have become entitled as a result of service rendered to KHA during the reporting period. This means the cost of untaken leave at the year end is accrued for. Similarly the cost of borrowed leave (i.e. leave taken in advance) is treated as a receivable. At 31<sup>st</sup> March 2015 the cost of untaken leave was £0.06m and borrowed leave was £0.002m. The net impact on operating costs for the year ended 31<sup>st</sup> March 2015 was an increase of £0.018m, with a further £0.04m reduction in prior year reserves.
3. Pension provision  
Previously KHA accounted for the past service deficit in respect of the employee pension fund at net present value using an estimated discount rate based on KHA's cost of borrowing. The provision was accounted for as a designated reserve and movements in the provision were taken through reserves. FRS102 requires the deficit to be recorded as a liability discounted to net present value using rates derived from high quality corporate bonds, with changes in the discount taken through the statement of comprehensive income. The pension reserve of £7.232m as at 31<sup>st</sup> March 2015 was eliminated and a revised provision established of £7.874m. The changes in discount in the year ended 31<sup>st</sup> March 2015 was £0.757m, of which £0.243m was recorded as a finance cost, with the remainder of £0.514m being an employment cost. Prior year changes to reserves amounted to a credit of £0.115m.
4. Government capital grants  
Previously Government capital grants were netted against the cost of housing properties. Similarly depreciation of the cost of housing properties was offset by the respective grant amortisation. Under FRS102 and SORP 2014 Government capital grants in respect of social housing are recorded as deferred income and released to income over the expected useful life of the housing property structure (excluding land) and its individual components on a gross basis. Accordingly adjustments were made to disaggregate grants from cost, depreciation and land, and to record grants under deferred income. Consequently as at 31<sup>st</sup> March 2015 the cost of housing properties and Government grants were reduced by £20.796m and Government grants were recorded as deferred income with £2.232m due to be released within one year and £152.867m after one year. The impact on the surplus for the year ended 31<sup>st</sup> March 2015 was a net credit of £0.277m and a credit of £3.179m in respect of prior years.

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

**For the year ended 31<sup>st</sup> March 2016**

5. **Fixed asset investments - Homestake**  
Previously the grants associated with the Homestake fixed asset investment were offset against the cost in the balance sheet. Under FRS102 and SORP 2014 the grants are treated as deferred income. As the grants are repayable only on sale of further tranches of the properties, they are not amortised. The impact is that there is a transfer of £1.935m of grant from fixed asset investments to deferred income due in more than 5 years.
6. **Fixed asset investments - Hostel**  
KHA acquired a Hostel in 2004 which was 100% grant funded. The Hostel was held at acquisition cost offset by the grant. Similar to the Homestake property above, the property was not depreciated. Therefore depreciation has now been provided and the associated grant amortised. The impact at 31<sup>st</sup> March 2015 has been to decrease housing property cost by £0.129m and transfer £0.924m to deferred income (£0.911m due in more than one year, £0.013m due within one year), being the unamortised element of grant. There is no net impact on income and expenditure and reserves as depreciation and income amortisation offset equally.
7. **Fixed asset investments - Shared Ownership**  
Previously KHA held its portion of Shared Ownership properties at cost, net of grants and did not depreciate. Depreciation has now been provided and the associated grant amortised. The impact at 31<sup>st</sup> March 2015 has been to decrease housing property net value by £1.747m and transfer £8.478m to deferred income (£8.355m due in more than one year, £0.124m due in one year), being the unamortised element of grant. The impact on the surplus for the year ended 31<sup>st</sup> March 2015 was a reduction of £0.019m and a reduction in prior year reserves of £0.338m.
8. **Intangible assets**  
FRS102 requires identification and separate disclosure of intangible fixed assets. KHA's intangible assets comprise computer software and licences.
9. **Sundry Adjustments**  
A small number of other adjustments were made to the 31<sup>st</sup> March 2015 balances for other presentational items.

| Reconciliation of Group balance sheet categories, reserves and surplus for the year | Previously reported under UKGAAP | 1, 2  | 3       | 4         | 5       | 6     | 7       | 8     | 9     | Restated under FRS102 |
|---|----------------------------------|-------|---------|-----------|---------|-------|---------|-------|-------|-----------------------|
|   | £000s                            | £000s | £000s   | £000s     | £000s   | £000s | £000s   | £000s | £000s | £000s                 |
| Housing properties  | 276,247                          |       |         | (20,796)  |         | (129) | (1,747) |       |       | 253,576               |
| Grants  | (179,762)                        |       |         | 168,842   |         | 1,053 | 9,867   |       |       | -                     |
| Other grants  | (10,510)                         |       |         | 10,510    |         |       |         |       |       | -                     |
|   | 85,975                           |       |         |           |         |       |         |       |       | 253,576               |
| Fixed asset investments   | 1,935                            |       |         |           |         |       |         |       |       | 1,935                 |
| Grants  | (1,935)                          |       |         |           | 1,935   |       |         |       |       | -                     |
|   | -                                |       |         |           |         |       |         |       |       | 1,935                 |
| Other fixed assets  | 1,389                            |       |         |           |         |       |         | (149) |       | 1,240                 |
| Intangible fixed assets   | -                                |       |         |           |         |       |         | 149   |       | 149                   |
| Stocks and work in progress   | 130                              |       |         |           |         |       |         |       |       | 130                   |
| Receivables   | 3,583                            | 3     |         |           |         |       |         |       | (6)   | 3,580                 |
| Cash  | 10,920                           |       |         |           |         |       |         |       |       | 10,920                |
|   | 14,633                           |       |         |           |         |       |         |       |       | 14,630                |
| Payables  |                                  |       |         |           |         |       |         |       |       |                       |
| Due in <1 year  | (7,209)                          | (61)  |         |           |         |       |         |       | 6     | (7,264)               |
| Deferred income - grants due in <1 year   | -                                |       |         | (2,232)   |         | (13)  | (124)   |       |       | (2,369)               |
|   | (7,209)                          |       |         |           |         |       |         |       |       | (9,633)               |
| Net current assets  | 7,424                            |       |         |           |         |       |         |       |       | 4,997                 |
| Total assets less current liabilities   | 94,788                           |       |         |           |         |       |         |       |       | 261,897               |
| Payables  |                                  |       |         |           |         |       |         |       |       |                       |
| Due in >1 year  | (59,949)                         |       |         |           |         |       |         |       |       | (59,949)              |
| Provisions due in >1 year   | -                                |       | (7,874) |           |         |       |         |       |       | (7,874)               |
| Deferred income - grants due in >1 year   | -                                |       |         | (152,867) | (1,935) | (911) | (8,355) |       |       | (164,068)             |
|   | (59,949)                         |       |         |           |         |       |         |       |       | (231,892)             |
| Net assets  | <u>34,839</u>                    |       |         |           |         |       |         |       |       | <u>30,006</u>         |

|                                  |                 |    |       |         |   |   |     |   |   |                 |
|----------------------------------|-----------------|----|-------|---------|---|---|-----|---|---|-----------------|
| Designated reserve               | (7,232)         |    | 7,232 |         |   |   |     |   |   | -               |
| Revenue reserve at 31 March 2014 | (22,742)        | 40 | (115) | (3,179) |   |   | 338 |   |   | (25,658)        |
| Surplus for the year 2015        | (4,865)         | 18 | 757   | (277)   |   |   | 19  |   |   | (4,348)         |
|                                  | <u>(34,839)</u> | -  | -     | -       | - | - | -   | - | - | <u>(30,006)</u> |

| Reconciliation of Association balance sheet categories, reserves and surplus for the year | Previously reported under UKGAAP | 1, 2  | 3       | 4         | 5       | 6     | 7       | 8     | 9     | Restated under FRS102 |
|---|----------------------------------|-------|---------|-----------|---------|-------|---------|-------|-------|-----------------------|
|   | £000s                            | £000s | £000s   | £000s     | £000s   | £000s | £000s   | £000s | £000s | £000s                 |
| Housing properties  | 275,611                          |       |         | (20,797)  |         | (129) | (1,745) |       |       | 252,940               |
| Grants  | (179,762)                        |       |         | 168,842   |         | 1,053 | 9,867   |       |       | -                     |
| Other grants  | (10,510)                         |       |         | 10,510    |         |       |         |       |       | -                     |
|   | 85,339                           |       |         |           |         |       |         |       |       | 252,940               |
| Fixed asset investments   | 1,935                            |       |         |           |         |       |         |       |       | 1,935                 |
| Grants  | (1,935)                          |       |         |           | 1,935   |       |         |       |       | -                     |
|   | -                                |       |         |           |         |       |         |       |       | 1,935                 |
| Other fixed assets  | 1,387                            |       |         |           |         |       |         | (149) |       | 1,238                 |
| Intangible fixed assets   | -                                |       |         |           |         |       |         | 149   |       | 149                   |
| Stocks and work in progress   | 130                              |       |         |           |         |       |         |       |       | 130                   |
| Receivables   | 3,503                            | 3     |         |           |         |       |         |       |       | 3,506                 |
| Cash  | 10,444                           |       |         |           |         |       |         |       |       | 10,444                |
|   | 14,077                           |       |         |           |         |       |         |       |       | 14,080                |
| Payables  |                                  |       |         |           |         |       |         |       |       |                       |
| Due in <1 year  | (7,070)                          | (61)  |         |           |         |       |         |       |       | (7,131)               |
| Deferred income - grants due in <1 year   | -                                |       |         | (2,232)   |         | (13)  | (124)   |       |       | (2,369)               |
|   | (7,070)                          |       |         |           |         |       |         |       |       | (9,500)               |
| Net current assets/(liabilities)  | 7,007                            |       |         |           |         |       |         |       |       | 4,580                 |
| Total assets less current liabilities   | 93,733                           |       |         |           |         |       |         |       |       | 260,842               |
| Payables  |                                  |       |         |           |         |       |         |       |       |                       |
| Due in >1 year  | (59,840)                         |       |         |           |         |       |         |       |       | (59,840)              |
| Provisions due in >1 year   | -                                |       | (7,874) |           |         |       |         |       |       | (7,874)               |
| Deferred income - grants due in >1 year   | -                                |       |         | (152,867) | (1,935) | (911) | (8,355) |       |       | (164,068)             |
|   | (59,840)                         |       |         |           |         |       |         |       |       | (231,782)             |
| Net assets  | <u>33,893</u>                    |       |         |           |         |       |         |       |       | <u>29,060</u>         |

|                                  |                 |    |       |         |  |  |     |  |  |                 |
|----------------------------------|-----------------|----|-------|---------|--|--|-----|--|--|-----------------|
| Designated reserve               | (7,232)         |    | 7,232 |         |  |  |     |  |  | -               |
| Revenue reserve at 31 March 2014 | (21,906)        | 40 | (115) | (3,179) |  |  | 338 |  |  | (24,822)        |
| Surplus for the year 2015        | (4,755)         | 18 | 757   | (277)   |  |  | 19  |  |  | (4,238)         |
|                                  | <u>(33,893)</u> |    |       |         |  |  |     |  |  | <u>(29,060)</u> |