

**Kingdom Housing Association Limited**  
**Consolidated Report and Financial Statements**  
**for the year ended 31 March 2019**

**Registration Details**

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

**Kingdom Housing Association Limited**  
**Report and Financial Statements**  
**for the year ended 31 March 2019**

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**BOARD OF MANAGEMENT, EXECUTIVE, ADVISERS AND REGISTRATION DETAILS**

<b>Board of Management</b>	Freya Lees Laurie Naumann Gordon Campbell  Gavin Thomson  Thomas Condie Loretta Mordi Linda Leslie Tom Barr Iain Connelly Laura Brotherton Graeme Mackay Charles Oliver David Redpath Stephen Swan Carol Watson	Chairperson Vice Chairperson Chair of Audit & Financial Compliance Sub Committee (retired 17 September, 2018) Chair of Audit & Financial Compliance Sub Committee (appointed 19 November 2018) (retired 17 September 2018)          (appointed 17 September 2018) (appointed 17 September 2018) (appointed 17 September 2018) (appointed 17 September 2018) (appointed 17 September 2018)
<b>Key Management Personnel</b>	William Banks Nicholas Pollard Scott Kirkpatrick Alan Simpson	Chief Executive and Company Secretary Director of Corporate Support Services Director of Development Director of Housing and Asset Management
<b>Registered Office</b>	Saltire Centre, Pentland Court, Glenrothes, KY6 2DA	
<b>Registration Numbers</b>	Co-operative and Community Benefit Societies Act 2014, Reg. No. SP1981R(S) Scottish Housing Regulator Reg. No. HEP 142 Scottish Charity No SC000874 Financial Conduct Authority number SP1981RS	
<b>Independent Auditors</b>	RSM UK Audit LLP Third Floor Centenary House 69 Wellington Street Glasgow G2 6HG	
<b>Principal Banker</b>	Bank of Scotland	
<b>Internal Auditors</b>	MHA Henderson Loggie	

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**REPORT OF THE BOARD OF MANAGEMENT**

The Board of Management (the Board) presents its report and audited consolidated financial statements for the year ended 31 March 2019.

**Legal Status**

Kingdom Housing Association Limited (KHA), is incorporated in Scotland and registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 as a mutual society (registration number SP1981R(S) and is a Registered Social Landlord HEP 142 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 two wholly owned subsidiary companies these are:

- Kingdom Initiatives Limited (KI), registered with Companies House under the Companies Act 2006 (registration number SC383963), which is a non charitable company limited by shares.
- Kingdom Support and Care Community Interest Company (KSC), registered with Companies House under the Companies Act 2006, registration number SC545491, which is a Community Interest Company that is a non charitable company limited by shares.

These consolidated financial statements include the results of KHA, KI and KSC (the Group) for the year to 31 March 2019.

**Objectives and Strategy**

The mission statement of the Kingdom Group is to provide 'more than a home' and this is reflected in not only the provision of affordable high quality houses, but also the additional activities relating to community initiatives, which incorporates Kingdom Works Employability service and Care and Repair Small Repairs service. KI complements KHA's mission in areas of activity in which KHA may not operate. In addition, through KSC, the Group supports and cares for people in their own homes.

**Governance**

The management, control and services between the three organisations KHA, KI and KSC are outlined in the following agreements:

- Independence Agreement;
- Members Agreement;
- Services Agreement.

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 March 2019 there were 13 Board members, (2018: 10), of whom none were co-opted, (2018: none), with a wide range of skills, knowledge and experience.

As at the date of the statement of financial position none of the members were tenants and one of the members was a sharing owner.

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**REPORT OF THE BOARD OF MANAGEMENT (Cont'd)**

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

- Audit & Financial Compliance Sub Committee (AFCC);
- Senior Management Remuneration & Succession Planning Sub Committee (SMR&SP);
- Policy Sub Committee.

In addition, there is an internal audit function operated by an independent firm of auditors.

The Governing Body of KI is a Board of Directors, which at the year end consisted of 8 Directors, one of whom is the appointed Chairperson. Of the Directors one is a member of the KHA Board of Management (Iain Connelly), one is a Director of KSC (Garry Dickson) and one is KHA's Chief Executive (William Banks).

The Governing Body of KSC is a Board of Directors, which at the year end consisted of 8 Directors, one of whom is the appointed Chairperson. During the year two Directors served as members of the KHA Board of Management (Thomas Condie and Linda Leslie), one is a Director of KI (Garry Dickson) and one of the Directors is the KHA Chief Executive (William Banks).

There are clear reporting arrangements between the members of the group with minutes of the KI and KSC Board meetings being presented to the KHA Board and a standing agenda item on the KI and KSC Board papers for any items to be referred from and to KHA. All governing bodies operate within agreed rules, policies and financial regulations with delegated authority given to the Chief Executive and Executive Team. Key performance indicators and regular operational reports are provided to the Boards of KHA, KI and KSC to enable them to monitor progress in meeting the agreed objectives.

The Group recognises that retaining and attracting Board members for KHA, KI and KSC is a challenge for those organisations. However, the Group has been successful in recruiting a number of suitably experienced new Board members this year.

**Principal Activities**

**KHA**

KHA's principal activity is the provision and management of affordable housing using Scottish Secure Tenancies throughout East Central Scotland. 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 and local authorities, supplemented by private finance and its own resources. KHA is committed to maintaining a development programme to provide affordable housing, including social rent and mid-market rent properties. 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 Group, Glen Housing Association and Ore Valley Housing Association. This alliance works to provide new affordable housing in Fife. KHA is currently the lead developer in Fife.

## **REPORT OF THE BOARD OF MANAGEMENT (Cont'd)**

**KI**  
The principal activities of KI are to manage properties through leases and Scottish Assured Tenancy agreements at mid market rents, where the rent is based upon a percentage of the appropriate Local Housing Allowance and hence higher than social rents.

These relate mainly to properties leased to KI by KHA. KI also provides development services to third parties, as well as undertaking any activities not allowed by KHA as a Scottish charity.

**KSC**  
The principal activities of KSC are to provide support and care services to individuals across the Fife and Falkirk local authority areas under contract. The service enables individuals to continue to live independently in their own homes in their communities, despite medical conditions and disabilities.

### **Review of the Year and Performance for the Group**

Our Corporate Plan identifies our strategic objectives across all our areas of activity. During the year we have successfully achieved and contributed towards our objectives, which is demonstrated through our achievements in areas such as the following:

- Completion of 274 new affordable homes, for Kingdom and our partner organisations, (2018: 261);
- Providing high quality services to our tenants and other customers, which is evidenced through high satisfaction levels and good performance outputs;
- Our Support & Care activities delivered services to circa 256 service users, (2018: 256);
- 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 further expansion of mobile working arrangements, which improve customer services and provide organisational benefits through the increased use of digital solutions;
- We employ 430, (2018: 404) staff in the Kingdom Group and offer good terms and conditions and for the last 15 years we have maintained our Investors in People (IIP) Recognition; and
- 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.

We use budgeting, management accounts, key performance indicators and business planning tools to measure the performance of the business against its stated objectives both in the short, medium and long term. These indicators are reviewed regularly by KHA's Governing Body and its Audit and Financial Compliance Sub Committee and are reported to the Scottish Housing Regulator (SHR).

The key performance indicators confirm high levels of performance that are comparable with or better than many other social landlords in the sector, as set out on pages 11 and 19.

We have 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.

**REPORT OF THE BOARD OF MANAGEMENT (Cont'd)**

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

We reviewed our development capacity during the year and this is reflected in our 2018-19 Corporate Plan, where an increase in the provision of new affordable housing has been planned over the next five year period, as well as development of our activities to improve customer services.

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 as set out on page 20.

The more detailed departmental and subsidiary company reports are set out below.

**Human Resources, Health and Safety & Wellbeing and Learning & Development**

The Human Resources, Health and Safety & Wellbeing and Learning & Development services are provided by the Chief Executive's Department and are designed to support the governing bodies of the Group, management and staff through the development, implementation, monitoring and review of effective policies, processes and procedures, with guidance and advice provided by experienced and qualified staff.

Attracting, developing and retaining employees 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 an employer of choice. Our values are reflected in CARES, Customer, Accountable, Respect, Efficient and Supportive and these underpin how we aim to manage and develop our people.

We published our second Gender Pay Gap report for both KHA and KSC in April of 2019. We were pleased to see a narrowing of the gender pay gap in both organisations. We recognise the challenge in reducing our gender pay gaps and we are taking actions, such as reviewing our approach to recruitment and selection and considering how we can attract people to under represented roles/levels.

We believe our people practices are sufficiently robust to protect the interests of the Group. We have had low experience of tribunal claims lodged against us and we actively manage absence and conduct cases.

We continue to work on improving Kingdom's employment proposition including:

- Further developing our award-winning trainee programme in ways that both benefit the organisation and provide opportunities for broader groups.
- Implementing innovative ways of using employment to tackle homelessness.
- Undertaking a variety of wellbeing initiatives for our people that have resulted in us receiving a Healthy Working Lives Bronze Award and we are now very close to achieving a Silver Award.
- Conducting a full review of all our people management policies.

**REPORT OF THE BOARD OF MANAGEMENT ((Cont'd)**

- Implementing our new employee appraisal system, underpinned by a competency framework that reflects our corporate values, which will also allow us to develop our approaches to succession planning and talent management.
- Developing our approach to learning and development.
- Providing all line managers in the Group with “soft skills” training to help them more effectively support and develop their staff.
- Implementing an Employee Recognition Scheme to recognise and celebrate when our people go the extra mile and/or truly live our values.
- Continuing to implement our culture change programme, driven by our Chief Executive, this has already resulted in significant increases in our employee engagement scores.

**Housing Management & Housing Stock**

We own properties in Fife, Clackmannan, Falkirk and Perth and Kinross 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 479 properties in the period 1 April 2018 to 31 March 2019, (2018: 376). This included 246, (2018: 273) re-let properties and 233, (2018: 103) new build properties.

The average time taken to re-let properties was 25 days, (2018: 28 days). This was 3 days less than the average for the previous year, (2018: 5 days more) due to more efficient working. Statutorily homeless applicants accounted for 32% of allocations which were made, (2018: 31%).

Gross tenant rent arrears, including former tenant debt, stood at £656k at the 31 March 2019, (2018: £514k). This represents 4.37% of the annual rental debit, and indicates a deteriorating performance compared to 31 March 2018 when gross debt was 3.38%.

In our 2018 customer survey, tenant satisfaction in relation to the rents being value for money was 83.75%, (2017: 85.5%).

An affordability assessment study was carried out in October 2017 and is due for follow up in 2019 as we agreed a two year rent increase profile with our tenants. This indicated that following a 2.5% increase each year our rents were affordable to the majority of our tenants based on earned income where rent is deemed affordable if monthly rent is less than 25% of monthly total household income. We support tenants in accessing financial assistance to raise household income levels, for example through housing benefit uptake where appropriate.

We have continued to respond to the impacts of Welfare Reform, ensuring that the organisation and tenants are prepared for the future. We have assisted tenants to apply for and secure Discretionary Housing Payments to offset the under occupancy charge where applicable. We have continued to support tenants to secure the appropriate benefits and maximise their income so that we maximise rent collection. We are now working to support tenants who are claiming Universal Credit.

Over the year we investigated 69 complaints of anti-social behaviour, (2018: 94). We have resolved 91.3% of these within our 20 day target, (2018: 93.6%).



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**REPORT OF THE BOARD OF MANAGEMENT (Cont'd)**

During the year we continued to develop our approach to tenant and customer participation. We have increased the range of opportunities for tenants to participate in decision making and have supported the development of our Tenant Scrutiny Panel through formal qualifications and attending conferences.

Our Scrutiny Panel were runners up in the annual Tpas awards for best practice in Tenant Scrutiny. We held our third successful summer Tenant Gathering at Craigtoun Park in July, bringing together tenants and staff, and held our first winter Tenant Gathering in December in Dunfermline.

We have continued to provide factoring services to approximately 450 owners and sharing owners, (2018: 450). We have continued to promote mid market rent (MMR) and bring additional MMR properties into management.

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

- Full service Universal Credit is now in operation across all our operational area. A significant amount of work continues to be done to support tenants moving on to this benefit; and work will continue over the coming year to ensure that we are in a position to maximise rental income;
- The need for tenancy sustainment support is increasing and likely to continue to do so in the light of Welfare Reform. Our tenancy sustainment worker and money advice /arrears officer help us to maximise our income and our customer's income as well as helping tenants to sustain their tenancies;
- In response to a growing stock portfolio, and some external challenges such as the introduction of Full Service Universal Credit, we continue to review our operations and to look for new ways to develop efficiencies and drive service improvements.

At the end of the financial year 2018-19 the Group was managing 4,670 properties, (2018: 4,400). KHA's social housing stock comprises houses and flats, with around 56% represented by houses and 44% by flats, (2018: 56% and 44%). Most of KHA's housing stock has been built after 1982. A breakdown of the stock in management is provided below:

Social rented	3,804
Shared ownership	244
Leased	31
Lead tenancies	50
Non self contained leased	9
Non self contained	2
MMR (managed by KI)	364
KI owned properties	51
Managed on behalf of Fife Council	115
<b>Total</b>	<b>4,670</b>

KHA, following consultation with tenants, agreed an annual rent increase of 2.5% for the years 2017-18 and 2018-19.

**REPORT OF THE BOARD OF MANAGEMENT (Cont'd)**

KHA, 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.

**Capital Investment**

Most of our development activity is in Fife, but our areas of operation extend into adjacent Local Authorities and it has been another active year in respect of our development activity, where we continued to provide a new supply of affordable housing to meet a wide range of housing needs. We can demonstrate strong results across development Key Performance Indicators (KPIs) and our track record, experience and history of collaborative working contributes to our delivery of a successful development programme.

During 2018-19 KHA invested £53.1 million, (2018: £34.26 million) in new development projects for Kingdom and our partners, with £34.6 million, (2018: £22 million) being provided in subsidies from the Scottish Government and Local Authorities. The investment in new supply housing resulted in Kingdom starting on site with 433 new units, (2018: 362 units) and we completed 274 units, (2018: 261 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. During the year we put in place a strategy to significantly increase our outputs over the next five years.

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 addressed through provision of MMR homes. During the year we completed 13 MMR properties as part of the development programme in Fife, (2018: 95).

Collaborative working is an approach that we have adopted for many years. It builds productive relationships, spreads and reduces risks and provides opportunities for us which would not easily be pursued 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 actively participate in a variety of strategic development groups including the following:

- Affordable Housing Policy and Delivery Groups;
- Strategic Housing Investment Programme (SHIP);
- Strategic Local Programme (SLP) Groups;
- Local Housing Strategy Implementation Groups;
- 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 and with Ochil View HA in Clackmannanshire.

**REPORT OF THE BOARD OF MANAGEMENT (Cont'd)**

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 a key objective that results in high quality housing and reduces our long term management and maintenance costs through lower turnover, reduced reactive repairs, voids and housing management costs and enhanced component life cycles. High quality helps sustain tenancies, improves tenants' health & well-being and addresses issues associated with fuel poverty.

The projects we developed were designed and built to fully meet Housing for Varying Needs Standards and Secured by Design accreditation. The majority of our projects secured enhanced greener standard subsidy, which allowed us to achieve elements of 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 an excellent 96% overall satisfaction level with the quality and design of the new homes; the target to be achieved was 94%.

Development of new housing entails risks and uncertainty so we have robust procurement and project management processes to mitigate the risks and contribute towards our outcomes. During the year we continued to use the Brixx 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, where necessary, to achieve optimum funding levels.

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

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 development KPIs is as follows:

	<b>Actual 2017-18</b>	<b>Target 2018-19</b>	<b>Actual 2018-19</b>
Site Starts (new supply units)	362	349	433
Site Completions (new supply units)	261	289	274
<b>Starts and Completions (units)</b>	<b>623</b>	<b>638</b>	<b>707</b>

**REPORT OF THE BOARD OF MANAGEMENT (Cont'd)**

The 2018-19 year was again a marked increase on the previous year outcomes. It was an excellent outcome to achieve and exceed the combined start and completion target for the year.

**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 incorporates durable components that provide good replacement life cycles;
- Quality reactive repairs services and voids turnaround times and standards;
- Planned replacement and improvement programmes; and
- Reactive and proactive customer services, which maintain high levels of satisfaction.

We operate an in-house repairs service which does most of our building repairs including our reactive and emergency repairs. The service includes a small repairs team who carry out our kitchen replacements programmes and property adaptations. This year using both our in-house service and contractors we carried out a total of more than 12,257 repairs to our social rented properties, (2018: 12,124) of which 3,035, (2018: 2,611) 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:

	<b>Actual 2017-18</b>	<b>Target 2018-19</b>	<b>Actual 2018-19</b>
Emergency repairs (response target % achieved)	94.81	95.00	97.88
Routine Repairs (response target % achieved)	90.30	88.00	91.50
Valid and current gas safety certificates (% achieved)	99.97	100.00	100.00
Repairs appointments kept (% achieved)	95.92	-	93.94
Average time to complete an emergency repair (hours)	2.21	-	2.13
Average time to complete Routine repairs (days)	5.96	-	6.55

Source: 2018-19 Annual Report on Charter (ARC) submission

During the year we maintained our Scottish Housing Quality Standard (SHQS) compliance and continued to work through our programme of works to bring 99.7% of our properties up to the Energy Efficiency Standard for Social Housing (ESSH).

Satisfaction with our repairs service has continued and during 2018-19 we recorded a 91.97%, (2018: 92.03%) satisfaction level for the overall repairs service provided to our tenants.

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

## **REPORT OF THE BOARD OF MANAGEMENT (Cont'd)**

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 such as recruitment and retention of suitably skilled and qualified staff as well as an apprentice programme.

While 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, through use of mobile working technologies and systems.

### **Care and Repair**

KHA is funded by Fife Council to manage and commission all of the major, permanent disability adaptations in the private housing sector. Funding has been secured up to March 2022 for the services we provide. The adaptations are grant funded on an individual basis, with the clients' requirements firstly assessed by Occupational Therapy to make daily life easier and allow them to continue to live in their own home for longer.

We were successful in obtaining over £125k from charitable sources, the largest sum to date, for clients who struggled to pay their contributions for the adaptations.

During 2018-19 Care and Repair completed 265 major permanent disability adaptations, (2018: 294), fewer than last year due to an increase in the scale and complexity of projects. Within the major adaptations programme 74, (2018: 199) properties below the Tolerable Standard were upgraded. The Small Repairs Service completed 809 jobs, (2018: 836), which helped older homeowners maintain the integrity of their properties. We also provided advice and guidance to homeowners on non-adaptation matters.

### **Kingdom Works (formerly Fife Works)**

During the year Fife Works was re-branded as Kingdom Works. Kingdom 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. We have a successful track record of securing funding and we have already secured funding to take us to March 2020. We will continue to identify and source funding that will extend the project beyond this date. We are investigating processes that will mainstream many of the activities into the advice and assistance services we provide to tenants.

During the year Kingdom Works assisted over 605 people in our communities, (2018: 431) and helped 362 people to access employment, (2018: 291).

### **Information Communication Technology**

During the year the Digital team has provided the technology, training and expertise to progress use of Kingdom's Customer Portal, which now has over 2,100 registered customers. A new mobile contract was awarded to Vodafone and over 400 new mobile devices were provided to employees. Additional software was added to devices to increase security, control and performance. Work commenced on migration from our data centre to GCP (Google Cloud Platform) and to migrate from Microsoft Office to G-Suite and BOX to provide increased security, greater control of data and an improved user experience.

### **Kingdom Support and Care Community Interest Company (KSC)**

In 2018-19 KSC continued to support approximately 256 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.

**REPORT OF THE BOARD OF MANAGEMENT (Cont'd)**

In addition, we provided temporary accommodation and outreach services for people who were homeless through the services at James Bank, Dunfermline.

During 2018-19, full implementation of the services in the Falkirk area was achieved with 1,502 hours being delivered in each week. Within Fife, the hours of support varied throughout the year. At the end of March 2019, we were delivering a total of 5,660 hours per week against a budget forecast of 5,428 hours per week. Both Local Authority frameworks were renewed during 2018 and we duly submitted successful tender bids, being accepted on to the Falkirk Framework from 1 April 2018 and the Fife Framework from 28 May 2018.

During 2018-19, we achieved the required uplifts from Falkirk Council to meet the increases to the Scottish Living Wage. In Fife, whilst we achieved uplifts to cover the cost of the increases to the Scottish Living Wage to staff for day hours, we did not achieve uplifts to cover these increases in relation to sleepover hours. This resulted in a loss of income.

Staff turnover in 2018-19 for Support and Care was 26%, (2018: 24%). This remains higher than we would wish and steps continue to be taken to reduce this. Factors affecting turnover include uncertainty in the sector, low salaries and significant choice of providers and alternative employment opportunities. Sickness absence has deteriorated slightly, at 10.7 days lost per employee in the year, (2018: 10 days). This includes some long term absence for serious illness, which remains a significant cost to the organisation and work will continue to reduce this.

We have continued to invest in training for staff and are well placed to meet the Scottish Social Services Council registration requirements with approximately 77%, (2018: 75%) of support workers having achieved or working towards the appropriate qualification.

All supervisory and managerial staff have or are actively working towards the relevant qualifications and have completed registration. The percentage of staff with appropriate qualification has reduced for a number of reasons, including turnover and growth, but is still high in the sector. There is an ongoing development program which will ensure these rates are increased over the coming year. During the year we implemented a skills development program with Fife College as part of the succession plan for Support Workers with aspirations to further their career with KSC. 22 Support Workers completed a "Stepping up to Senior" course, funded through the Flexible Workforce Development Fund. This hopefully increases talent for the future and assists in improving retention rates.

The second Care Inspections took place for KSC and grades were maintained, with all services gaining grades 5 (good) or 6 (excellent).

The company generated a surplus for the year of £59k, (2018: deficit £58k). Operating profit margins remain very slim in a challenging sector of business at 0.97% of annual turnover with net profit margins of 0.94%. The surplus generated during the period has reduced the accumulated revenue deficit to £3k, which when combined with the share capital of £427k increases total reserves to £424k, (2018: £365k).

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During 2018-19 KSC settled 547, (2018: 471) invoices, of which 97%, (2018: 97%) were paid within 30 days of receipt. KSC paid no late payment interest to any supplier.

**Kingdom Initiatives Limited (KI)**

During 2018-19 KI has continued to manage Mid Market Rent (MMR) housing but also sought to meet its objective of developing its own housing stock.

KI managed 530 units, (2018: 517) during the year. KI let the tenancies and is responsible for the management and maintenance of the properties in accordance with lease agreements with the landlords.

	<b>2019</b>	<b>2018</b>
Units Owned	51	51
Units Managed on behalf of KHA	364	351
Units Managed on behalf of Fife Council	115	115
<b>Total Units owned or managed</b>	<b>530</b>	<b>517</b>

During the year, KHA completed developments of MMR properties at Kincardine and Saline totaling 13 units and leased these to KI for letting and management.

KI is progressing three developments at Wormit, Dunfermline and Leven totaling 82 units that are planned to complete in 2020-21, which is in line with the KHA Group Corporate Development Plan. KI expects to continue to develop MMR properties in its own right at around 40 units per annum.

In 2017-18 KI made an investment in Our Power of £15,000. That investment was for a three year term and bore a projected interest rate of 6.5%. The KI Board determined, as that investment was unsecured, that it be fully impaired in 2017-18. In 2018-19 due to market pressures Our Power went into administration and its energy supply contracts were taken over by Utilita Energy Limited, ensuring no interruption of supply to customers. No repayment of the investment is anticipated.

KI has bank loans amounting to £82k, which are all LIBOR linked loans, (2018: £92k). The weighted average cost of funds on those loans is 1.30% and the loans are amortising until 2028. KI also has an intercompany loan of £2,620k with KHA at 4.5% fixed, which has a bullet repayment at the end of the 10 year term on 1 March 2026. At 31 March 2019 KI had cash at bank of £1,388k, (2018: £1,536k).

The turnover for the year was £2,876k, (2018: £4,123k). KI made a surplus for the year after finance income and charges, but before taxation, of £281k, (2018: £237k). The surplus generated after taxation credits was £335k, (2018: £212k). The operating profit margin was 13.98%, (2018: 8.62%) and the net profit margin before tax was 9.82%, (2018: 5.74%). A recent change by HMRC allowed certain interest costs incurred by KHA to become tax deductible leading to recovery of corporation tax by KI through group relief. Recovery of corporation tax of £29k and £25k was achieved for 2017-18 and 2016-17 respectively, totaling £54k. Similarly in 2018-19 KI's corporation tax liability was eliminated through group relief.

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**REPORT OF THE BOARD OF MANAGEMENT (Cont'd)**

During 2018-19 KI settled 1,013 invoices, (2018: 864), of which 87%, (2018: 88%) were paid within 30 days of receipt. KI paid no late payment interest to any supplier.

**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.

**Charitable Fund and donations**

During the 2018-19 year Kingdom supported many organisations donating £6,989 (2018: £8,550) from the Community Initiatives Fund and £550, (2018: £4,527) from the Common (Charitable) Fund.

Kingdom helped many community groups over the year including sponsorship of music and sporting events, gala days and horticultural shows.

**Financial Report for the Kingdom group**

The Kingdom group generated total comprehensive income for the period of £2.77 million, (2018: £5.55million), increasing reserves to £51.35 million as at 31 March 2019, (2018: £48.58 million). These outturn figures are positive and demonstrate that the Kingdom Group remains financially strong. The surplus generated in the year and the historic reserves earned to date are required to meet the Group's future commitments and obligations to:

- maintain the homes rented at the Scottish Housing Quality Standard and to deliver the Energy Efficiency Standard in Social Housing by 2020, while continuing to manage the homes and deliver services to our customers; and
- re-invest funds to deliver new affordable rented homes for future tenants throughout East Central Scotland.

This is the fourth period under which financial reporting has been made using the application of FRS102 and the consequent Statement of Recommended Practice for Registered Social Landlords 2014.

Group turnover for the year was £29.88 million, (2018: £30.86 million) offset by operating costs of £22.00 million, (2018: £23.40 million). After paying loan interest of £3.16 million, (2018: £1.78 million) including net interest expense of £101k, (2018: £30k) in respect of the pension liability, adding net gains on sales of £86k, (2018: £36k), receiving interest of £221k (2018: £8k) giving a surplus for the year before taxation of £5.03 million, (2018: £5.72 million). After recovery of tax in respect of previous years the surplus after taxation was £5.11 million, (2018: £5.55 million). After taking account of the change in respect of the pension liability, as noted on page 21, the net result for the year was a surplus of £2.77million, (2018: £5.55 million).

The Group reserves now stand at £51.35 million, (2018: £48.58 million).

The Group's majority of activities are undertaken by KHA and the commentary below sets out the key financial results for the year.



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**REPORT OF THE BOARD OF MANAGEMENT (Cont'd)**

The Group met its annual historic deficit recovery plan payment cost of £0.66 million for the pension scheme during the year and plans further payments up to 2022 of similar amounts to clear the deficit.

**Treasury and loans**

A vital element and driver of KHA's activities is treasury management. 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 100% and a minimum of 50% at fixed rates of interest. As at 31 March 2019 KHA had 82%, (2018: 63%), of its loan portfolio at fixed rates of interest. The rise in the ratio of fixed interest is due to the drawdown of £35 million from the private placement, which is at a fixed interest rate until 2048.

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 has therefore sought to fix more of its debt interest costs moving forward gaining certainty on those costs. The weighted average cost of funds of all KHA's borrowings is 3.10%, (2018: 2.27%).

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 March 2019 was a minimum of 261%, (2018: 410%), significantly higher than the minimum level required by the lenders' financial covenant test of 110%.

KHA's lenders also require a gearing covenant test (debt/net worth) to be met with no more than 69%, this being the lowest of all lenders and therefore the threshold. KHA's gearing as at the year end was 26.89%, which was significantly below the maximum threshold.

KHA has, as at 31 March 2019, pledged properties to lenders for borrowings as follows;

Lender	General	Shared Ownership	MMR	Valuation	Valuation Basis
Lloyds Banking Group	507	-	-	£26,377k	EUV - SH with Sales
Nationwide Dunfermline B Society	606	12	-	£14,551k	EUV - SH with Sales
Santander	611	-	-	£32,130k	MV - ST
Private Placement	1,314	-	291	£96,972k	MV - ST EUV - SH with Sales
<b>Total</b>	<b>3,038</b>	<b>12</b>	<b>291</b>	<b>£170,030k</b>	

EUV-SH = Existing Use Value Social Housing  
MV-ST = Market Value Subject to Tenancies

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**REPORT OF THE BOARD OF MANAGEMENT (Cont'd)**

As at 31 March 2019 KHA has unencumbered completed properties as follows;

	<b>2019</b>	<b>2018</b>
Completed unencumbered general needs units	821	1,523
Completed unencumbered MMR units	67	351
Completed unencumbered shared ownership units	243	258
<b>Total</b>	<b>1,131</b>	<b>2,132</b>

The asset cover in place against borrowings meets or exceeds the minimum asset cover across all existing loans. All covenants with all lenders were therefore met during the year.

The first tranche of £35 million of the Private Placement of £85 million was drawn down on 28 June 2018 and used in part to repay the RBS facility of £10 million that expired at the end of October 2018. The balance of the first draw down of funds has been used to support the development of new homes in line with the Group's strategy.

At the year ended 31 March 2019 the Group had £27.65 million, (2018: £17.30 million) in cash at bank, KHA had £25.69 million cash at bank, (2018: £15.41 million). KHA sought to invest those surplus funds during the period to maximise interest return whilst balancing counterparty risk and term to meet projected cash flow forecasting requirements.

**Financial Report for the Association**

KHA's turnover for the period was £22.73 million, (2018: £22.29 million) offset by operating costs of £15.27 million, (2018: £14.98 million), creating an operating surplus of £7.47 million, (2018: £7.32 million). After paying loan interest and other finance costs totalling £3.16 million, (2018: £1.78 million), adding gains on sales of property of £86k, (2018: £50k), receiving interest of £339k, (2018: £8k) giving a surplus for the year before taxation of £4.73 million, (2018: £5.58 million). After taking account of the change in respect of the pension liability, as noted on page 21, the net result for the year was a surplus of £2.41million, (2018: £5.43 million).

As a charity, KHA is exempt from Corporation Tax in respect of its charitable activities. KHA's non-charitable trading profits and those of the subsidiaries are subject to taxation. The Group is part of a tax group, allowing certain profits and losses to be offset within the Group. A recent change by HMRC has allowed certain interest costs to become tax deductible leading to recovery of corporation tax for KHA in respect of 2017-18 of £22k. The subsidiary companies have also eliminated their corporation tax liabilities through the availability of group relief. Corporation tax recoveries during the period which were added to the surplus for the year led to an overall surplus of £4.75 million, (2018: £5.43 million).

Rents were increased for 2018-19 by 2.5% and 189 new properties came into the letting pool during the year. Void performance remains low at 0.49% of rents receivable, (2018: 0.81%).

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**REPORT OF THE BOARD OF MANAGEMENT (Cont'd)**

Management and maintenance administration costs per unit were higher than the prior year at £1,140 per unit, (2018: £1,136). The routine and cyclical repair and maintenance cost was significantly lower than the prior year at £602 per unit, (2018: £767 per unit).

In addition, routine repair and cyclical and planned maintenance costs were lower than originally budgeted and forecast due to underspend in the year.

The bad debts performance has deteriorated marginally compared to the prior year but continues to remain low accounting for 1.10% of rent receivable, (2018: 1.00%). This is despite the impact of Universal Credit in the final quarter of the period.

The fixed asset base of KHA grew with the development of new units with grant funding to £360.66 million, (2018: £308.59 million). KHA holds a small number of properties for sale to FHAA partners amounting to £1,798k, (2018: £311k) together with Shared Ownership properties amounting to £117k, (2018: £33k). The increase in stock of materials at £0.24 million, (2018: £0.19 million) is due to increased activity reflecting the age of housing stock and consequential repairs and maintenance.

The high cash holdings of KHA at £25.69 million, (2018: £15.41 million) reflect drawdown of £35 million from the private placement and the delays in planned development expenditure where funds had been drawn in anticipation of that expenditure that did not occur. Trade and other receivables includes the inter company loan to KI of £2.62 million and reflect the increased activity levels and are therefore higher than the prior year at £7.77 million, (2018: £6.69 million).

Long term borrowings increased as a result of further debt draw downs during the year and amounts to £98.16 million, (2018: £60.98 million). Deferred capital grants increased to £229.76 million, (2018: £197.43 million) as a result of new stock that has been developed. There is the creation of a defined benefit pension liability of £4.39 million, (2018: Nil) and the past service deficit provision has been eliminated during the year, (2018: £2.6 million) due to the change in accounting treatment of pension liabilities as explained on page 21.

**REPORT OF THE BOARD OF MANAGEMENT (Cont'd)**

**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 2015-16	Actual 2016-17	Actual 2017-18	Target 2018-19	Actual 2018-19
Void loss (%) *	1.01%	0.44%	0.61%	0.75%	0.49%
Gross arrears - all tenants (%) *	4.45%	3.93%	3.91%	3.90%	3.98%
Average re-let time (days) *	31	23	28.53	26	24.68
Staff costs: Turnover (excluding developments for sale) (%)	36.86%	37.51%	24.32%	25.81%	25.26%
Sickness absence (days per employee)	12.50	11.20	7.84	<7.5	6.23
Management & Maintenance Administration costs per unit (£)	£773	£980	£1,005	£1,213	£1,140
Routine Maintenance costs per unit (£)	£719	£669	£767	£529	£602
Properties meeting SHQS requirements (%)* #	89.79%	91.32%	91.88%	100.00%	93.24%

Source: \* 2018-19 Annual Report on Charter (ARC) submission

# Excluding abeyances and exemptions

Void loss performance improved year on year owing to proactive assistance to let properties as per the average re-let time. The arrears performance is positive year on year although not quite at the target figure.

Staff costs as a proportion of turnover are marginally below the planned objective. Sickness absence levels have improved year on year against the target.

KHA fully complied with the 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.

**Risk Management**

The Group recognises its moral and statutory duty of care to its customers, employees and to safeguard its 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 independent 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 & Financial Compliance sub-Committee.

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**REPORT OF THE BOARD OF MANAGEMENT (Cont'd)**

Key strategic risks include 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, high inflation and Office of National Statistics (ONS) reclassification.

Kingdom 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. Kingdom also has a number of insurance policies in place mitigating exposure to key risks.

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

<b>Key risks</b>	<b>Inherent risk level</b>	<b>Residual Risk Level</b>
Scottish Living wage	Serious	Serious
Procurement compliance	Serious	Moderate
Serious harm to a supported person	Serious	Moderate
Reduced private finance availability	Minor	Minor
Increased cost of finance	Minor	Minor
Reduced grant funding for new development	Serious	Moderate
Development cost increase	Serious	Moderate
Increased voids	Serious	Minor
Increased cost inflation	Moderate	Minor
Cyber risk	Serious	Minor
Failure to optimise existing IT	Serious	Minor
Welfare reform impact on tenancy sustainability	Serious	Moderate
Pension costs	Moderate	Minor
Weak governance	Serious	Moderate
New entrants increasing competition in social housing	Serious	Moderate
New entrants increasing competition in support and care	Serious	Moderate
Risk of rent controls	Minor	Minor
Maintenance cost increases	Serious	Moderate
Brexit	Serious	Moderate
Fraud, bribery and corruption	Serious	Minor
Increased employment legislation increasing costs	Serious	Moderate
FOISA compliance	Serious	Minor
GDPR compliance	Serious	Minor
Employment cost increases	Serious	Moderate

**Staffing**

At 31 March 2019 the full time equivalent number of employees in the Group was 362, (2018: 345) with 159, (2018: 147) employed by KHA and 203, (2018: 198) by KSC.

The Group is committed to involving and seeking the views of its employees, particularly on matters of concern to them.

## **REPORT OF THE BOARD OF MANAGEMENT (Cont'd)**

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 Kingdom.

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 an Employee Forum, comprising management and elected staff representatives.

### **Defined Benefit Pension Scheme**

KHA is a member of the SHAPS defined benefit pension scheme (the DB scheme), which is closed to new members. The DB scheme had previously been treated as a defined contribution scheme in line with FRS 102 with a provision of £2,603k recognised as at 31 March 2018 based on the Net Present Value of the past service deficit funding agreement. Due to recent developments as at 1 April 2018 the share of DB scheme assets and liabilities per employer is now available such that the scheme can now be accounted for on a defined benefit basis. Further detail in relation to this change in accounting is included in the accounting policy Note 1(h) and Note 20 to the financial statements.

The new defined benefit liability as at 1 April 2018 is £4,208k, resulting in a remeasurement through other comprehensive income of £1,605k. The new defined benefit liability as at 31 March 2019 is £4,387k. This has therefore resulted in an increase in the liability at 31 March 2019 of £1,784k from that previously reported.

KHA's financial position at 31 March 2019 and its future plans indicate that reserves are and will be sufficient to mitigate the impact of the new accounting treatment. KHA continues to contribute to the pension deficit in line with the agreed plan to extinguish the deficit. There are no expected significant issues for loan covenants; previous discussions with lenders in respect of accounting changes have been dealt with satisfactorily, as effectively there is no change to predicted cash flows. The risk profile remains unchanged.

### **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 for 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.

Using a similar approach to determination of rent affordability developed in previous years, KHA implemented a rise in rents of 2.5% for the 2018-19 financial year.

#### **Creditor 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. During 2018-19 KHA settled 11,886 invoices, (2018: 11,512), of which 85% were paid within 30 days of invoice receipt (2018: 85.57%). KHA paid no late payment interest to any supplier.

## **REPORT OF THE BOARD OF MANAGEMENT (Cont'd)**

### **Plans for the Future**

Kingdom 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.

The Group has development plans for the next 5 years which include more than 2,750 homes being built by the Group for affordable housing letting along with FHAA developments. This will lead to a significant future private finance requirement over that period of which £85 million has already been secured. KHA will return to the financial markets for further funding in due course.

### **The Environment & Sustainability**

The Scottish Government is committed to sustainable development and reducing the impact of climate change and this aim is shared by the Group. 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 Kingdom 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. KHA has been recognised through various awards for the environmental and sustainability work it has progressed.

### **Going Concern**

The Board is of the opinion that KHA will be able to continue its operations for the foreseeable future, based upon consideration of the current year's result, short and 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. At 1 April 2019 KHA had cash available amounting to £25.69 million. In June 2018 KHA secured a private placement investment of £85 million from institutional investors with an immediate draw down of £35 million at that time. In June 2019 the balance of £50 million was drawn down.

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

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**REPORT OF THE BOARD OF MANAGEMENT (Cont'd)**

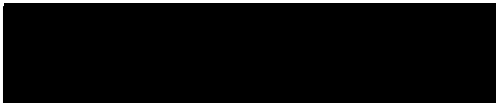
**Statement as to the disclosure of information to the auditors**

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 them selves aware of any relevant audit information and to establish that it has been communicated to the auditors.

**Auditors**

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

By Order of the Board



Freya Lees Chairperson

Date: 19 August 2019



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**STATEMENT OF BOARD OF MANAGEMENT’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 2019. 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.

The Board are responsible for the maintenance and integrity of the corporate and financial information on the website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



Freya Lees Chairperson

Date: 19 August 2019

## **BOARD OF MANAGEMENT'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.

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**BOARD OF MANAGEMENT'S STATEMENT OF INTERNAL FINANCIAL CONTROL (cont'd)**

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



Freya Lees Chairperson

Date: 19 August 2019

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

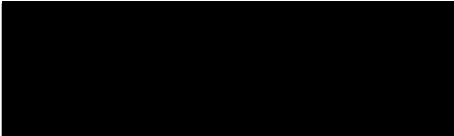
In addition to our audit of the Financial Statements, we have reviewed your statement on page 24 concerning the Association's compliance with the information required by the Regulatory Standards for systemically important Registered Social Landlords in respect of internal financial controls contained 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 Board 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 pages 25 to 26 has provided the disclosures required by the relevant Regulatory Standards for systemically important Registered Social Landlords 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  
Statutory Auditor Chartered Accountants  
Third Floor, Centenary House  
69 Wellington Street  
Glasgow  
G2 6HG

Date: 26/8/19

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF KINGDOM HOUSING ASSOCIATION LIMITED**

**Opinion**

We have audited the financial statements of Kingdom Housing Association Limited (the 'Association') and its subsidiaries (the 'Group') for the year ended 31 March 2019 which comprise the consolidated statement of comprehensive income, standalone statement of comprehensive income, consolidated statement of financial position, standalone statement of financial position, consolidated statement of changes in reserves, standalone statement of changes in reserves, consolidated statement of cash flows, standalone statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 2019 and of the income and expenditure of the Group and the income and expenditure of the Association for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 – February 2019.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF KINGDOM HOUSING ASSOCIATION LIMITED**  
**(Cont'd)**

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

**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.

**Responsibilities of the Board**

As explained more fully in the Board's responsibilities statement set out on page 24, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

**Kingdom Housing Association Limited  
Report and Financial Statements  
for the year ended 31 March 2019**

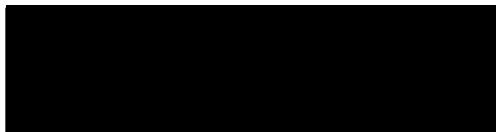
**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF KINGDOM HOUSING ASSOCIATION LIMITED  
(Cont'd)**

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Use of our report**

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.



RSM UK AUDIT LLP  
Statutory Auditor  
Chartered Accountants  
Third Floor, Centenary House  
69 Wellington Street  
Glasgow  
G2 6HG

Date: 26/8/19

Kingdom Housing Association Limited  
 Report and Financial Statements  
 for the year ended 31 March 2019

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Notes	2019 £000	2018 £000
Turnover	3	29,880	30,855
Less: Operating expenditure	3	(21,995)	(23,395)
Operating surplus	5	<u>7,885</u>	<u>7,460</u>
Gain on sale of housing properties	6	86	50
(Loss) on sale of other fixed assets		-	(14)
Interest receivable and similar income	7	221	8
Interest payable and financing costs	8	(3,163)	(1,783)
Surplus on ordinary activities before taxation		<u>5,029</u>	<u>5,721</u>
Taxation	9	77	(170)
Surplus for the year		5,106	5,551
<b>Other Comprehensive Income</b>			
Initial recognition of defined benefit pension scheme	20	(1,605)	-
Actuarial loss in respect of pension scheme	20	(732)	-
Total comprehensive income for the year		<u><u>2,769</u></u>	<u><u>5,551</u></u>

The notes on pages 37 to 73 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**  
**Report and Financial Statements**  
**for the year ended 31 March 2019**

**HOUSING ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME**

	Notes	2019 £000	2018 £000
Turnover	3	22,733	22,292
Less: Operating expenditure	3	<u>(15,266)</u>	<u>(14,976)</u>
Operating surplus	5	7,467	7,316
Gain on sale of housing properties	6	86	50
(Loss) on sale of other fixed assets		-	(15)
Interest receivable and similar income	7	339	8
Interest payable and financing costs	8	<u>(3,160)</u>	<u>(1,780)</u>
Surplus on ordinary activities before taxation		4,732	5,579
Taxation	9	<u>22</u>	<u>(146)</u>
Surplus for the year		4,754	5,433
<b>Other Comprehensive Income</b>			
Initial recognition of defined benefit pension liability	20	(1,605)	-
Actuarial loss in respect of defined benefit pension scheme	20	(732)	-
Total comprehensive income for the year		<u><u>2,417</u></u>	<u><u>5,433</u></u>

The notes on pages 37 to 73 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  
Report and Financial Statements  
for the year ended 31 March 2019

CONSOLIDATED AND HOUSING ASSOCIATION STATEMENT OF FINANCIAL POSITION

	Notes	2019 Group £000	2019 Association £000	2018 Group £000	2018 Association £000
<b>Fixed assets</b>					
Housing properties - depreciated cost	10	368,235	360,663	313,372	308,590
Other tangible fixed assets	10	1,270	1,269	1,062	1,061
Intangible fixed assets	10	146	140	50	37
Fixed asset investment - Our Power	11	-	-	-	-
Fixed asset investment - Subsidiaries	11	-	427	-	427
<b>Total fixed assets</b>		<b>369,651</b>	<b>362,499</b>	<b>314,484</b>	<b>310,115</b>
<b>Current assets</b>					
Properties held for sale	12	2,390	1,915	344	344
Stock and work in progress	13	240	240	188	188
Trade & other receivables:					
amounts falling due within one year	14	5,135	5,146	4,037	4,070
amounts falling due after one year	14	-	2,620	-	2,620
Cash & cash equivalents		27,650	25,690	17,295	15,413
		<b>35,415</b>	<b>35,611</b>	<b>21,864</b>	<b>22,635</b>
<b>Payables: amounts falling due within one year</b>	15	<b>(21,851)</b>	<b>(20,355)</b>	<b>(28,451)</b>	<b>(27,791)</b>
<b>Net current assets/ (liabilities)</b>		<b>13,564</b>	<b>15,256</b>	<b>(6,587)</b>	<b>(5,156)</b>
<b>Total assets less current liabilities</b>		<b>383,215</b>	<b>377,755</b>	<b>307,897</b>	<b>304,959</b>
<b>Payables: amounts falling due after more than one year</b>	16,17	<b>(98,235)</b>	<b>(98,163)</b>	<b>(61,057)</b>	<b>(60,975)</b>
Deferred capital grants	18	(229,247)	(225,491)	(195,660)	(194,084)
Defined benefit pension liability	20	(4,387)	(4,387)	-	-
Pension deficit provision	20	-	-	(2,603)	(2,603)
		<b>(331,869)</b>	<b>(328,041)</b>	<b>(259,320)</b>	<b>(257,662)</b>
<b>Net assets</b>		<b>51,346</b>	<b>49,714</b>	<b>48,577</b>	<b>47,297</b>
<b>Capital and reserves</b>					
Share capital	21	-	-	-	-
Revenue reserves		51,346	49,714	48,577	47,297
		<b>51,346</b>	<b>49,714</b>	<b>48,577</b>	<b>47,297</b>

These Financial Statements were approved and authorised for issue by the Board of Management on 19 August 2019 and signed on its behalf by:

[Redacted] Freya Lees, Chairperson

[Redacted] Laurie Naumann, Board Member

[Redacted] William Banks, Secretary

The notes on pages 37 to 73 form part of these financial statements.

Kingdom Housing Association Limited  
Report and Financial Statements  
for the year ended 31 March 2019

STATEMENT OF CHANGES IN RESERVES

	2019 Income and expenditure reserve	2018 Income and expenditure reserve
<b>GROUP</b>	<b>£000</b>	<b>£000</b>
At 1 April	48,577	43,026
Surplus for the year ended 31 March	5,106	5,551
Other comprehensive income:		
Initial recognition of defined benefit pension scheme	(1,605)	-
Actuarial loss in respect of pension scheme	(732)	-
At 31 March	51,346	48,577

	Income and expenditure reserve	Income and expenditure reserve
<b>ASSOCIATION</b>	<b>£000</b>	<b>£000</b>
At 1 April	47,297	41,864
Surplus for the year ended 31 March	4,754	5,433
Other comprehensive income:		
Initial recognition of defined benefit pension scheme	(1,605)	-
Actuarial loss in respect of pension scheme	(732)	-
At 31 March	49,714	47,297

The notes on pages 37 to 73 form part of these financial statements.

**Kingdom Housing Association Limited**  
**Report and Financial Statements**  
**for the year ended 31 March 2019**

**CONSOLIDATED CASH FLOW STATEMENT**

	Notes	2019 £000	2018 £000
<b>Net cash inflow from operating activities</b>	27	8,696	8,735
<b>Cashflow from investing activities</b>			
Purchase of tangible fixed assets		(53,140)	(35,549)
Purchase of other fixed assets		(297)	(23)
Purchase of intangible assets		(148)	(45)
Purchase of additions to WIP		-	(765)
Purchase of additions held for sale		(2,046)	(663)
Payment to acquire investment in Our Power		-	(15)
Receipts of housing grants		36,568	20,667
Receipts from sales of fixed assets		232	332
Proceeds on sale of WIP		-	1,813
Proceeds on sale of assets held for sale		-	1,008
Interest received		124	12
Net cash used in investing activities		<u>(18,707)</u>	<u>(13,228)</u>
<b>Cashflow from financing activities</b>			
Interest paid		(2,796)	(1,754)
Housing loans received		35,000	10,030
Housing loans repaid		(11,838)	(1,539)
Other changes		-	77
		<u>20,366</u>	<u>6,814</u>
Net increase in cash		10,355	2,321
Cash at beginning of year		17,295	14,974
Cash at end of year		<u>27,650</u>	<u>17,295</u>

The notes on pages 37 to 73 form part of these financial statements.

**Kingdom Housing Association Limited**  
**Report and Financial Statements**  
**for the year ended 31 March 2019**

**HOUSING ASSOCIATION CASH FLOW STATEMENT**

	Notes	2019 £000	2018 £000
Net cash inflow from operating activities	28	7,944	8,614
<b>Cashflow from investing activities</b>			
Purchase of tangible fixed assets		(51,131)	(33,548)
Purchase of other fixed assets		(296)	(22)
Purchase of intangible assets		(148)	(23)
Purchase of additions held for sale		(1,571)	(663)
Receipts of housing grants		34,625	20,670
Receipts from sales of fixed assets		232	332
Proceeds on sale of assets held for sale		-	1,008
Interest received		241	12
Net cash used in investing activities		<u>(18,048)</u>	<u>(12,234)</u>
<b>Cashflow from financing activities</b>			
Interest paid		(2,792)	(1,751)
Housing loans received		35,000	10,030
Housing loans repaid		(11,827)	(1,546)
Other changes		-	82
		<u>20,381</u>	<u>6,815</u>
Net increase in cash		10,277	3,195
Cash at beginning of year		<u>15,413</u>	<u>12,218</u>
Cash at end of year		<u>25,690</u>	<u>15,413</u>

The notes on pages 37 to 73 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Legal status

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

KHA and its subsidiaries are referred to as "the Group". KHA has two wholly owned subsidiaries, limited by shares, Kingdom Initiatives Limited (KI), a non-charitable body, whose principal role is to support the achievement of the Group's objectives as a public benefit entity and Kingdom Support and Care Community Interest Company (KSC), a non charitable body whose principal role is to provide support and care services to Local Authority clients and private individuals under contract.

The principal activity of the Group is the provision of social housing and associated housing management and property maintenance services. Details of the registered office are provided on page 2.

### 2. Accounting Policies

The following accounting policies are policies applying to all member companies. The principal accounting policies are set out in paragraphs a) to v) 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 they comply with the Determination of Accounting Requirements 2019, and under the historical cost convention. There are no instruments at fair value (Note 19).

These statements are presented in £'000's Sterling, unless otherwise stated.

#### b) Basis of Consolidation

The Group financial statements consolidate those of KHA and its wholly owned subsidiary companies KI and KSC using acquisition accounting. 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.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 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 (r) 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);
- 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 31);
- 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 operating leases;
- Management's estimate of the defined benefit pension obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses. The net defined benefit pension liability at 31 March 2019 was £4,387k (see (h) below and Note 20 for further information and analysis).
- Judgements have been made over the recoverability of receivables based on experience and accord with the Group's provisioning policy (see (r) below).

### e) Investment in Subsidiary

KHA's investment in its subsidiary companies, KI and KSC, 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.

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**g) 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 schemes are completed.

**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 schemes are completed.

**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.

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

Allowances received in advance are shown as grants repayable in payables (Note 15) and allowances receivable are shown as grants receivable in receivables (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 31) 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).



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### h) Employee Benefits

Short term employee benefits and contributions to defined contribution pension 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 the SHAPS defined benefit pension scheme (the DB Scheme), which KHA closed to new members. There is a shortfall of scheme assets compared to the estimated actuarial liability. In previous years, KHA was unable to recognise its share of the DB Scheme assets and liabilities, and therefore had applied defined contribution accounting in respect of the DB Scheme. For the year ended 31 March 2018, KHA had recognised a past service deficit liability of £2,603k, within provisions based on the present value of KHA's deficit funding agreement. For the year ended 31 March 2019, KHA is able to identify its share of the DB Scheme assets and liabilities from 1 April 2018 and therefore has applied defined benefit accounting from this date onwards. For accounting purposes, the relevant date for accounting for this change from defined contribution to defined benefit accounting is 1 April 2018. The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates.

The deficit funding agreement liability that was previously recognised within provisions of £2,603k was derecognised on the 1 April 2018, and an initial net defined benefit pension liability of £4,208k was recognised at this date in the statement of financial position. The resulting net difference of £1,605k on initial recognition of the SHAPS obligation was recognised in other comprehensive income. As at 31 March 2019, the net defined benefit pension deficit liability was £4,387k, which has been included within the pension liability in the financial statements.

In the year ended 31 March 2019, the current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income (see Note 20).

### 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.

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**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. Development costs incurred prior to project commitment are accounted for under current assets.

**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 has developed properties for sale on a shared ownership basis, which allows prospective home owners to purchase initial tranches of 25%, 50% or 75% at market value. After one year the sharing owner may increase his/her share of ownership. 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.

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**n) Depreciation**

Social Housing assets except 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:

<b>Housing Properties</b>	
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
Hostel	100 years
Shared Ownership	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.

**o) 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

**p) Intangible Fixed Assets**

Intangible fixed assets are stated at cost less depreciation and comprise computer software and licences. The rate of amortisation is 3 to 5 years on a straight line basis. The amortisation of intangible assets is included within operating costs in the Statement of Comprehensive Income.

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

- q) 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.
- r) 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.
- s) Apportionment of Management Expenses**  
Direct employee administration and operating costs have been apportioned to the relevant activities undertaken on the basis of the costs of the staff directly engaged in the operations described and dealt with in these financial statements.
- t) Leases**  
Rentals payable under operating leases are charged to expenditure on a straight line basis over the lease term.
- u) 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. KI and KSC are subject to corporation tax. Taxation is accrued based on taxable profits for the year.

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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.

**v) Contingencies**

Contingent assets and liabilities are not recognised, but are disclosed in Note 31.

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

i) By Class of Business - Group	Turnover	Operating costs	Operating surplus/(deficit)	
			2019	2018
	£000	£000	£000	£000
Social lettings (Note 4 (i))	22,414	(14,549)	7,865	7,328
Other activities (Note 4 (iii))	7,466	(7,448)	18	132
	<u>29,880</u>	<u>(21,996)</u>	<u>7,883</u>	<u>7,460</u>
Total 2018:	<u>30,855</u>	<u>(23,395)</u>	<u>7,460</u>	

ii) By Class of Business - KHA	Turnover	Operating costs	Operating surplus/(deficit)	
			£000	£000
Social lettings (Note 4 (ii))	19,563	(13,774)	5,789	5,694
Other activities (Note 4 (iv))	3,170	(1,492)	1,678	1,622
	<u>22,733</u>	<u>(15,266)</u>	<u>7,467</u>	<u>7,316</u>
Total 2018:	<u>22,292</u>	<u>(14,976)</u>	<u>7,316</u>	

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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	2019	2018
	£000	£000	£000	£000	£000
<b>Turnover</b>				<b>Total</b>	<b>Total</b>
Rent receivable net of service charges	17,867	751	521	19,139	17,522
Service charges	412	174	3	589	508
Gross income from rents & service charges	18,279	925	524	19,728	18,030
Less voids	(112)	(53)	(4)	(169)	(163)
Net income from rents & service charges	18,167	872	520	19,559	17,867
Grant released from deferred income	2,757	-	98	2,855	2,585
<b>Total turnover from social letting activities</b>	<b>20,924</b>	<b>872</b>	<b>618</b>	<b>22,414</b>	<b>20,452</b>
<b>Operating costs for social letting activities</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Management & maintenance administration costs	5,185	3	301	5,489	4,595
Service costs	712	-	40	752	659
Planned and cyclical maintenance including major repairs costs	760	1	-	761	258
Reactive maintenance costs	2,954	2	-	2,956	3,417
Bad debts - rents & service charges	201	19	-	220	185
Depreciation of social housing	4,244	10	117	4,371	4,010
<b>Operating costs for social letting activities</b>	<b>14,056</b>	<b>35</b>	<b>458</b>	<b>14,549</b>	<b>13,124</b>
<b>Operating surplus for social letting activities</b>	<b>6,868</b>	<b>837</b>	<b>160</b>	<b>7,865</b>	<b>7,328</b>
2018 Operating surplus/ (deficit) for social letting activities	6,431	700	197	7,328	

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

(ii) Social letting activities - KHA

	General needs housing	Supported housing accommodation	Shared ownership housing	2019	2018
Turnover	£000	£000	£000	Total £000	Total £000
Rent receivable net of service charges	15,007	751	521	16,279	15,222
Service charges	411	174	3	588	508
Gross income from rents & service charges	15,418	925	524	16,867	15,730
Less voids	(81)	(53)	(4)	(138)	(127)
Net income from rents & service charges	15,337	872	520	16,729	15,603
Grant released from deferred income	2,736	-	98	2,834	2,577
<b>Total turnover from social letting activities</b>	<b>18,073</b>	<b>872</b>	<b>618</b>	<b>19,563</b>	<b>18,180</b>
<b>Operating costs for social letting activities</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Management & maintenance administration costs	4,820	3	301	5,124	4,245
Service costs	648	-	40	688	615
Planned and cyclical maintenance including major repairs costs	742	1	-	743	256
Reactive maintenance costs	2,704	2	-	2,706	3,238
Bad debts - rents & service charges	185	19	-	204	152
Depreciation of social housing	4,182	10	117	4,309	3,980
<b>Operating costs for social letting activities</b>	<b>13,281</b>	<b>35</b>	<b>458</b>	<b>13,774</b>	<b>12,486</b>
<b>Operating surplus for social letting activities</b>	<b>4,792</b>	<b>837</b>	<b>160</b>	<b>5,789</b>	<b>5,694</b>
2018 Operating surplus for social letting activities	4,796	701	197	5,694	



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

(iii) Other activities - Group	Other revenue grants		Supporting people income		Other income		2019		2018	
	£000	£000	£000	£000	£000	£000	Total £000	Total £000	Total £000	Total £000
<b>Turnover</b>										
Wider role activities undertaken to support the community	-	-	-	-	-	-	-	-	-	30
Care & repair of property	305	-	-	-	-	-	305	305	-	290
Kingdom Works	652	-	-	-	-	-	652	652	-	455
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-
Support activities	-	-	6,266	-	-	-	6,266	6,266	-	5,998
Other agency/management services	-	-	-	-	21	-	21	21	-	257
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-	1,008
Developments and improvements for sale, (including first tranche shared ownership sales) to non registered social landlords	-	-	-	-	-	-	-	-	-	1,814
Factoring	-	-	-	-	74	-	74	74	-	104
Renewable energy	-	-	-	-	148	-	148	148	-	131
Other activities	-	-	-	-	-	-	-	-	-	316
<b>Total turnover from other activities</b>	<b>957</b>	<b>957</b>	<b>6,266</b>	<b>6,266</b>	<b>243</b>	<b>243</b>	<b>7,466</b>	<b>7,466</b>	<b>7,466</b>	<b>10,403</b>

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

						2019	2018
(iii) Other activities - Group (cont'd)	Total turnover	Operating costs - bad debts	Other operating costs	Operating surplus/(deficit)	Operating surplus/(deficit)	Operating surplus/(deficit)	Operating surplus/(deficit)
	£000	£000	£000	£000	£000	£000	£000
Wider role activities undertaken to support the community	-	-	(28)	(28)	(28)	(10)	(10)
Care & repair of property	305	-	(294)	11	11	8	8
Kingdom Works	652	-	(652)	-	-	-	-
Development and construction of property activities	-	-	(148)	(148)	(148)	(364)	(364)
Support activities	6,266	-	(5,971)	295	295	(56)	(56)
Other agency/management services	21	-	(38)	(17)	(17)	231	231
Developments for sale to registered social landlords (Note 12)	-	-	-	-	-	18	18
Developments and improvements for sale, (including first tranche shared ownership sales) to non registered social landlords	-	-	-	-	-	-	92
Factoring	74	5	(94)	(15)	(15)	(9)	(9)
Renewable energy	148	-	-	148	148	131	131
Other activities	-	-	(226)	(226)	(226)	91	91
<b>Operating surplus / (deficit)</b>	<b>7,466</b>	<b>5</b>	<b>(7,451)</b>	<b>20</b>	<b>20</b>	<b>132</b>	<b>132</b>
2018 Operating surplus/ (deficit) for other activities	10,403	(26)	(10,245)	132	132		

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

(iv) Other activities - KHA	Other revenue grants		Supporting people income		Other income		2019		2018	
	£000	£000	£000	£000	£000	£000	Total	Total	Total	Total
Turnover										
Wider role activities undertaken to support the community	-	-	-	-	-	-	-	-	-	30
Care & repair of property	305	-	-	-	-	-	305	305	-	290
Kingdom Works	652	-	-	-	-	-	652	652	-	455
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	39	-	39	39	-	257
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-	1,008
Mid Market Rent received	-	-	-	-	1,591	-	1,591	1,591	1,591	1,367
Factoring	-	-	-	-	74	-	74	74	74	104
Renewable energy	-	-	-	-	148	-	148	148	148	130
Other activities	-	-	-	-	361	-	361	361	361	471
<b>Total turnover from other activities</b>	<b>957</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,213</b>	<b>-</b>	<b>3,170</b>	<b>3,170</b>	<b>3,170</b>	<b>4,112</b>

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

					2019	2018
(iv) Other activities - KHA (cont'd)	Total turnover	Operating costs - bad debts	Other operating costs	Operating surplus/(deficit)	£000	£000
<b>Operating surplus/ deficit - KHA</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>			
Wider role activities undertaken to support the community	-	-	(28)	(28)	(10)	(10)
Care & repair of property	305	-	(294)	11	8	8
Kingdom Works	652	-	(652)	-	-	-
Development and construction of property activities	-	-	(148)	(148)	(364)	(364)
Support activities	-	-	-	-	-	-
Other agency/management services	39	-	-	39	257	257
Developments for sale to registered social landlords (Note 12)	-	-	-	-	18	18
Mid Market Rent received	1,591	-	-	1,591	1,367	1,367
Factoring	74	5	(94)	(15)	(8)	(8)
Renewable energy	148	-	-	148	130	130
Other activities	361	-	(281)	80	224	224
<b>Operating surplus / (deficit)</b>	<b>3,170</b>	<b>5</b>	<b>(1,497)</b>	<b>1,678</b>	<b>1,622</b>	<b>1,622</b>
2018 Operating surplus/(deficit) for social letting activities	4,112	(26)	(2,464)	1,622		

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**5. Operating surplus**

	<b>Group</b>	<b>KHA</b>	<b>Group</b>	<b>KHA</b>
	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Operating surplus is stated after charging / crediting:				
Grants released from deferred income (Note 18)	2,855	2,834	4,706	4,339
Depreciation of housing properties (Note 10)	4,371	4,309	4,010	3,980
Depreciation of other tangible fixed assets (Note 10)	89	88	132	132
Amortisation of intangible fixed assets (Note 10)	52	45	48	39
Operating lease rental costs	192	217	184	209
Impairment of investment in Our Power	-	-	15	-
Internal audit fees	15	15	10	10
Accounting, tax and services advice	33	31	12	9
External audit fees	33	27	31	22

**6. Gain on sale of housing properties and disposal of components**

	<b>Group &amp; KHA 2019 £000</b>	<b>Group &amp; KHA 2018 £000</b>
Sale proceeds	232	335
Net book value of properties	(112)	(179)
Expenses on disposal of properties	(1)	(3)
Gain on sale of housing properties	119	153
Loss on disposal of components	(33)	(103)
	<u>86</u>	<u>50</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. Properties sold in 2019: 4, (2018: 6).

The loss on disposal of components arises from the replacements of components in general rented housing properties.

**7. Interest receivable and similar income**

	<b>Group</b>	<b>KHA</b>	<b>Group</b>	<b>KHA</b>
	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Interest on cash balances	221	339	8	8

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8. Interest payable and finance costs

	Group 2019 £000	KHA 2019 £000	Group 2018 £000	KHA 2018 £000
Interest payable in the year has been charged as follows:				
Loan interest	3,062	3,059	1,753	1,750
Net interest expense on defined benefit pension liability (Note 20)	101	101	30	30
	<u>3,163</u>	<u>3,160</u>	<u>1,783</u>	<u>1,780</u>

9. Taxation

KHA has charitable status, and therefore it has no liability to corporation tax on its charitable activities. KHA's tax charges relate to non-charitable trading activity. The subsidiaries KI and KSC are liable to pay UK corporation tax and their liabilities are included in the consolidated financial statements.

	Group 2019 £000	KHA 2019 £000	Group 2018 £000	KHA 2018 £000
Based upon the results for the year to 31 March 2019:				
Corporation tax (charge)/receipt on income for the year on surplus on ordinary activities	-	-	(57)	(27)
Over provision of tax 2016-17	25	-	-	-
Over provision of tax 2017-18	52	22	35	4
Paid during year and charged in respect of previous periods	-	-	(148)	(123)
	<u>77</u>	<u>22</u>	<u>(170)</u>	<u>(146)</u>

Corporation tax is calculated at 19%, (2018: 19%). KHA and its subsidiaries are part of the KHA tax group, allowing certain taxable profits and losses to be offset within the Group. A recent change by HMRC allowed certain interest costs incurred by KHA to become tax deductible leading to recovery of corporation tax by KHA for 2017-18 of £22,435 and, through group relief, by KI for the years 2016-17 and 2017-18 of £54,390.

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10. Fixed assets

(i) Housing properties - Group

	Shared Ownership properties held for letting £000	Housing properties held for letting £000	Housing properties in course of construction £000	Hostel properties held for letting £000	Housing properties total £000
<b>Cost</b>					
At 1 April 2018	12,035	317,073	27,755	1,053	357,916
Additions during year	-	1,254	57,991	10	59,255
Disposals in year	(140)	(273)	-	-	(413)
Transfers	-	36,845	(36,845)	-	-
Transfers (to)/from properties held for sale	(103)	-	210	-	107
At 31 March 2019	<u>11,792</u>	<u>354,899</u>	<u>49,111</u>	<u>1,063</u>	<u>416,865</u>
<b>Depreciation</b>					
At 1 April 2018	2,004	42,378	-	162	44,544
Provided during year (Note 4)	117	4,244	-	10	4,371
Disposals in year	(47)	(238)	-	-	(285)
At 31 March 2019	<u>2,074</u>	<u>46,384</u>	<u>-</u>	<u>172</u>	<u>48,630</u>
<b>Net book value</b>					
At 31 March 2019	<u>9,718</u>	<u>308,515</u>	<u>49,111</u>	<u>891</u>	<u>368,235</u>
At 31 March 2018	<u>10,031</u>	<u>274,695</u>	<u>27,755</u>	<u>891</u>	<u>313,372</u>

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10. Fixed assets (cont'd)

(ii) Housing properties - KHA

	Shared Ownership properties held for letting £000	Housing properties held for letting £000	Housing properties in course of construction £000	Hostel properties held for letting £000	Housing properties total £000
<b>Cost</b>					
At 1 April 2018	12,035	312,196	27,755	1,053	353,039
Additions during year	-	1,194	55,197	10	56,401
Disposals in year	(140)	(270)	-	-	(410)
Transfers	-	36,845	(36,845)	-	-
Transfers (to)/from properties held for sale	(103)	-	210	-	107
As at 31 March 2019	<u>11,792</u>	<u>349,965</u>	<u>46,317</u>	<u>1,063</u>	<u>409,137</u>
<b>Depreciation</b>					
At 1 April 2018	2,004	42,283	-	162	44,449
Provided during year	117	4,182	-	10	4,309
Disposals in year	(47)	(237)	-	-	(284)
At 31 March 2019	<u>2,074</u>	<u>46,228</u>	<u>-</u>	<u>172</u>	<u>48,474</u>
<b>Net book value</b>					
At 31 March 2019	<u>9,718</u>	<u>303,737</u>	<u>46,317</u>	<u>891</u>	<u>360,663</u>
At 31 March 2018	<u>10,031</u>	<u>269,913</u>	<u>27,755</u>	<u>891</u>	<u>308,590</u>

No interest was capitalised during the year (2018: Nil)

The total major repairs expenditure during the year was £1,729,578, (2018: £831,237). Major repairs expenditure during the year of £596,093, (2018: £244,558) was expensed and is included in the statement of comprehensive income. Major repairs expenditure was capitalised and included in housing property additions amounting to £1,133,485, (2018: £586,679) of that KI was £11,240, (2018: Nil).

During the year £7,592 (2018: £10,592) in respect of maintenance administration costs was capitalised and included in housing property additions.

Development administration costs were capitalised and included in the statement of financial position amounting to £754,700, (2018: £478,048).

KHA's properties have been reviewed for impairment and no provision was considered necessary.

Included in KHA housing properties held for letting is land of £33,235,784, (2018: £32,060,870).



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10. Fixed assets (cont'd)

Stock numbers

	General housing	Support housing accommodation	Shared ownership housing	Total
<b>Units owned</b>				
As at 1 April 2018 - Owned by KHA	3,963	3	258	4,224
<b>As at 31 March 2019 - Owned by KHA</b>	<b>4,236</b>	<b>3</b>	<b>255</b>	<b>4,494</b>
As at 1 April 2018 - Owned by Group	4,014	3	258	4,275
<b>As at 31 March 2019 - Owned by Group</b>	<b>4,287</b>	<b>3</b>	<b>255</b>	<b>4,545</b>
<b>Units in management</b>				
As at 1 April 2018 - managed by KHA	3,645	3	247	3,895
<b>As at 31 March 2019 - managed by KHA</b>	<b>3,905</b>	<b>3</b>	<b>244</b>	<b>4,152</b>
As at 1 April 2018 - managed by Group	4,150	3	247	4,400
<b>As at 31 March 2019 - managed by Group</b>	<b>4,423</b>	<b>3</b>	<b>244</b>	<b>4,670</b>
As at 1 April 2018 - managed by Fairfield	29	-	11	40
<b>As at 31 March 2019 - managed by Fairfield</b>	<b>29</b>	<b>-</b>	<b>11</b>	<b>40</b>

Fairfield Housing Cooperative operates in the Perth area managing Kingdom Housing Association properties under a management agreement. The amounts payable in the year to Fairfield were £29,945, (2018: £29,122).

There were no outstanding creditors at the year end for the management of the properties (2018: Nil).

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10. Fixed assets (cont'd)

(iii) Other tangible fixed assets - Group

	Heritable office property	Furniture and equipment	Motor vehicles	Computer hardware	Total
Cost	£000	£000	£000	£000	£000
At 1 April 2018	1,457	252	268	354	2,331
Additions during year	294	3	-	-	297
Disposals in year	-	-	-	-	-
At 31 March 2019	<u>1,751</u>	<u>255</u>	<u>268</u>	<u>354</u>	<u>2,628</u>
<b>Depreciation</b>					
At 1 April 2018	484	237	256	292	1,269
Provided during year	30	9	11	39	89
Disposals	-	-	-	-	-
At 31 March 2019	<u>514</u>	<u>246</u>	<u>267</u>	<u>331</u>	<u>1,358</u>
<b>Net book value</b>					
At 31 March 2019	<u>1,237</u>	<u>9</u>	<u>1</u>	<u>23</u>	<u>1,270</u>
At 31 March 2018	<u>973</u>	<u>15</u>	<u>12</u>	<u>62</u>	<u>1,062</u>

(iv) Other tangible fixed assets - KHA

	Heritable office property	Furniture and equipment	Motor vehicles	Computer hardware	Total
Cost	£000	£000	£000	£000	£000
At 1 April 2018	1,457	249	268	353	2,327
Additions during year	293	3	-	-	296
Disposals in year	-	-	-	-	-
At 31 March 2019	<u>1,750</u>	<u>252</u>	<u>268</u>	<u>353</u>	<u>2,623</u>
<b>Depreciation</b>					
At 1 April 2018	484	235	256	291	1,266
Provided during year	30	8	11	39	88
Disposals	-	-	-	-	-
At 31 March 2019	<u>514</u>	<u>243</u>	<u>267</u>	<u>330</u>	<u>1,354</u>
<b>Net book value</b>					
At 31 March 2019	<u>1,236</u>	<u>9</u>	<u>1</u>	<u>23</u>	<u>1,269</u>
At 31 March 2018	<u>973</u>	<u>14</u>	<u>12</u>	<u>62</u>	<u>1,061</u>

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10. Fixed assets (cont'd)

(v) Intangible fixed assets – Computer software

	Group £000	KHA £000
<b>Cost</b>		
At 1 April 2018	514	492
Additions during year	148	148
Disposals in year	-	-
At 31 March 2019	<u>662</u>	<u>640</u>
<b>Amortisation</b>		
At 1 April 2018	464	455
Provided during year	52	45
Disposals	-	-
At 31 March 2019	<u>516</u>	<u>500</u>
<b>Net book value</b>		
At 31 March 2019	<u>146</u>	<u>140</u>
At 31 March 2018	<u>50</u>	<u>37</u>

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11. Fixed asset investments

Group:	2019	2018
	£000	£000
<b>Investment in Our Power</b>		
As at 1 April		
Investment in Our Power	-	15
Impairment	-	(15)
As at 31 March	-	-

In 2017-18 KI made an investment in Our Power of £15,000. That investment was for a three year term and bore a projected interest rate of 6.5%. The KI Board determined, as that investment was unsecured, that it be fully impaired in 2017-18. Due to market pressures Our Power went into administration on 24 January 2019 and its energy supply contracts were taken over by Utilita Energy Limited, ensuring no interruption of supply to customers. No repayment of the investment is anticipated and it was fully written off in 2018-19.

KHA:	2019	2018
	£000	£000
<b>Investments in subsidiaries</b>		
Kingdom Support and Care CIC	427	427
Kingdom Initiatives Limited	-	-
	427	427

The investments in subsidiary companies comprise 427,000 ordinary shares of £1 each in Kingdom Support and Care CIC, a wholly owned subsidiary engaged in the provision of support and care services and 100 ordinary shares of £1 each in Kingdom Initiatives Limited, a wholly owned subsidiary engaged in the provision of affordable housing and associated services.

12. Properties held for sale

	Group	KHA	Group	KHA
	2019	2019	2018	2018
	£000	£000	£000	£000
Work in progress for other RSLs at 1 April	311	311	2,358	2,358
Cost additions during the year	2,172	1,697	630	630
Net transfers to operating costs on disposals (Note 4(ii))	-	-	(2,677)	(2,677)
Net transfers to housing costs under construction (Note 10(ii))	(210)	(210)	-	-
Balance of work in progress for other RSLs at 31 March	2,273	1,798	311	311
Shared ownership properties for sale at 1 April	33	33	33	33
Transfers	84	84	-	-
Shared ownership properties for sale at 31 March	117	117	33	33
Total properties held for sale	2,390	1,915	344	344

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13. Stocks and work in progress

	Group 2019 £000	KHA 2019 £000	Group 2018 £000	KHA 2018 £000
Stock of materials held by maintenance team	240	240	188	188

13(ii) Work in progress for KI Partnership Support for Regeneration sales

	Group 2019 £000	KHA 2019 £000	Group 2018 £000	KHA 2018 £000
Held at 1 April	-	-	1,245	-
Cost of properties completed, unsold during year	-	-	-	-
Additions during year	-	-	765	-
Properties sold during year	-	-	(2,010)	-
Held at 31 March	-	-	-	-

14. Receivables

(i) Amounts falling due within one year

	Group 2019 £000	KHA 2019 £000	Group 2018 £000	KHA 2018 £000
Arrears of rent	697	656	559	514
less: Provision for bad debts	(433)	(405)	(374)	(336)
	264	251	185	178
Sundry receivables	1,132	877	1,224	825
Prepayments	90	87	119	119
Due from Kingdom Initiatives Limited	-	610	-	459
Due from Kingdom Support & Care CIC	-	-	-	7
Interest receivable	103	103	5	5
Corporation tax (Note 9)	77	22	-	-
Car loans to employees	96	86	101	74
SHG due	3,373	3,110	2,403	2,403
	5,135	5,146	4,037	4,070

(ii) Amounts falling due after more than one year

	Group 2019 £000	KHA 2019 £000	Group 2018 £000	KHA 2018 £000
10 year loan to Kingdom Initiatives Limited	-	2,620	-	2,620

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**15. Payables: Amounts falling due within one year**

	<b>Group</b>	<b>KHA</b>	<b>Group</b>	<b>KHA</b>
	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Contractors for certified work	10,171	9,327	3,931	3,931
Trade payables	784	744	619	586
Deferred capital grants (Note 18)	4,289	4,265	3,362	3,341
Sundry payables and accruals	1,952	1,476	2,395	1,948
Prepaid rent	283	270	254	248
Other taxation & social security costs	243	129	224	112
Due to Kingdom Support & Care CIC	-	25	-	-
Interest payable	408	408	40	40
Corporation tax (Note 9)	-	-	57	27
SHG repayable	1,034	1,034	866	866
Housing loans (Note 17)	2,687	2,677	16,703	16,692
	<u>21,851</u>	<u>20,355</u>	<u>28,451</u>	<u>27,791</u>

**16. Payables: Amounts falling due after more than one year**

	<b>Group</b>	<b>KHA</b>	<b>Group</b>	<b>KHA</b>
	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Housing loans (Note 17)	<u>98,235</u>	<u>98,163</u>	<u>61,057</u>	<u>60,975</u>

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

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**17. Loans**

	<b>Group</b>	<b>KHA</b>	<b>Group</b>	<b>KHA</b>
	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Housing loans</b>				
Loans secured by a charge on the Group's housing, land and buildings and advanced by private lenders:	<u>100,922</u>	<u>100,840</u>	<u>77,760</u>	<u>77,667</u>

The loans are repayable by annual instalments of principal and interest, the last of which fall to be repaid on dates between 2019 and 2048. The loans bear interest at rates between 0.76% and 4.725%, (2018: 0.51% and 4.725%).

**Amount falling due:**

Amounts due in one year (Note 15)	<u>2,687</u>	<u>2,677</u>	<u>16,703</u>	<u>16,692</u>
Amounts due in one year or more but less than two years	2,052	2,041	1,703	1,692
Amounts due in two years or more but less than five years	16,157	16,125	14,664	14,632
Amounts due in more than five years	<u>80,026</u>	<u>79,997</u>	<u>44,690</u>	<u>44,651</u>
Amounts falling due after more than one year (Note 16)	98,235	98,163	61,057	60,975
	<u>100,922</u>	<u>100,840</u>	<u>77,760</u>	<u>77,667</u>

**18. Deferred income – Government grants/other income**

	<b>Group</b>	<b>KHA</b>	<b>Group</b>	<b>KHA</b>
	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
As at 1 April	199,022	197,425	181,660	179,694
Received in year	37,538	35,334	22,228	22,230
Repayable	(169)	(169)	(160)	(160)
Released to income - social lettings	(2,855)	(2,834)	(2,585)	(2,577)
Released to income - other activities	-	-	(2,121)	(1,762)
As at 31 March	<u>233,536</u>	<u>229,756</u>	<u>199,022</u>	<u>197,425</u>
Amounts to be released within 1 year	4,289	4,265	3,362	3,341
Amounts to be released in more than 1 year	<u>229,247</u>	<u>225,491</u>	<u>195,660</u>	<u>194,084</u>
	<u>233,536</u>	<u>229,756</u>	<u>199,022</u>	<u>197,425</u>

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19. Financial instruments

	Group 2019 £000	KHA 2019 £000	Group 2018 £000	KHA 2018 £000
Financial assets: Debt instruments measured at amortised cost:				
Arrears of rent	265	251	185	178
Sundry receivables	1,132	876	1,224	825
Due from Kingdom Initiatives Limited	-	610	-	459
10 year loan to Kingdom Initiatives Limited	-	2,620	-	2,620
Due from Kingdom Support & Care CIC	-	30	-	7
Interest receivable	103	103	5	5
Car loans to employees	96	86	101	74
SHG in arrears	3,373	3,110	2,403	2,403
	<u>4,969</u>	<u>7,686</u>	<u>3,918</u>	<u>6,571</u>
Financial liabilities: Measured at amortised cost:				
Housing loans	100,922	100,840	77,760	77,667
Contractors for certified work	10,171	9,327	3,931	3,931
Trade payables	784	744	619	586
Sundry payables and accruals	1,951	1,476	2,395	1,950
Due to Kingdom Support & Care CIC	-	25	-	-
Interest payable accrual	408	408	40	40
SHG repayable	1,034	1,034	866	866
	<u>115,270</u>	<u>113,854</u>	<u>85,611</u>	<u>85,040</u>

20. Defined Benefit Pension Scheme Liability (the DB Scheme)

KHA participates in the DB Scheme, a multi-employer scheme which provides benefits to over 150 non-associated employers. 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, set out the framework for funding defined benefit occupational pension schemes in the UK. The scheme is classified as a 'last-man standing arrangement'. Therefore the company is 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. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:



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**20. Defined Benefit Pension Scheme Liability (the DB Scheme) (cont'd)**

From 1/04 2017 to 28/02/2022	£25,735,092 per annum
From 1/04/2017 to 30/06/2025	£727,217 per annum
From 1/04/2017 to 31/10/2026	£1,239,033 per annum

(All amounts are payable monthly, increasing by 3% each 1 April)

Unless a concession has been agreed with the Trustee the term to 28 February 2022 applies. The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities. KHA's share of additional contributions for the year was £655k, (2018: £636k).

For the year ended 31 March 2018, the DB Scheme was accounted for as a defined contribution scheme, as there was insufficient information available to identify each employer's share of assets and liabilities in the DB Scheme. Therefore in 2017-18 the contributions payable by KHA under the terms of its funding agreement for past deficits was recognised as a liability within provisions in KHA's financial statements. The net present value for this contractual obligation was £2,603k.

For 2018-19, sufficient information was available in respect of the DB Scheme to enable KHA to account for its obligation on a defined benefit basis. The most recent formal actuarial valuation completed as at 30 September 2015 was rolled forward to 31 March 2019 by a qualified independent actuary using the different financial assumptions required under FRS 102.

Under the defined benefit pension accounting approach, the DB Scheme's net deficit as at 1 April 2018 was £4,208k and is £4,387k as at 31 March 2019. The proposals set out in FRED 71 requires the difference on transition from defined contribution accounting to defined benefit accounting to be presented separately in other comprehensive income. The change on transition has resulted in a remeasurement difference of £1,605k, which has been recognised at the relevant date of application, 1 April 2018, in other comprehensive income. The details are set out in the tables below.

<b>Reconciliation of pension scheme deficit provision</b>	<b>Group &amp; KHA</b>	<b>Group &amp; KHA</b>
	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
As at 1 April	2,603	3,231
Elimination of provision	(2,603)	-
Utilised in the year	-	(636)
Unwinding of discount	-	30
Other	-	(22)
At 31 March	<u>-</u>	<u>2,603</u>

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20. Defined Benefit Pension Scheme Liability (the DB Scheme) (cont'd)

<b>Net defined benefit plan liability</b>	<b>Group &amp; KHA</b>
	<b>2019</b>
	<b>£000</b>
Fair value of plan assets	20,686
Present value of defined benefit obligation	(25,073)
Defined benefit asset/(liability), surplus/(deficit) to be recognised in plan	<u>(4,387)</u>

<b>Reconciliation of defined benefit plan obligations at discounted cost</b>	<b>Group &amp; KHA</b>
	<b>2019</b>
	<b>£000</b>
Defined benefit obligation at start of period	23,943
Expenses	20
Interest expense	611
Actuarial losses (gains) due to scheme experience	(424)
Actuarial losses (gains) due to changes in demographic assumptions	66
Actuarial losses (gains) due to changes in financial assumptions	1,741
Benefits paid and expenses	(884)
Defined benefit obligation at end of period	<u>25,073</u>

<b>Reconciliation of defined benefit plan assets at fair value</b>	<b>Group &amp; KHA</b>
	<b>2019</b>
	<b>£000</b>
Fair value of plan assets at start of period	19,735
Interest income	510
Experience on plan assets (excluding amounts included in interest income) – gain/(loss)	651
Contributions by the employer	674
Benefits paid and expenses	(884)
Fair value of plan assets at end of period	<u>20,686</u>

The actual return on plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £1,207,000.

<b>Defined benefit plan costs recognised in Statement of Comprehensive Income</b>	<b>Group &amp; KHA</b>
	<b>2019</b>
	<b>£000</b>
Expenses	21
Net interest expense	101
Defined benefit plan costs recognised in statement of comprehensive income (SoCI)	<u>122</u>

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20. Defined Benefit Pension Scheme Liability (the DB Scheme) (cont'd)

Defined benefit plan costs recognised in Other Comprehensive Income	Group & KHA 2019 £000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	651
Experience gains and losses arising on the plan liabilities - gain (loss)	424
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(66)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(3,346)
Total amount recognised in other comprehensive income - gain (loss)	<u>(2,337)</u>

Analysis of plan assets	Group & KHA	Group & KHA
	2019 £000	2018 £000
Global Equity	3,328	3,550
Absolute Return	1,752	2,342
Distressed Opportunities	353	90
Credit Relative Value	359	0
Alternative Risk Premia	1,155	747
Fund of Hedge Funds	57	567
Emerging Markets Debt	663	675
Risk Sharing	600	180
Insurance-Linked Securities	537	540
Property	411	780
Infrastructure	867	360
Private Debt	267	183
Corporate Bond Fund	1,451	1,377
Long Lease Property	251	0
Secured Income	722	723
Over 15 Year Gilts	531	638
Index Linked All Stock Gilts	0	0
Liability Driven Investment	7,361	6,946
Net Current Assets	21	37
Total assets	<u>20,686</u>	<u>19,735</u>

None of the fair values of the assets shown above include any direct investments in KHA's own financial instruments or any property occupied by, or other assets used by KHA.

## 20. Defined Benefit Pension Scheme Liability (the DB Scheme) (cont'd)

Key assumptions	Group & KHA	Group & KHA
	% per annum	% per annum
	<b>2019</b>	<b>2018</b>
Discount Rate	2.34%	2.60%
Inflation (RPI)	3.26%	3.15%
Inflation (CPI)	2.26%	2.15%
Salary Growth	3.26%	3.15%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Group & KHA Life expectancy at age 65 (Years)
Male retiring in 2019	21.7
Female retiring in 2019	23.4
Male retiring in 2039	23.1
Female retiring in 2039	24.7

## 21. Share Capital

	2019 Number	2018 Number	2019 £	2018 £
<b>Group and KHA</b>				
Shares of £1 each issued and fully paid:				
At 1 April	64	56	64	56
Issued during the year	11	8	11	8
Cancelled during the year	(11)	-	(11)	-
At 31 March	<u>64</u>	<u>64</u>	<u>64</u>	<u>64</u>

A £1 share entitles the holder (Member) to attend the Annual General Meeting and any Special or Emergency General Meeting of KHA and to cast their vote. In addition it entitles a Member at those meetings to nominate others for the Board and/or to stand for the Board subject to the Board membership policy. Shares cannot be traded, the liability of the Member is limited to the £1 share and a share does not entitle a Member to a distribution of any surplus of KHA. These rights may be suspended/lost after missing usually 3 Annual General Meetings without submission of apologies.

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22. Capital commitments

	Group 2019 £000	KHA 2019 £000	Group 2018 £000	KHA 2018 £000
<b>Housing Properties:</b>				
Expenditure contracted but not provided in the financial statements	<u>45,187</u>	<u>41,325</u>	<u>39,395</u>	<u>39,395</u>

The capital commitments will be financed from the private placement of £85m of which £50m is still to be drawn down at the year end.

23. Employees

	Group 2019 £000	KHA 2019 £000	Group 2018 £000	KHA 2018 £000
<b>i) Staff costs during year:</b>				
Wages and salaries	10,094	4,982	9,469	4,389
Social security costs	811	454	761	402
Other pension costs	455	303	389	252
Expenses of defined benefit pension scheme	20	20	20	20
Change in assumptions regarding pension provision	-	-	(22)	(22)
	<u>11,380</u>	<u>5,759</u>	<u>10,617</u>	<u>5,041</u>

There were no redundancy costs incurred during the year included in the staff costs, (2018: no redundancy costs incurred).

	Group 2019 No.	KHA 2019 No.	Group 2018 No.	KHA 2018 No.
<b>ii) Staff numbers:</b>				
Average weekly number of employees (including relief staff working on an "as required" basis)	<u>446</u>	<u>178</u>	<u>440</u>	<u>162</u>
<b>Number of Employees as at 31 March:</b>				
Support & Care staff	244	-	235	-
Administration staff	144	133	132	121
Maintenance staff	42	42	37	37
	<u>430</u>	<u>175</u>	<u>404</u>	<u>158</u>
Full time equivalent employees	<u>361</u>	<u>158</u>	<u>345</u>	<u>147</u>

Agency staff were employed during the year by the Group at a cost of £180,431, (2018: £256,368)

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24. Auditors' remuneration

	Group 2019 £000	Association 2019 £000	Group 2018 £000	Association 2018 £000
Fees payable to RSM UK AUDIT LLP:				
Audit services	33	27	31	22
Tax services and advice	33	31	12	9
Fees payable to MHA Henderson Loggie:				
Internal audit fees	15	15	10	10

25. Payments to Members and Board members

No Member of the Group received any fee or remuneration during the year, (2018: Nil). Members of the Board were reimbursed for out of pocket travel expenses amounting to £1,983 (2018: £2,526).

During the year no member of the Board was a tenant of KHA (2018: nil).

During the year one member of the Board was a sharing owner (2018: 1). The sharing owner arrangements for this member are on normal terms.

KI does not employ any staff. Recharges are made for time spent by KHA staff on company business. The amount charged during the period was £72,869 (2018: £68,509).

26. Remuneration of key management personnel

	Group 2019 £000	KHA 2019 £000	Group 2018 £000	KHA 2018 £000
The aggregate remuneration of five directors (2018: 5 directors) including benefits in kind was:	493	400	464	370
Pension contributions of directors were:	36	29	34	27
	2019 Number	2019 Number	2018 Number	2018 Number
Emoluments (excluding pension contributions) were paid in the following bandings:				
£70,001 to £80,000	-	-	2	2
£80,001 to £90,000	4	3	2	1
£100,001 to £110,000	-	-	1	1
£110,001 to £120,000	1	1	-	-
	2019 £000	2019 £000	2018 £000	2018 £000
The total emoluments (excluding pension contributions) received by the highest paid director was:	117	117	108	108

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**26. Remuneration of key management personnel (cont'd)**

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. 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% (2018: 8%) and amounted to £9,296 (2018: £8,499).

At the year end one key management person had a car loan from Kingdom Group. The total balance of car loan due by the director at 31 March 2019 was £8,394 (2018: £12,392). The maximum balance outstanding during the year was £12,392 (2018: £16,371). Interest is charged on these loans at a rate equivalent to the Bank of England base rate on the day of the inception of the loan and is the same for other eligible employees of Kingdom Group.

**27. Reconciliation of surplus to net cash generated from/(used in) operations - Group**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Cash generated from operations</b>		
Surplus for the year	5,106	5,551
Remeasurement of defined benefit pension liability	(1,605)	-
Actuarial loss in respect of defined benefit pension scheme	(732)	-
Depreciation of tangible fixed assets	4,371	4,010
Depreciation of other fixed assets	89	132
Amortisation of intangible assets	52	48
Increase/(decrease) in pension provision/liability	1,885	(658)
Investment impaired	-	15
Gain or loss on disposal of fixed assets	(86)	(50)
Gain or loss on disposal of assets held for sale	-	(99)
Gain or loss on disposal of work in progress	-	(170)
Gain or loss on disposal of intangible assets	-	29
Gain or loss on disposal of other fixed assets	-	14
Amortisation of housing property capital grant	(2,855)	(2,585)
Corporation tax (received)/paid	(77)	170
Interest received	(221)	(8)
Interest paid	3,062	1,783
Operating cashflows before movement in working capital	<u>8,989</u>	<u>8,182</u>
(Increase)/decrease in stock	(52)	4
(Increase)/decrease in receivables	47	13
Increase/(decrease) in payables	(230)	680
Total cash generated from operating activities	<u>8,754</u>	<u>8,879</u>
Corporation tax received/(paid)	(58)	(144)
<b>Total cash flows from operating activities</b>	<u><u>8,696</u></u>	<u><u>8,735</u></u>

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28. Reconciliation of surplus to net cash generated from/(used in) operations - KHA

	2019	2018
	£000	£000
<b>Cash generated from operations</b>		
Surplus for the year	4,754	5,433
Remeasurement of defined benefit pension liability	(1,605)	-
Actuarial loss in respect of defined benefit pension scheme	(732)	-
Depreciation of tangible fixed assets	4,309	3,980
Depreciation of other fixed assets	88	132
Amortisation of intangible assets	45	39
Increase/(decrease) in pension provision/liability	1,885	(658)
Issue/(write off) of share capital	-	-
Gain or loss on disposal of fixed assets	(86)	(50)
Gain or loss on disposal of assets held for sale	-	(99)
Gain or loss on disposal of intangible assets	-	29
Gain or loss on disposal of other fixed assets	-	15
Interest received	(339)	(8)
Interest paid	3,059	1,780
Corporation tax (received)/paid	(22)	146
Amortisation of housing property capital grant	(2,834)	(2,577)
Operating cashflows before movement in working capital	<u>8,522</u>	<u>8,162</u>
(Increase)/decrease in stock	(52)	4
(Increase)/decrease in receivables	(249)	164
(Decrease)/increase in payables	(250)	403
Total cash generated from operating activities	<u>7,971</u>	<u>8,733</u>
Corporation tax (received)/paid	(27)	(119)
<b>Total cash flows from operating activities</b>	<u><u>7,944</u></u>	<u><u>8,614</u></u>

29. Financial commitments

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

	2019	2018
	£000	£000
Amounts Due:		
Within one year	153	170
Between 1 and 5 years	172	288
Due within more than 5 years	-	1
	<u>325</u>	<u>459</u>



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**30. Operating lease income**

KHA has future operating lease income receivable as follows:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Due within 1 year	26	15
Due between 1 - 2 years	26	22
Due between 3 - 5 years	33	43
	<u>85</u>	<u>80</u>

The operating lease income is due from KSC for office accommodation.

**31. Contingent liabilities**

KHA participates in a multi-employer pension scheme. Should KHA leave the Scheme the amount of employer debt has been estimated as £21,597k (2018: £21,597k) as at 30 September 2017, the date of the latest estimation available. 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 KI as at 31 March 2019 of £262,891k (2018: £226,322k) may be repayable to Scottish Government. The Board does not expect those circumstances to crystallize.

**32. Related party transactions**

No member of the Board had a tenancy or occupancy agreement with KHA during the period. As at the date of the statement of financial position no member of the Board had outstanding balances due to KHA.

During the year one 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 councilor or an employee of a related local authority.

At the date of these financial statements one Board member of KHA also serves on the Board of KI and one Board member serves on the Board of KSC.

KHA issued invoices to KI for purchases, re-invoiced charges and management services provided by KHA amounting to £1,771k, (2018: £1,716k). KI issued invoices to KHA for purchases and re-invoiced charges totaling £26k, (2018: £332k).

KHA received £44k in gift aid from KI (2018: £36k).

At the date of the statement of financial position the balance due by KI to KHA was £3,252k, (2018: £3,079k), both years include the long term loan from KHA of £2,620k with the remainder being short term. KI made interest payments to KHA during the year of £118k, (2018: £118k) in accordance with the loan agreement.

**32. Related party transactions (cont'd)**

KHA issued invoices to KSC for purchases, re-invoiced charges and management services provided by KHA amounting to £400k, (2018: £2,035k), which includes £244k, (2018: £235k) in relation to the SLA. KSC issued invoices to KHA for purchases and re-invoiced charges totaling £29k, (2018: £34k).

At the date of the statement of financial position the balance due to KSC by KHA was £25k, (2018: £7k).