

Kingdom Housing Association Limited
Consolidated Report and Financial Statements
for the year ended 31 March 2021

Registration Details

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

Kingdom Housing Association Limited
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BOARD OF MANAGEMENT, EXECUTIVE, ADVISERS AND REGISTRATION DETAILS

Board of Management	Freya Lees	Chairperson
	Laurie Naumann	Vice Chairperson
	Linda Leslie	Vice Chairperson
	Gavin Thomson	Chair of Audit & Financial Compliance sub-Committee
	Loretta Mordi	
	Tom Barr	
	Iain Connelly	(resigned 8 June 2020)
	Laura Brotherton	
	Graeme Mackay	
	Charles Oliver	
	David Redpath	
	Stephen Swan	
	Carol Watson	
	Alan Hobbett	(appointed 15 March 2021)
	Ian Crocker	(appointed 15 March 2021)
Key Management Personnel	William Banks	Chief Executive and Company Secretary
	Nicholas Pollard	Director of Finance and Digital (resigned 30 April 2020)
	Ken Tudhope	Director of Finance (appointed 1 July 2020)
	Scott Kirkpatrick	Director of Development
	Alan Simpson	Director of Housing and Asset Management
Registered Office	Saltire Centre, Pentland Court, Glenrothes, KY6 2DA	
Registration Numbers	Financial Conduct Authority and Co-operative and Community Benefit Societies Act 2014, Reg. No. SP1981R(S) Scottish Housing Regulator Reg. No. HEP 142 Scottish Charity No SC000874	
Independent Auditors	RSM UK Audit LLP First Floor, Quay 2 139 Fountainbridge Edinburgh EH3 9QG	
Principal Banker	Bank of Scotland	
Internal Auditors	Henderson Loggie LLP	

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**REPORT OF THE BOARD OF MANAGEMENT
(INCLUDING THE STRATEGIC REPORT)**

The Board of Management presents its report and audited consolidated financial statements for the year ended 31 March 2021.

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 which are:

- Kingdom Initiatives Limited (KI) that is registered with Companies House under the Companies Act 2006 (registration number SC383963) and is a non-charitable company limited by shares.
- Kingdom Support and Care Community Interest Company (KSC) that is registered with Companies House under the Companies Act 2006, registration number SC545491 and 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 ended 31 March 2021 and have been prepared using the application of FRS102 and the Statement of Recommended Practice for Registered Social Landlords 2018.

OBJECTIVES AND STRATEGY

The mission statement of the Kingdom Group is to provide 'more than a home' and this is reflected in the provision and maintenance of affordable high quality houses. KI complements KHA's mission in areas of activity in which KHA may not operate. KSC provides support and care services to enable people affected by disability to live in their own homes.

The Group's long term strategy to achieve its objectives is set out in the 30-year Corporate Plan, supported by a rolling 5-year Corporate Plan and annual operational targets and budgets. The Group's strategy is to maintain its existing portfolio of properties to a high standard and increase the number of affordable homes available through new builds and acquisition of existing properties from other sources.

GOVERNANCE

The management, control and services between KHA, KI and KSC are set out in agreements that are reviewed annually to ensure appropriate governance arrangements are in place and are operating effectively.

The Governing Body of KHA is a Board of Management (the Board), which has a minimum of 7 and a maximum of 15 members. As at 31 March 2021 there were 14 members (2020: 13) of the Board with a wide range of skills and experience, of whom none were co-opted (2020: none). None of the Board members were tenants and one was a sharing owner. Of the Board one member was a director of KI until 8 June 2020 (Iain Connelly), when he was replaced by Loretta Mordi, and one is a director of KSC (Linda Leslie).

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The Chief Executive, William Banks, was appointed Chief Executive of Fairfield Housing Association (FHA) in April 2020 to assist its governance improvement programme. The programme also led to KHA providing administrative, governance and financial services to FHA through a Service Level Agreement.

The Board is supported by the following sub-committees:

- Audit & Financial Compliance sub-Committee;
- Senior Management Remuneration & Succession Planning sub-Committee;
- Policy sub-Committee.

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

KHA also reports regularly to the Scottish Housing Regulator with detailed key performance indicators (KPIs) and these may be found at www.housingregulator.gov.scot/landlord-performance.

Each subsidiary has its own Board of Directors with an appointed Chairperson. 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. The KHA Chief Executive (William Banks) also serves as a director of KI and KSC. Garry Dickson is a director of both KI and KSC.

All group companies 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.

Summaries of the operations of the subsidiaries are included in this strategic report. Copies of the statutory report and financial statements of the subsidiaries showing further details may be obtained from the KHA offices or from Companies House (www.gov.uk/get-information-about-a-company).

PRINCIPAL ACTIVITIES AND BUSINESS MODELS

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. KHA also has a significant number of shared ownership properties and also provides accommodation for homeless people.

KI

The principal activities of KI are to manage properties through Scottish Private Residential 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. While the majority of these properties are leased to KI by KHA and Fife Local Authority, KI's plans are to develop properties in its own right and let mid-market rent tenancies. KI also provides development services to third parties, as well as undertaking any activities not allowed by KHA as a Scottish charity.

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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.

PERFORMANCE

Highlights of Performance for the Year - Kingdom Group

The main highlights of the year are set out below and more detail is provided in the individual company reports of the Group:

- 349 new affordable homes (2020: 496) completed for the Group and partner organisations;
- Provided high quality homes and services to our tenants and other customers;
- 334 (2020: 260) people supported by our support and care subsidiary;
- Group financial reserves increased to £62.94m, which will be reinvested in housing and community initiatives;
- Provision of digital solutions for smooth transition to increased home and remote working during the pandemic;
- 480 (2020: 460) staff employed in the Group on good terms and conditions and achievement of Investors in People (IIP) Gold accreditation;
- Managed the challenge of the Coronavirus pandemic, more details of which are set out below.

The Group has a track record of collaborative working and we recognise the success that can be delivered through this approach. KHA is part of the Fife Housing Association Alliance, comprising four Fife-based Registered Social Landlords, 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. Discussions are continuing with Fairfield Housing Association (previously Fairfield Housing Cooperative) regarding future arrangements. Administrative and financial services continue to be provided to Fairfield by KHA staff.

The impact of the Coronavirus pandemic continues to be substantial, but has not affected the Group's operations as much as feared. The impact and actions taken are summarised below:

- A higher level of rent arrears was experienced and our housing team worked and continues to work with tenants to mitigate the difficulties.
- New construction work was suspended on 24 March 2020 for three months, following which sites were re-opened, observing work practices preventing the spread of infection.
- Urgent and essential repair work for tenants was maintained with staff teams properly protected and trained to observe enhanced safety measures to minimise the risk of infection.
- Group offices remained closed or with very limited access, with most staff working from home.
- James Bank, our facility for the homeless, remains in operation with enhanced cleaning and safety procedures to protect clients and staff.
- KSC continues to provide Support and Care services to individuals, as this work is essential, and procedures are in place to protect both staff and clients from the virus.
- Several support initiatives were adopted, including loans and grants, enabling tenants, shared owners, staff and the wider community to cope with the impact of the pandemic.
- Digitally supported home working, enabling staff to work from home using internet connections and to continue to provide services.
- Financial stress testing on the 2021-22 budgets and the 30 year Corporate Plan showed that KHA, KI and KSC remained going concerns for the foreseeable future.

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We shall continue to closely monitor the situation and the financial impact throughout the crisis.

Financial Performance Report for the Kingdom Group and KHA

The key financial results and ratios are set out in the following table for the Group and KHA:

Description	Group		KHA	
	2021	2020	2021	2020
Turnover	£37.71m	£34.39m	£28.16m	£26.26m
(Loss)/gain in respect of pension liability	(£3.16m)	£3.81m	(£3.16m)	£3.81m
Total comprehensive income	£2.46m	£9.13m	£1.24m	£8.61m
Interest cover (ratio of surplus/interest payable)			225%	205%
Reserves	£62.94m	£60.48m	£59.56m	£58.33m
Cash at bank at year end	£38.59m	£57.52m	£36.60m	£55.77m
Gearing (ratio of net debt/net worth)			31.77%	29.63%
Housing properties	£482.9m	£425.6m	£460.4m	£410.4m
Loans due in more than one year	£147.4m	£147.9m	£147.3m	£147.8m
Deferred grants	£295.3m	£262.9m	£285.5m	£254.9m

The key results and ratios demonstrate that the Kingdom Group and KHA remain financially strong. The surplus generated in the year and the historic reserves earned to date will be used to meet the Group's future commitments and obligations to;

- maintain the homes rented at the Scottish Housing Quality Standard, 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.

The operating results for the year reflect annual inflation and the increase in numbers of new homes with rises in turnover and operating costs. Rents were increased for 2020-21 by 2.25% and 139 (2020: 298) new properties came into the letting pool during the year.

A major impact on the result for the year was a cost of £3.16m resulting from an increase in the defined benefit pension scheme liability. However, this was a largely non-cash transaction and did not impact the operational aspects of the Group. Further details are set out in Note 20.

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. However KHA has substantial tax losses available, which are available to offset taxable profits throughout the Group.

A vital element and driver of the Group's activities is treasury management. KHA carries out treasury activities supporting the funding needs of the Group within the framework of an approved Treasury Management Policy. The Policy allows a maximum of 100% and a minimum of 50% at fixed rates of interest. While current variable interest rates are low, there are risks of future upward movement. KHA has therefore sought to fix more of its debt interest gaining certainty on those costs. As at 31 March 2021 KHA had 95% (2020: 83%) of its loan portfolio at fixed rates of interest. The weighted average cost of funds of all KHA's borrowings is 3.11% (2020: 3.20%).

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KHA's lenders have set minimum levels of interest cover (operating surplus/interest payable) and a maximum gearing covenant tests (debt/net worth) that must be met. KHA's results were well within the parameters set, therefore meeting all covenants.

Private lenders require security over their lending. As at 31 March 2021, 1,920 units (2020: 1,674) representing 37% (2020: 34%) of the total units owned were unencumbered and available for future lending security.

Cash balances at the year end are substantial owing to some slippage in construction timetables. KHA invested the surplus funds to maximise interest return while balancing counterparty risk and term to meet projected cash flow forecasting requirements.

Kingdom Group realises the importance of making prompt payment to its suppliers and has a policy to settle all purchases within 30 days or the due date, whichever is the earlier. The performance for the year is shown below:

Value of invoices settled by due date	Actual	Target	Actual
	2021	2021	2020
KHA	82%	85%	85%

A new procurement and payment system was implemented during the year, which affected performance as all departments were required to amend their purchasing procedures.

Coronavirus and Going Concern – Kingdom Group

The current and ongoing impact of the Coronavirus pandemic has and is being managed satisfactorily. However, in order to provide assurance on the financial future of the Kingdom Group stress testing has again been performed based on the 2021-22 budgets for each group company and the 30 year Corporate Plan. For KHA the budget stress test focused on potential increases in voids and bad debts to determine the likely impact on the budgeted surplus for 2021-22 and to determine the point at which the interest cover covenant would be broken. The outcome showed that KHA remained viable even under extreme conditions. At 31 March 2021 Kingdom Group had cash reserves of £39m. The conclusion from the stress testing is that KHA remains a going concern for the foreseeable future.

Similarly, KI stress testing confirmed that it also remained a going concern for the foreseeable future, with additional long term finance of £3.38m provided by KHA in 2021-22 enabling completion of KI's current build programme.

KSC provides an essential public service funded by Local Authorities, which have provided written confirmation of continuing financial support. Consequently KSC remains a going concern.

Performance – KHA

The objectives of KHA are delivered through its principal operational departments, comprising Housing Management, Asset Management and Capital Investment. Support for the operational departments and the subsidiary companies is provided by the Finance, Human Resources and Information Communication Technology departments. A comprehensive set of KPIs for KHA's social housing activities is included in the Annual Return on the Charter (ARC) to the Scottish Housing Regulator, the details of which are publically available (www.housingregulator.gov.scot/landlord-performance). The significant achievements and performance of the departments are set out below.

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Housing Management

KHA owns properties in Fife, Clackmannanshire, Falkirk and Perth and Kinross Council areas. KHA manages the tenancies of its own stock in all of these areas except Perth and Kinross, where there is a management agreement with Fairfield Housing Association (formerly Fairfield Housing Co-operative). KHA also manages the tenancies of stock owned by Fife Council. The narrative below sets out the scale of operations and the significant performance achievements for the year. At 31 March 2021 KHA was managing 4,520 properties (2020: 4,389). The social housing stock comprises houses and flats, with around 58% represented by houses and 42% by flats (2020: 57% and 43%). Most of the housing stock was built after 1982. A breakdown of the stock in management is provided below:

Description	2021	2020
Social rented	4,288	4,149
Shared ownership	229	237
Supported housing accommodation	3	3
Total	4,520	4,389

Housing management performance is measured by reference to a number of KPIs. The significant KPIs are shown below:

Description	Actual	Target	Actual
	2021	2021	2020
Void loss (%)	1.23%	0.75%	0.67%
Rent and service charge income (%)	98.67%	98.75%	98.71%
Average time taken to re-let units	54.5 days	26 days	29 days

Performance in 2020-21 was affected by the impacts of the Coronavirus pandemic, particularly from April to September, and this is reflected in the increase in void loss and re-let times. However, income from October onwards was above target. The financial stress experienced by customers contributed to a slight reduction in income in the year. We provided a range of support services to customers throughout the year, including successfully securing external grant funding to provide direct financial help to those experiencing financial difficulties.

Following consultation with our tenants in December 2019, an annual rent increase of 2.25% was agreed for 2020-21 and 2021-22, which meant that rents would be affordable for the majority of our tenants based on earned income. We have continued to respond to the impacts of Welfare Reform and the impact of the Coronavirus pandemic, ensuring that KHA and tenants are prepared for the future. We have continued to support tenants to secure the appropriate benefits and maximise their income so that KHA sustains rental income.

During the year we embraced the use of digital platforms to facilitate and support customer engagement, including delivering two on-line customer conferences. We increased the range of opportunities for customers to participate in decision making and have supported the development of our Tenant Scrutiny Panel. We continue to receive external recognition of the quality of our customer engagement services. Our Scrutiny Panel and Tenant Participation Officer were winners at the 2020 TIS excellence awards and we were finalists in three other categories.

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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:

- Quality reactive repairs services and voids turnaround times and standards;
- Planned replacement and improvement programmes; and
- Reactive and proactive customer services, which maintain good levels of satisfaction.

In total around 12,000 repairs are carried out each year, mostly by the in-house repairs service. The service includes a small repairs team who carry out our kitchen replacements programmes and property adaptations. The use of in-house services provides us with more control over maintenance scheduling, achieves cost efficiencies and allows us to maintain good customer satisfaction levels.

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

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

Repairs and maintenance service KPIs	Actual	Target	Actual
	2021	2021	2020
Emergency repairs (response target % achieved)	97.02%	97.00%	98.69%
Routine repairs (response target % achieved)	90.92%	90.00%	93.36%
Satisfaction level	90.00%	92.00%	91.78%

There was a reduction in repairs carried out due the restrictions imposed during the Coronavirus pandemic.

Capital Investment

Our development activity is mainly in Fife, extending also into adjacent Local Authority areas. We have continued to provide a new supply of affordable housing to meet a wide range of housing needs. The principal KPIs are shown below:

Description	Actual	Target	Actual
	2021	2021	2020
New units started on site	504	360	426
Total units completed	341	276	440
Tenant satisfaction with quality of new home	98%	95%	96%

The Coronavirus pandemic caused a 3 month closure of building sites in 2020-21, but we were able to accelerate build activity and exceed our targets.

In addition to ongoing project completions, we continued to develop proposals for our future pipeline programme, working in collaboration with our partner housing associations and others and continue to deliver outstanding year end outcomes notwithstanding the impact of the Coronavirus pandemic on our build programme.

The projects 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.

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Maintaining high quality standards is a key objective that results in high quality housing that:

- Reduces long term management and maintenance costs through lower turnover
- Reduces reactive repairs, voids and housing management costs and enhances component life cycles
- Sustains tenancies, improves tenants' health and well-being and addresses issues associated with fuel poverty

Performance - KI

During 2020-21 KI continued to manage Mid Market Rent (MMR) housing on behalf of KHA and others. KI let the tenancies and is responsible for the management and maintenance of the properties in accordance with lease agreements with the landlords. The analysis of properties is shown below:

	2021	2020
Units owned	115	107
Units managed on behalf of KHA	457	387
Units managed on behalf of Fife Council	121	121
Total units	693	615

During the year, KI completed an MMR development of 8 units at Pickletillum, Fife. The increase in units managed on behalf of KHA is largely due to a substantial acquisition of National Housing Trust properties at Crail and Coalsnaughton. These will be managed as MMR properties by KI until current tenants vacate, at which point the property will convert to a socially rented home.

KI is seeking to develop MMR properties in its own right. KI is currently progressing three developments at Pilmuir Street, Dunfermline (66 units), Elm Grove, Alloa (21 units) and Kingdom Park, Kirkcaldy (20 units).

The key financial statistics of KI are set out below:

Description	2021	2020
Turnover	£3,620k	£3,066k
Surplus for the year	£251k	£178k
Operating profit margin	14.67%	11.87%
Net profit margin	6.94%	5.79%
Interest cover	240%	217%
Net current (liabilities)/assets	(£1,297k)	(£747k)
Reserves	£2,031	£1,780k
Gearing	77%	39%

The increase in profit margin and interest cover is due to new rentals coming on stream. During the year KI drew down a further £5m of the £8.5m loan facility from KHA, leaving £1.5m to be drawn down when required. The increased funding, together with subsidies received from Scottish Government, is reflected in the increase in the book value of housing properties in 2020-21.

While KI shows net current liabilities, owing to the scale and progress of new builds, KHA agreed a further loan of £3.38m in 2021-22 enabling KI to remain solvent and complete its current build programme.

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Performance - KSC

In 2020-21 KSC supported approximately 334 individuals (2020: 260) to live in their own homes in the community, providing varying levels of support from a few hours per week to full 24/7 cover, including sleepovers. In addition, at James Bank in Dunfermline, KSC provided temporary accommodation and outreach services for people who were homeless.

The performance data for KSC are shown in the table below:

Description	2021	2020
Turnover	£8,055k	£7,392k
Surplus for the year	£973k	£371k
Net profit margin (ratio of surplus to turnover)	12.08%	5.02%
Reserves	£1,341k	£368k
Net current assets	£1,768k	£795k
Cash at bank at year end	£1,819k	£929k

During 2020-21, KSC consolidated its business through implementation of as many planned services as possible. Due to the pandemic, planned expansion into new geographic areas was suspended. While the hours of support reduced, funders agreed to pay for undelivered support throughout the pandemic. In addition, funding was also received in respect of staff absence and cover costs as well as costs of PPE. Both Local Authority framework contracts have been extended until 2022.

Work has continued during 2020-21 to reduce staff turnover, which was 21% (2020: 26%) for the year, through training and development and this effort will continue in the coming year 2021-22. The reasons for the level of turnover include uncertainty in the sector, low salaries, significant choice of providers, alternative employment opportunities and the level of lone working and challenge encountered in care services.

We have continued to invest in training for staff and are well placed to meet the Scottish Social Services Council registration requirements.

KSC underwent inspections from the Care Inspectorate in January 2020 and grades of 5 (Good) were achieved across the board for the adult services in the two quality themes inspected. Inspections have not taken place in 2020-21 due to restrictions arising from the pandemic.

Digital

Digital remains an essential support service for all the functions of the Kingdom Group. During the year the Digital team completed server moves from the on-premise to the “cloud” and was able to ensure a smooth transition to home working during the pandemic. The team is also managing several key projects including changing from Microsoft to Google software products, implementing an automated purchase and payment system and procuring a new repairs system. The purchase system went live in June 2020 and the repairs system went live on 1st April 2021. The updated digital strategy includes reviews in 2021-22 of both Housing and Finance systems.

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

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 fully embrace our responsibilities for disabled staff. Consulting and

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communication with our staff is key to our objective of being employer of choice, achieved through regular electronic communication, team meetings and the employee forum. The staff numbers are set out in Note 23 to the financial statements.

The key achievements in the year are summarised below:

- A key target is to reduce levels of sick leave to below 6 days per annum per employee; we achieved 4.3 days in 2020-21 compared to 5.89 days in 2019-20.
- Achieving liP Gold accreditation and, in our most recent employee survey, seeing an average score of 8.9/10 when people were asked to rate their satisfaction with Kingdom as an employer.
- Continuing a programme of wellbeing initiatives for our people that we expect to result in a Healthy Working Lives Gold Award (confirmation pending).

In response to the Covid-19 crisis, we have taken a number of measures including developing additional supports for employees’ mental, physical and financial wellbeing and are seeking to continue many of those as we develop what our workplace will look like post-pandemic.

Community Initiatives

Kingdom Group delivers various projects that provide potential benefits to our tenants and residents who live in the communities where we operate. 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 has been further enhanced through the formalisation of Community Benefits clauses in our procurement and contract documents.

Charitable Fund and donations

During the 2020-21 year Kingdom Group supported many organisations donating £8,070 (2020: £16,188) from the Community Initiatives and Charitable Funds. Kingdom helped many community groups over the year including sponsorship of music and sporting events, gala days and horticultural shows.

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 in the area. 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 homes for as long as possible. We also provided a Small Repairs Service, assisting older homeowners maintain the integrity of their properties, together with advice and guidance on non-adaptation matters.

The performance for the year is tabulated below:

Description	Performance	
	2021	2020
Permanent disability adaptations completed	159	248
Upgrades to Tolerable Standard	81	68
Small Repairs Service - repairs completed	363	248

The number of disability adaptations decreased owing to the Coronavirus pandemic. However, we continued to provide adaptations in critical cases. The Small Repairs Service had to be suspended on two occasions during lockdown periods, but achieved significantly higher activity.

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Kingdom Works

Kingdom Works is our employability project. The service continues to achieve good results with high success rates, which are tabulated below:

Description of KPI	2021		2020	
	Actual	Target	Actual	Target
People assisted	673	516	645	630
People into training	386	355	444	368
People gaining employment	278	264	347	341
People employed at 6 months	128	124	206	205

Due to the Coronavirus pandemic Kingdom Works temporarily changed the delivery model to allow for increased services by telephone, email and video conferencing, with increased use of e-learning for our participants. This ensured continuity of services and allowed all contracts to be delivered and fulfilled timeously.

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 have secured funding up to December 2022. We will continue to identify and source funding that will extend the project beyond this date.

RISK MANAGEMENT

The Kingdom 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. Independent internal auditors are engaged to carry out reviews covering areas of Group operations identified by reference to risk registers maintained by the Group and agreed with the Audit & Financial Compliance sub-Committee.

Kingdom Group mitigates risk through the use of strong planning disciplines, monitoring of key performance indicators and the development of alternative business models, which place less reliance on government subsidy, and a review of its cost base. Kingdom Group also has a number of insurance policies in place mitigating exposure to key risks. Major risks and specific mitigating actions are set out below:

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Significant Risks	Main mitigation controls
Risk of serious harm to a supported person due to staff action or inaction	Health & Safety manual in place and staff induction carried out for all staff. Health & Safety policies and procedures and staff training in place, including infection control. Risk assessments carried out. Robust PPE supply chain in place
Adverse financial impact on KSC due to reductions in funding, below inflation funding increases and competition in the sector	Business plan in place. Regular cost control and reporting procedures in place. Ongoing focus on income generation and efficiency. Confirmations of funding from Local Authorities during Covid pandemic. Monitoring of competition
Sustainability legislation and/or regulation leading to increased maintenance and improvement costs	Asset Management Strategy and planning in place. Compliance monitoring and action plans in place to maintain energy and electrical testing standards. Monitoring of consultations and information published on Scottish Governments proposals
Escalating employment costs, leading to financial instability	Specialist employment advisors retained. Employment policies and procedures in place. Monitoring of employment legislation relating to Covid -19, options identified and actions implemented. Job evaluation project largely complete
Covid -19 risks leading to limitations in delivery of services	Arrangements in place to address backlog and safe access. Weekly monitoring of tenant accounts and proactive engagement with tenants to provide support and assistance to improve household financial viability

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 Kingdom 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.

PLANS FOR THE FUTURE

The Group’s mission remains providing *More Than A Home* and is 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 and KI are continuing to face a number of significant challenges, among them public sector funding pressures and welfare reforms affecting our tenants. The recovery from the effects of the Coronavirus pandemic forms a key part of our plans for the immediate future.

Looking further ahead, KHA and KI 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 lenders. KHA will continue with the preferred partner arrangements with the Fife Alliance and will form appropriate alliances and partnerships in areas where it considers it is able to provide housing for its target client group.

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KHA and KI have development plans for the next 5 years which include more than 2,003 homes being built for affordable housing letting along with Fife Alliance developments. KI is also exploring potential projects to further develop its business and complement that of the Group.

The Corporate Plan is reviewed annually and the Group's development capacity forecasted. A further 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.

KSC plans to further consolidate and expand its support and care activities, seeking economies of scale.

STATEMENT AS TO THE DISCLOSURE OF INFORMATION TO THE AUDITORS

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

AUDITORS

In accordance with the Group's governance requirements the appointment of auditors is due for re-tendering. A tendering exercise will be performed and a recommendation for appointment will be presented to the Board for approval in due course.

By Order of the Board

Freya Lees Chairperson

Date: 19 August 2021

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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 is 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 2021

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 2021

**Kingdom Housing Association Limited
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**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 16 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 17 to 18 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
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date: 2 September 2021

Kingdom Housing Association Limited
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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 2021 which comprise the consolidated statement of comprehensive income, Housing Association statement of comprehensive income, consolidated statement of financial position, Housing Association statement of financial position, consolidated statement of changes in reserves, Housing Association statement of changes in reserves, consolidated statement of cash flows, Housing Association statement of cash flows and notes to the financial statements, including 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 2021 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

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

**Kingdom Housing Association Limited
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**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 contained within the annual report. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 16, 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.

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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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the company operates in and how the company is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Housing SORP 2018, the Housing (Scotland) Act 2010 and the Scottish Housing Regulator's Determination of Accounting Requirements – February 2019. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are the Scottish Housing Regulator's Regulatory Framework (published 2019) and the Housing (Scotland) Acts 2006 and 2014. We performed audit procedures to inquire of management whether the Association is in compliance with these laws and regulations and inspected correspondence with licensing or regulatory authorities.

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

The group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is provided on the Financial Reporting Council's website at: <http://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
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date: 2 September 2021

Kingdom Housing Association Limited
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2021 £000	2020 £000
Turnover	3	37,708	34,389
Less: Operating expenditure	3	(27,880)	(25,330)
Gain on sale of housing properties	6	225	270
Operating surplus	5	<u>10,053</u>	<u>9,329</u>
Gain on sale of other fixed assets		-	8
Interest receivable and similar income	7	174	487
Interest payable and financing costs	8	(4,602)	(4,502)
Surplus on ordinary activities before taxation		<u>5,625</u>	<u>5,322</u>
Taxation	9	-	-
Surplus for the year		<u>5,625</u>	<u>5,322</u>
Other Comprehensive Income			
Actuarial (loss)/gain in respect of defined benefit pension scheme	20	(3,162)	3,809
Total comprehensive income for the year		<u><u>2,463</u></u>	<u><u>9,131</u></u>

The notes on pages 30 to 64 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
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HOUSING ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME

	Notes	2021 £000	2020 £000
Turnover	3	28,160	26,262
Less: Operating expenditure	3	(19,838)	(17,911)
Gain on sale of housing properties	6	225	270
Operating surplus	5	<u>8,547</u>	<u>8,621</u>
Gain on sale of other fixed assets		-	8
Interest receivable and similar income	7	453	671
Interest payable and financing costs	8	(4,600)	(4,498)
Surplus on ordinary activities before taxation	5	<u>4,400</u>	<u>4,802</u>
Taxation	9	-	-
Surplus for the year		<u>4,400</u>	<u>4,802</u>
Other Comprehensive Income			
Actuarial (loss)/gain in respect of defined benefit pension scheme	20	(3,162)	3,809
Total comprehensive income for the year		<u><u>1,238</u></u>	<u><u>8,611</u></u>

The notes on pages 30 to 64 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
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CONSOLIDATED AND HOUSING ASSOCIATION STATEMENT OF FINANCIAL POSITION

	Notes	2021 Group £000	2021 KHA £000	2020 Group £000	2020 KHA £000
Fixed assets					
Housing properties - depreciated cost	10	482,858	460,368	425,568	410,446
Other tangible fixed assets	10	1,218	1,218	1,213	1,213
Intangible fixed assets	10	60	60	95	95
Fixed asset investment - Subsidiaries	11	-	427	-	427
Total fixed assets		484,136	462,073	426,876	412,181
Current assets					
Properties held for sale	12	5,365	5,365	2,210	2,187
Stock and work in progress	13	573	573	323	323
Trade & other receivables:					
amounts falling due within one year	14	10,064	9,495	4,148	4,141
amounts falling due after one year	14	-	9,314	-	4,553
Cash & cash equivalents		38,591	36,598	57,517	55,774
		54,593	61,345	64,198	66,978
Payables: amounts falling due within one year	15	(30,655)	(28,569)	(19,790)	(18,068)
Net current assets		23,938	32,776	44,408	48,910
Total assets less current liabilities		508,074	494,849	471,284	461,091
Payables: amounts falling due after more than one year					
Deferred capital grants	16,17	(147,378)	(147,327)	(147,909)	(147,848)
Deferred capital grants	18	(295,277)	(285,480)	(262,898)	(254,918)
Defined benefit pension liability	20	(2,479)	(2,479)	-	-
		(445,134)	(435,286)	(410,807)	(402,766)
Net assets		62,940	59,563	60,477	58,325
Capital and reserves					
Share capital	21	-	-	-	-
Revenue reserves		62,940	59,563	60,477	58,325
		62,940	59,563	60,477	58,325

These Financial Statements were approved and authorised for issue by the Board of Management on 19 August 2021 and signed on its behalf by:

Freya Lees, Chairperson

The notes on pages 30 to 64 form part of these financial statements.

Kingdom Housing Association Limited
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STATEMENT OF CHANGES IN RESERVES

	2021	2020
	Income and expenditure reserve	Income and expenditure reserve
GROUP		
	£000	£000
At 1 April	60,477	51,346
Surplus for the year ended 31 March	5,625	5,322
Other comprehensive income:		
Actuarial (loss)/gain in respect of pension scheme	(3,162)	3,809
At 31 March	<u>62,940</u>	<u>60,477</u>
	Income and expenditure reserve	Income and expenditure reserve
KHA		
	£000	£000
At 1 April	58,325	49,714
Surplus for the year ended 31 March	4,400	4,802
Other comprehensive income:		
Actuarial (loss)/gain in respect of pension scheme	(3,162)	3,809
At 31 March	<u>59,563</u>	<u>58,325</u>

The notes on pages 30 to 64 form part of these financial statements.

Kingdom Housing Association Limited
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CONSOLIDATED CASH FLOW STATEMENT

	Notes	2021	2020
		£000	£000
Net cash inflow from operating activities	27	6,155	9,516
Cashflow from investing activities			
Purchase of tangible fixed assets		(62,764)	(66,185)
Purchase of other fixed assets		(46)	-
Purchase of assets held for sale		(3,400)	(60)
Receipts of housing grants		45,517	40,732
Receipts from sales of fixed assets		-	8
Proceeds on sale of assets held for sale		469	510
Interest received		427	336
Net cash used in investing activities		<u>(19,797)</u>	<u>(24,659)</u>
Cashflow from financing activities			
Interest paid		(4,638)	(4,104)
Housing loans received		-	50,000
Housing loans repaid		(646)	(886)
		<u>(5,284)</u>	<u>45,010</u>
Net (decrease)/increase in cash		(18,926)	29,867
Cash at beginning of year		<u>57,517</u>	<u>27,650</u>
Cash at end of year		<u>38,591</u>	<u>57,517</u>

The notes on pages 30 to 64 form part of these financial statements.

Kingdom Housing Association Limited
Report and Financial Statements
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HOUSING ASSOCIATION CASH FLOW STATEMENT

	Notes	2021 £000	2020 £000
Net cash inflow from operating activities	28	11,184	7,118
Cashflow from investing activities			
Purchase of tangible fixed assets		(55,378)	(58,866)
Purchase of other fixed assets		(47)	-
Purchase of assets held for sale		(3,423)	(511)
Receipts of housing grants		32,583	36,279
Receipts from sales of fixed assets		-	8
Proceeds on sale of assets held for sale		469	510
Interest received		706	521
Net cash used in investing activities		<u>(25,090)</u>	<u>(22,059)</u>
Cashflow from financing activities			
Interest paid		(4,635)	(4,099)
Housing loans received		-	50,000
Housing loans repaid		(635)	(876)
		<u>(5,270)</u>	<u>45,025</u>
Net (decrease)/increase in cash		(19,176)	30,084
Cash at beginning of year		<u>55,774</u>	<u>25,690</u>
Cash at end of year		<u>36,598</u>	<u>55,774</u>

The notes on pages 30 to 64 form part of these financial statements.

Kingdom Housing Association Limited
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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. KHA 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 accounting policies apply 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 2018 “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. In the light of the potential ongoing impact of the Coronavirus pandemic, stress testing has again been performed on the future financial forecasts, as described in the Strategic Report above, the results of which support the conclusion of going concern. Therefore the Board of Management believe that there are no material uncertainties in respect of going concern.

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 obligation and the annual defined benefit expenses. The net defined benefit pension liability at 31 March 2021 was £2,479k (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.

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g) Government Grants: Housing Association Grant and Other Grants

Housing Association Grant (HAG) is payable by Scottish Government 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 the 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) Furlough scheme

Furlough grants are to aid the retention of staff. These are taken to income when they are due to be received.

iv) 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.

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Non-housing grants

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

h) Employee Benefits

Short term employee benefits and contributions to defined contribution 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. KHA is able to identify its share of the DB Scheme assets and liabilities and therefore has applied defined benefit accounting. 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 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 and actuarial gains and losses 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.

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.

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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.

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:

Housing Properties	
Land	Infinite
Structure	100 years
Bathroom	35 years
Electrics	20 - 30 years
Doors	30 years
Electric Heating	20 years
Gas Heating	35 years
Kitchens	20 years
Roofs	60 years
Windows	30 years
Renewables	20 years
Lifts	25 years
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.

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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.

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 cash flows 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 cash flows 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.

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NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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.

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.

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

i) By Class of Business - Group	Turnover	Operating costs	Gain on sale of housing properties	Operating surplus/(deficit)	Operating surplus/(deficit)
	£000	£000	£000	2021 £000	2020 £000
Social lettings (Note 4 (i))	27,577	(18,578)	-	8,999	8,439
Other activities (Note 4 (iii))	10,131	(9,302)	-	829	620
Gain on sale of housing properties (Note 6)	-	-	225	225	270
	<u>37,708</u>	<u>(27,880)</u>	<u>225</u>	<u>10,053</u>	<u>9,329</u>
Total 2020:	<u>34,389</u>	<u>(25,330)</u>	<u>270</u>	<u>9,329</u>	

ii) By Class of Business - KHA	Turnover	Operating costs	Gain on sale of housing properties	Operating surplus/(deficit)	Operating surplus/(deficit)
	£000	£000	£000	£000	£000
Social lettings (Note 4 (ii))	23,990	(17,483)	-	6,507	6,067
Other activities (Note 4 (iv))	4,170	(2,355)	-	1,815	2,284
Gain on sale of housing properties (Note 6)	-	-	225	225	270
	<u>28,160</u>	<u>(19,838)</u>	<u>225</u>	<u>8,547</u>	<u>8,621</u>
Total 2020:	<u>26,262</u>	<u>(17,911)</u>	<u>270</u>	<u>8,621</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	2021	2020
	£000	£000	£000	Total £000	Total £000
Turnover					
Rent receivable net of service charges	22,386	722	528	23,636	21,365
Service charges	484	181	5	670	639
Gross income from rents & service charges	22,870	903	533	24,306	22,004
Less voids	(307)	(134)	(2)	(443)	(247)
Net income from rents & service charges	22,563	769	531	23,863	21,757
Grant released from deferred income	3,482	10	86	3,578	3,199
Revenue grant - Furlough scheme	136	-	-	136	-
Total turnover from social letting activities	26,181	779	617	27,577	24,956
				Total	Total
Operating costs for social letting activities	£000	£000	£000	£000	£000
Management & maintenance administration costs	5,990	3	266	6,259	5,125
Service costs	766	167	3	936	762
Planned and cyclical maintenance including major repairs costs	1,242	-	-	1,242	829
Reactive maintenance costs	3,727	19	14	3,760	4,353
Bad debts - rents & service charges	434	69	50	553	290
Depreciation of social housing	5,705	10	113	5,828	5,158
Operating costs for social letting activities	17,864	268	446	18,578	16,517
Operating surplus for social letting activities	8,317	511	171	8,999	8,439
2020 Operating surplus/ (deficit) for social letting activities	7,535	623	281	8,439	

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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	2021	2020
	£000	£000	£000	Total £000	Total £000
Turnover					
Rent receivable net of service charges	18,823	722	528	20,073	18,309
Service charges	484	181	5	670	638
Gross income from rents & service charges	19,307	903	533	20,743	18,947
Less voids	(263)	(134)	(2)	(399)	(216)
Net income from rents & service charges	19,044	769	531	20,344	18,731
Grant released from deferred income	3,414	10	86	3,510	3,177
Revenue grants – Furlough scheme	136	-	-	136	-
Total turnover from social letting activities	22,594	779	617	23,990	21,908
				Total	Total
Operating costs for social letting activities	£000	£000	£000	£000	£000
Management & maintenance administration costs	5,533	3	266	5,802	4,922
Service costs	679	167	3	849	685
Planned and cyclical maintenance including major repairs costs	1,232	-	-	1,232	803
Reactive maintenance costs	3,445	19	14	3,478	4,073
Bad debts - rents & service charges	349	69	50	468	262
Depreciation of social housing	5,530	10	114	5,654	5,096
Operating costs for social letting activities	16,768	268	447	17,483	15,841
Operating surplus for social letting activities	5,826	511	170	6,507	6,067
2020 Operating surplus for social letting activities	5,162	622	283	6,067	

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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	2021	2020
	£000	£000	£000	Total £000	Total £000
Wider role activities undertaken to support the community	-	-	-	-	-
Care & repair of property	269	-	-	269	310
Kingdom Works	887	-	-	887	729
Development and construction of property activities	-	-	-	-	-
Support activities	-	8,034	-	8,034	7,393
Other agency/management services	-	-	31	31	33
Developments for sale to registered social landlords	-	-	546	546	734
Developments and improvements for sale, (including first tranche shared ownership sales) to non registered social landlords	-	-	-	-	-
Factoring	-	-	81	81	101
Renewable energy	-	-	122	122	133
Other activities	-	-	161	161	-
Total turnover from other activities	1,156	8,034	941	10,131	9,433

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

				2021	2020
(iii) Other activities - Group (cont'd)	Total turnover	Operating costs - bad debts	Other operating costs	Operating surplus/ (deficit)	Operating surplus/ (deficit)
Operating surplus/ deficit - Group	£000	£000	£000	£000	£000
Wider role activities undertaken to support the community	-	-	-	-	-
Care & repair of property	269	-	(266)	3	7
Kingdom Works	887	-	(887)	-	-
Development and construction of property activities	-	-	(231)	(231)	(1)
Support activities	8,034	-	(7,080)	954	373
Other agency/management services	31	-	-	31	33
Developments for sale to registered social landlords (Note 12)	546	-	(617)	(71)	71
Developments and improvements for sale, (including first tranche shared ownership sales) to non registered social landlords	-	-	-	-	-
Factoring	81	4	(79)	6	16
Renewable energy	122	-	(9)	113	121
Inter company service level agreements	-	-	-	-	-
Other activities	161	-	(137)	24	-
Operating surplus / (deficit)	10,131	4	(9,306)	829	620
 2020 Operating surplus/ (deficit) for other activities	 9,433	 16	 (8,829)	 620	

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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	2021	2020
	£000	£000	£000	Total £000	Total £000
Wider role activities undertaken to support the community	-	-	-	-	-
Care & repair of property	266	-	3	269	310
Kingdom Works	887	-	-	887	729
Development and construction of property activities	-	-	-	-	-
Support activities	-	-	-	-	-
Other agency/management services	-	-	31	31	33
Developments for sale to registered social landlords	-	-	546	546	734
Lease rent received	-	-	1,839	1,839	1,684
Factoring	-	-	81	81	101
Renewable energy	-	-	122	122	133
Inter company service level agreements	-	-	233	233	597
Other activities	-	-	162	162	33
Total turnover from other activities	1,153	-	3,017	4,170	4,354

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

				2021	2020
(iv) Other activities - KHA (cont'd)	Total turnover	Operating costs - bad debts	Other operating costs	Operating surplus/(deficit)	Operating surplus/(deficit)
	£000	£000	£000	£000	£000
Wider role activities undertaken to support the community	-	-	-	-	-
Care & repair of property	269	-	(266)	3	7
Kingdom Works	887	-	(887)	-	-
Development and construction of property activities	-	-	(231)	(231)	(1)
Support activities	-	-	-	-	-
Other agency/management services	31	-	-	31	33
Developments for sale to registered social landlords (Note 12)	546	-	(617)	(71)	71
Lease rent received	1,839	-	-	1,839	1,684
Factoring	81	4	(79)	6	16
Renewable energy	122	-	(9)	113	121
Inter-company service level agreement	233	-	(133)	100	322
Other activities	162	-	(137)	25	31
Operating surplus / (deficit)	<u>4,170</u>	<u>4</u>	<u>(2,359)</u>	<u>1,815</u>	<u>2,284</u>
2020 Operating surplus/(deficit) for social letting activities	<u>4,354</u>	<u>16</u>	<u>(2,086)</u>	<u>2,284</u>	

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5. Operating surplus

	Group	KHA	Group	KHA
	2021	2021	2020	2020
	£000	£000	£000	£000
Operating surplus is stated after charging /crediting:				
Grants released from deferred income (Note 18)	4,578	4,510	4,387	4,366
Depreciation of housing properties (Note 10)	5,828	5,654	5,158	5,096
Depreciation of other tangible fixed assets (Note 10)	41	41	57	56
Amortisation of intangible fixed assets (Note 10)	35	35	51	44
Gain on sale of housing properties	225	225	270	270
Operating lease rental costs	146	172	169	194
Internal audit fees	14	14	24	24
Tax services and advice	7	3	11	9
External audit fees	39	28	26	19
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

	Group	Group
	& KHA	& KHA
	2021	2020
	£000	£000
Sale proceeds	469	510
Net book value of properties	(223)	(216)
Expenses on disposal of properties	(3)	(3)
Gain on sale of housing properties	243	291
Loss on disposal of components	(18)	(21)
	<u> </u>	<u> </u>
	<u>225</u>	<u>270</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 2021: 8 (2020: 7).

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

7. Interest receivable and similar income

	Group	KHA	Group	KHA
	2021	2021	2020	2020
	£000	£000	£000	£000
Interest receivable and similar income	174	453	487	671
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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8. Interest payable and finance costs

	Group	KHA	Group	KHA
	2021	2021	2020	2020
	£000	£000	£000	£000
Interest payable in the year has been charged as follows:				
Loan interest	4,602	4,600	4,407	4,403
Net interest expense on defined benefit pension liability (Note 20)	-	-	95	95
	<u>4,602</u>	<u>4,600</u>	<u>4,502</u>	<u>4,498</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	KHA	Group	KHA
	2021	2021	2020	2020
	£000	£000	£000	£000
Based upon the results for the year to 31 March:				
Corporation tax (charge)/receipt on income for the year on surplus on ordinary activities:	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Corporation tax is calculated at 19%, (2020: 19%). KHA and its subsidiaries are part of the KHA tax group, allowing certain taxable profits and losses to be offset within the Group. Interest on loans incurred by KHA is a tax allowable expense, which is used to offset profits in group companies through group relief.

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10. Fixed assets

(i) Housing properties - Group

	Shared Ownership properties held for letting	Housing properties held for letting	Housing properties in course of construction	Hostel properties held for letting	Housing properties total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2020	11,585	441,241	25,093	1,067	478,986
Additions during year	-	12,430	51,048	-	63,478
Disposals in year	(237)	(171)	-	-	(408)
Transfers	-	20,896	(20,896)	-	-
Transfers (to)/from receivables	(125)	-	-	-	(125)
At 31 March 2021	<u>11,223</u>	<u>474,396</u>	<u>55,245</u>	<u>1,067</u>	<u>541,931</u>
Depreciation					
At 1 April 2020	2,135	51,101	-	182	53,418
Provided during year (Note 4)	113	5,705	-	10	5,828
Disposals in year	(64)	(109)	-	-	(173)
At 31 March 2021	<u>2,184</u>	<u>56,697</u>	<u>-</u>	<u>192</u>	<u>59,073</u>
Net book value					
At 31 March 2021	<u>9,039</u>	<u>417,699</u>	<u>55,245</u>	<u>875</u>	<u>482,858</u>
At 31 March 2020	<u>9,450</u>	<u>390,140</u>	<u>25,093</u>	<u>885</u>	<u>425,568</u>

Description	Capitalised - included in housing additions		Expensed - included in SoCI		Total	
	2021	2020	2021	2020	2021	2020
	£000	£000	£000	£000	£000	£000
Major repairs costs-KHA	630	1,313	1,178	762	1,808	2,075
Major repairs costs-KI	-	-	10	26	10	26
Development administration costs	960	1,333	-	-	960	1,333

Included in KHA housing properties held for letting is land of £42,436k (2020: £38,767k).
KHA's properties have been reviewed for impairment and no provision was considered necessary.
No interest was capitalised during the year (2020: Nil).

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10. Fixed assets (cont'd)

(ii) Housing properties - KHA

	Shared Ownership properties held for letting	Housing properties held for letting	Housing properties in course of construction	Hostel properties held for letting	Housing properties total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2020	11,585	429,500	21,494	1,067	463,646
Additions during year	-	12,406	43,529	-	55,935
Disposals in year	(237)	(171)	-	-	(408)
Transfers	-	19,581	(19,581)	-	-
Transfers to receivables	(125)	-	-	-	(125)
At 31 March 2021	<u>11,223</u>	<u>461,316</u>	<u>45,442</u>	<u>1,067</u>	<u>519,048</u>
Depreciation					
At 1 April 2020	2,135	50,883	-	182	53,200
Provided during year	114	5,530	-	10	5,654
Disposals in year	(64)	(110)	-	-	(174)
At 31 March 2021	<u>2,185</u>	<u>56,303</u>	<u>-</u>	<u>192</u>	<u>58,680</u>
Net book value					
At 31 March 2021	<u>9,038</u>	<u>405,013</u>	<u>45,442</u>	<u>875</u>	<u>460,368</u>
At 31 March 2020	<u>9,450</u>	<u>378,617</u>	<u>21,494</u>	<u>885</u>	<u>410,446</u>

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10. Fixed assets (cont'd)

Stock numbers

	General housing	Support housing accommodation	Shared ownership housing	Total
Units owned				
As at 1 April 2020 - Owned by Group	4,780	3	248	5,031
As at 31 March 2021 - Owned by Group	5,085	3	240	5,328
As at 1 April 2020 - Owned by KHA	4,673	3	248	4,924
As at 31 March 2021 - Owned by KHA	4,970	3	240	5,213
Units in management				
As at 1 April 2020 - managed by Group	4,752	3	237	4,992
As at 31 March 2021 - managed by Group	4,969	3	229	5,201
As at 1 April 2020 - managed by KHA	4,149	3	237	4,389
As at 31 March 2021 - managed by KHA	4,288	3	229	4,520
As at 1 April 2020 - managed by Fairfield	180	-	11	191
As at 31 March 2021 - managed by Fairfield	252	-	11	263

Fairfield Housing Association operates in the Perth area managing KHA properties under a management agreement. The management fees payable in the year to Fairfield were £81,252 (2020: £61,270), of which £22,744 was a creditor at the year end (2020: no outstanding creditor).

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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 2020	1,751	246	224	321	2,542
Additions during year	-	-	46	-	46
Disposals in year	-	(37)	-	-	(37)
At 31 March 2021	<u>1,751</u>	<u>209</u>	<u>270</u>	<u>321</u>	<u>2,551</u>
Depreciation					
At 1 April 2020	547	242	224	316	1,329
Provided during year	33	3	2	3	41
Disposals	-	(37)	-	-	(37)
At 31 March 2021	<u>580</u>	<u>208</u>	<u>226</u>	<u>319</u>	<u>1,333</u>
Net book value					
At 31 March 2021	<u>1,171</u>	<u>1</u>	<u>44</u>	<u>2</u>	<u>1,218</u>
At 31 March 2020	<u>1,204</u>	<u>4</u>	<u>-</u>	<u>5</u>	<u>1,213</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 2020	1,750	243	224	321	2,538
Additions during year	-	-	46	-	46
Disposals in year	-	(37)	-	-	(37)
At 31 March 2021	<u>1,750</u>	<u>206</u>	<u>270</u>	<u>321</u>	<u>2,547</u>
Depreciation					
At 1 April 2020	547	239	224	315	1,325
Provided during year	33	3	2	3	41
Disposals	-	(37)	-	-	(37)
At 31 March 2021	<u>580</u>	<u>205</u>	<u>226</u>	<u>318</u>	<u>1,329</u>
Net book value					
At 31 March 2021	<u>1,170</u>	<u>1</u>	<u>44</u>	<u>3</u>	<u>1,218</u>
At 31 March 2020	<u>1,203</u>	<u>5</u>	<u>-</u>	<u>5</u>	<u>1,213</u>

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10. Fixed assets (cont'd)

(v) Intangible fixed assets – Computer software

	Group £000	KHA £000
Cost		
At 1 April 2020	619	598
Additions during year	-	-
At 31 March 2021	<u>619</u>	<u>598</u>
Amortisation		
At 1 April 2020	524	503
Provided during year	35	35
At 31 March 2021	<u>559</u>	<u>538</u>
Net book value		
At 31 March 2021	<u>60</u>	<u>60</u>
At 31 March 2020	<u>95</u>	<u>95</u>

11. Fixed asset investments

KHA:	2021 £000	2020 £000
Investments in subsidiaries		
Kingdom Support and Care CIC	427	427
Kingdom Initiatives Limited	-	-
	<u>427</u>	<u>427</u>

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.

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12. Properties held for sale

	Group	KHA	Group	KHA
	2021	2021	2020	2020
	£000	£000	£000	£000
Work in progress for other RSLs at 1 April	2,154	2,131	2,273	1,798
Cost additions during the year	4,707	4,634	2,332	1,947
Net transfers to operating costs on disposals	(1,625)	(1,529)	(2,451)	(1,614)
Balance of work in progress for other RSLs at 31 March	<u>5,236</u>	<u>5,236</u>	<u>2,154</u>	<u>2,131</u>
Shared ownership properties for sale at 1 April	56	56	117	117
Transfers & Sales	73	73	(61)	(61)
Shared ownership properties for sale at 31 March	<u>129</u>	<u>129</u>	<u>56</u>	<u>56</u>
Total properties held for sale	<u><u>5,365</u></u>	<u><u>5,365</u></u>	<u><u>2,210</u></u>	<u><u>2,187</u></u>

13. Stocks and work in progress

	Group	KHA	Group	KHA
	2021	2021	2020	2020
	£000	£000	£000	£000
Stock of materials held by Maintenance Team	<u>573</u>	<u>573</u>	<u>323</u>	<u>323</u>

14. Receivables

(i) Amounts falling due within one year

	Group	KHA	Group	KHA
	2021	2021	2020	2020
	£000	£000	£000	£000
Arrears of rent	1,643	1,458	1,061	981
less: Provision for bad debts	(1,177)	(1,038)	(680)	(625)
	466	420	381	356
Sundry receivables	2,089	1,576	1,753	1,456
Prepayments	145	121	184	184
Due from Kingdom Initiatives Limited	-	484	-	430
Corporation tax (Note 9)	-	-	-	-
Interest receivable	1	1	254	254
Car loans to employees	228	214	120	99
SHG in arrears	7,135	6,679	1,456	1,362
	<u><u>10,064</u></u>	<u><u>9,495</u></u>	<u><u>4,148</u></u>	<u><u>4,141</u></u>

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14. Receivables (cont'd)

(ii) Amounts falling due after more than one year

	Group	KHA	Group	KHA
	2021	2021	2020	2020
	£000	£000	£000	£000
Loans to KI	-	9,314	-	4,553

KHA has provided two loans to KI. A loan of £2,620k is repayable by regular instalments of interest and a bullet repayment, the last of which falls to be repaid by 2026. A further loan of £8,500k was agreed in 2019-20, of which £7,000k has been drawn down. The loan is repayable in regular instalments of principal and interest, the last of which falls to be repaid in 2049. The instalment due within one year is included in current receivables. Both loans bear interest at 4.5% and are secured by a bond and floating charge over the property and undertakings of KI. A loan of £500k to KSC was approved in March 2020; no draw downs have been made.

15. Payables: Amounts falling due within one year

	Group	KHA	Group	KHA
	2021	2021	2020	2020
	£000	£000	£000	£000
Contractors for certified work	6,831	5,537	6,477	5,339
Trade payables	6,494	6,461	1,149	1,141
Deferred capital grants (Note 18)	7,345	7,231	4,858	4,796
Sundry payables and accruals	4,698	4,178	2,542	2,150
Prepaid rent	523	505	337	317
Other taxation & social security costs	275	154	253	144
Due to Kingdom Support & Care CIC	-	24	-	18
Interest payable	841	841	806	806
Corporation tax (Note 9)	-	-	-	-
SHG repayable	1,636	1,636	1,241	1,241
Housing loans (Note 17)	2,012	2,002	2,127	2,116
	<u>30,655</u>	<u>28,569</u>	<u>19,790</u>	<u>18,068</u>

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

	Group	KHA	Group	KHA
	2020	2020	2020	2020
	£000	£000	£000	£000
Housing loans (Note 17)	<u>147,378</u>	<u>147,327</u>	<u>147,909</u>	<u>147,848</u>

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

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17. Loans

	Group	KHA	Group	KHA
	2021	2021	2020	2020
	£000	£000	£000	£000
Housing loans				
Loans secured by a charge on the Group's housing, land and buildings and advanced by private lenders:	<u>149,390</u>	<u>149,329</u>	<u>150,036</u>	<u>149,964</u>

The loans are repayable in a combination of annual instalments of principal and interest, and interest only with bullet repayments on maturity, up to 2049. The loans bear interest at rates between 0.36% and 4.725% (2020: 0.36% and 5.525%).

Amount falling due:

Within one year (note 15)	<u>2,012</u>	<u>2,002</u>	<u>2,127</u>	<u>2,116</u>
In 1 year or more but less than 2 years	12,031	12,021	2,127	2,116
In 2 years or more but less than 5 years	16,863	16,832	15,115	15,083
In more than 5 years	<u>118,484</u>	<u>118,474</u>	<u>130,667</u>	<u>130,649</u>
Amounts falling due after more than 1 year (Note 16)	<u>147,378</u>	<u>147,327</u>	<u>147,909</u>	<u>147,848</u>
	<u>149,390</u>	<u>149,329</u>	<u>150,036</u>	<u>149,964</u>

18. Deferred income – Government grants/other income

	Group	KHA	Group	KHA
	2021	2021	2020	2020
	£000	£000	£000	£000
As at 1 April	267,756	259,714	233,536	229,756
Receivable in year	39,699	37,762	38,742	34,459
Repayable	(255)	(255)	(135)	(135)
Released to income - social lettings	(3,578)	(3,510)	(3,198)	(3,177)
Released to income - other activities	<u>(1,000)</u>	<u>(1,000)</u>	<u>(1,189)</u>	<u>(1,189)</u>
As at 31 March	<u>302,622</u>	<u>292,711</u>	<u>267,756</u>	<u>259,714</u>
Amounts to be released within 1 year	7,345	7,231	4,858	4,796
Amounts to be released in more than 1 year	<u>295,277</u>	<u>285,480</u>	<u>262,898</u>	<u>254,918</u>
	<u>302,622</u>	<u>292,711</u>	<u>267,756</u>	<u>259,714</u>

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19. Financial instruments

	Group	KHA	Group	KHA
	2021	2021	2020	2020
	£000	£000	£000	£000
Financial assets: Debt instruments measured at amortised cost	<u>9,919</u>	<u>18,688</u>	<u>3,964</u>	<u>8,510</u>
Financial liabilities: Measured at amortised cost	<u>169,892</u>	<u>168,005</u>	<u>162,253</u>	<u>160,658</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 DB Scheme is a defined benefit scheme in the UK. 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.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2018, which revealed a deficit of £121m. A recovery plan is in place to eliminate the deficit, which will run to either 30 September 2022 or 31 March 2023, depending on funding levels. KHA's share of additional contributions for the year was £683k (2020: £675k), net of DB Scheme expenses, which will increase by 3% annually. DB Scheme expenses were £23k for the year and will remain fixed at this level until 31 March 2023.

Sufficient information is available in respect of the DB Scheme to enable KHA to account for its obligation on a defined benefit basis. For accounting purposes, a valuation of the DB Scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for the accounting year end 31 March 2019. Similarly, actuarial valuations of the scheme were carried out as at 30 September 2020 to inform the liabilities for accounting year ends from March 2021 to 28 February 2022 inclusive. The liabilities were compared at 31 March 2021 with KHA's fair share of the DB Scheme's total assets to calculate KHA's share of the deficit.

Under the defined benefit pension accounting approach, KHA's share of the DB Scheme's net deficit as at 31 March 2021 was £2,479k (2020: surplus £115k). The details are set out in the tables below.

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

Net defined benefit plan asset/liability	Group & KHA 2021 £000	Group & KHA 2020 £000
Fair value of plan assets	24,960	22,975
Present value of defined benefit obligation	(27,439)	(22,860)
Unrecognised surplus	-	(115)
Defined benefit (liability), (deficit) of plan to be recognised	<u>(2,479)</u>	<u>-</u>
Reconciliation of the impact of the asset ceiling	Group & KHA 2021 £000	
Impact on asset ceiling at 1 April	115	
Effect of asset ceiling included in the net interest cost	10	
Actuarial gains on asset ceiling	(125)	
Impact on asset ceiling at 31 March	<u>-</u>	
Defined benefit plan obligations at discounted cost	Group & KHA 2021 £000	Group & KHA 2020 £000
Defined benefit obligation at start of period	22,860	25,073
Expenses	23	20
Interest expense	530	581
Actuarial losses (gains) due to scheme experience	(103)	771
Actuarial losses (gains) due to changes in demographic assumptions	-	(146)
Actuarial losses (gains) due to changes in financial assumptions	4,969	(2,803)
Benefits paid and expenses	(840)	(636)
Defined benefit obligation at end of period	<u>27,439</u>	<u>22,860</u>
Defined benefit plan assets at fair value	Group & KHA 2021 £000	Group & KHA 2020 £000
Fair value of plan assets at start of period	22,975	20,686
Interest income	540	486
Experience on plan assets (excluding amounts included in interest income) – gain/ (loss)	1,579	1,746
Contributions by the employer	706	693
Benefits paid and expenses	(840)	(636)
Fair value of plan assets at end of period	<u>24,960</u>	<u>22,975</u>

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

The actual return on plan assets (including any changes in share of assets) over the period ended 31 March 2021 was £2,119,000 (2020: £2,232,000).

Plan costs recognised in Statement of Comprehensive Income	Group & KHA 2021 £000	Group & KHA 2020 £000
Expenses	23	20
Net interest expense	-	95
Defined benefit costs recognised in statement of comprehensive income (SoCI)	<u>23</u>	<u>115</u>
	Group & KHA 2021 £000	Group & KHA 2020 £000
	Group & KHA 2021 £000	Group & KHA 2020 £000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	1,579	1,746
Experience gains and losses arising on the plan liabilities - gain (loss)	103	(771)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	-	146
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	<u>(4,969)</u>	<u>2,803</u>
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(3,287)	3,924
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	<u>125</u>	<u>(115)</u>
Total amount recognised in other comprehensive income - gain (loss)	<u>(3,162)</u>	<u>3,809</u>

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

Analysis of plan assets	Group	Group
	& KHA	& KHA
	2021	2020
	£000	£000
Global Equity	3,861	3,160
Absolute Return	1,230	1,411
Distressed Opportunities	853	419
Credit Relative Value	719	553
Alternative Risk Premia	1,001	1,841
Emerging Markets Debt	1,006	817
Risk Sharing	892	728
Insurance-Linked Securities	521	616
Property	448	428
Infrastructure	1,394	1,355
Private Debt	588	455
Opportunistic Illiquid Credit	639	559
High Yield	654	-
Opportunistic Credit	682	-
Cash	9	-
Corporate Bond Fund	1,883	1,679
Liquid Credit	431	602
Long Lease Property	579	561
Secured Income	1,371	1,275
Over 15 Year Gilts	12	292
Liability Driven Investment	6,001	6,050
Net Current Assets	186	174
Total assets	24,960	22,975

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.

Key assumptions	Group &	Group &
	KHA	KHA
	2021	2020
	% per	% per
	annum	annum
Discount Rate	2.19%	2.36%
Inflation (RPI)	3.26%	2.58%
Inflation (CPI)	2.87%	1.58%
Salary Growth	3.87%	2.58%
	75% of	75% of
	maximum	maximum
Allowance for commutation of pension for cash at retirement	allowance	allowance

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

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	Group & KHA	Group & KHA
	2021	2020
	Life expectancy	Life expectancy
	at age 65	at age 65
	(Years)	(Years)
Male retiring in 2021	21.5	21.5
Female retiring in 2021	23.4	23.2
Male retiring in 2041	22.8	22.8
Female retiring in 2041	25.0	24.5

21. Share Capital

	2021	2020	2021	2020
	Number	Number	£	£
Group and KHA				
Shares of £1 each issued and fully paid:				
At 1 April	61	64	61	64
Issued during the year	3	-	3	-
Cancelled during the year	(5)	(3)	(5)	(3)
At 31 March	<u>59</u>	<u>61</u>	<u>59</u>	<u>61</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 or lost after missing usually 3 Annual General Meetings without submission of apologies.

22. Capital commitments

	Group	KHA	Group	KHA
	2021	2021	2020	2020
	£000	£000	£000	£000
Housing properties:				
Expenditure contracted but not provided in the financial statements	<u>78,190</u>	<u>74,196</u>	<u>57,911</u>	<u>49,091</u>

The capital commitments will be financed from existing cash balances, reinvestment of surpluses and further borrowings.

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23. Employees

	Group	KHA	Group	KHA
	2021	2021	2020	2020
i) Staff costs during year:	£000	£000	£000	£000
Wages and salaries	11,998	6,101	11,237	5,472
Social security costs	1,001	574	920	496
Other pension costs	636	450	562	387
Expenses of defined benefit pension scheme	23	23	20	20
	<u>13,658</u>	<u>7,148</u>	<u>12,739</u>	<u>6,375</u>

There were no redundancy costs incurred during the year included in the staff costs (2020: no redundancy costs incurred).

	Group	KHA	Group	KHA
	2021	2021	2020	2020
ii) Staff numbers:	No.	No.	No.	No.
Average weekly number of employees (including relief staff working on an "as required" basis)	<u>490</u>	<u>199</u>	<u>482</u>	<u>191</u>
<u>Number of Employees as at 31 March:</u>				
Support & Care staff	265	-	250	-
Administration staff	175	161	171	158
Maintenance staff	40	40	39	39
	<u>480</u>	<u>201</u>	<u>460</u>	<u>197</u>
Full time equivalent employees	<u>408</u>	<u>190</u>	<u>390</u>	<u>184</u>

Agency staff were employed during the year by the Group at a cost of £60,165 (2020: £260,688).

24. Auditors' remuneration

	Group	KHA	Group	KHA
	2021	2021	2020	2020
	£000	£000	£000	£000
Fees payable to RSM UK AUDIT LLP:				
Audit services	34	23	26	19
Tax services and advice	8	3	11	9
	<u>42</u>	<u>26</u>	<u>37</u>	<u>28</u>
Fees payable to Henderson Loggie LLP:				
Internal audit fees	14	14	8	8
Other fees	-	-	16	16
	<u>14</u>	<u>14</u>	<u>24</u>	<u>24</u>

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25. Payments to Members and Board members

No Member of KHA received any fee or remuneration during the year (2020: Nil). Members of the Board were reimbursed for out of pocket travel expenses amounting to £1,370 (2020: £3,473). During the year no member of the Board was a tenant of KHA (2020: nil). During the year one member of the Board was a sharing owner (2020: one). The sharing owner arrangements for this member are on normal terms.

KI employs one member of staff. Recharges are made for time spent by KHA staff on KI business. The amount charged during the period was £82k (2020: £78k).

26. Remuneration of key management personnel

	Group	KHA	Group	KHA
	2021	2021	2020	2020
	£000	£000	£000	£000
The aggregate remuneration of 6 directors (2020 – 5 directors) including benefits in kind was:	<u>562</u>	<u>454</u>	<u>568</u>	<u>462</u>
Pension contributions of directors were:	<u>39</u>	<u>32</u>	<u>37</u>	<u>30</u>
	2021	2021	2020	2020
	Number	Number	Number	Number
Emoluments (excluding pension contributions) were paid in the following bandings:				
£50,001 to £60,000	1	1	-	-
£80,001 to £90,000	2	1	3	2
£90,001 to £100,000	1	1	1	1
£120,001 to £130,000	1	1	1	1
	2021	2021	2020	2020
	£000	£000	£000	£000
The total emoluments (excluding pension contributions) received by the highest paid director were:	<u>127</u>	<u>127</u>	<u>122</u>	<u>122</u>

Key management personnel are defined to include the Chief Executive and other directors. 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 were 8% (2020: 8%) and amounted to £10,042 (2020: £9,654).

At the year end one key management personnel had a car loan from Kingdom Group. The balances of car loans due to KHA and the Group at 31 March 2021 were £nil (2020: £12,206) and £337 (2020: £16,582), respectively. The maximum balances outstanding during the year were £12,206 (2020: £12,206) and £16,582 (2020: £20,600) respectively. 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.

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

	2021	2020
	£000	£000
Cash generated from operations		
Surplus for the year	5,625	5,322
Actuarial (loss)/gain in respect of defined benefit pension scheme	(3,162)	3,809
Depreciation of tangible fixed assets	5,828	5,158
Depreciation of other fixed assets	41	57
Amortisation of intangible assets	35	51
Increase/(decrease) in pension provision/liability	2,479	(4,292)
Gain on disposal of fixed assets	-	(8)
Gain on disposal of assets held for sale	(225)	(270)
Amortisation of housing property capital grant	(4,578)	(4,387)
Corporation tax (received)/paid	-	-
Issue/(write off) of share capital	-	-
Interest received	(174)	(487)
Interest paid	4,602	4,407
Operating cashflows before movement in working capital	<u>10,471</u>	<u>9,360</u>
(Increase) in stock	(250)	(83)
(Increase) in receivables	(11,848)	(780)
Increase in payables	7,782	1,019
Total cash generated from operating activities	<u>6,155</u>	<u>9,516</u>
Corporation tax received/(paid)	-	-
Total cash flows from operating activities	<u><u>6,155</u></u>	<u><u>9,516</u></u>

Analysis of changes in net debt - Group

	At 1 April	Cash	Other	At 31
	2020	flows	changes	March
	£000	£000	£000	2021
	£000	£000	£000	£000
Cash and cash equivalents	57,517	(18,926)	-	38,591
Debt due within one year	(2,127)	646	(531)	(2,012)
Debt due in more than one year	(147,909)	-	531	(147,378)
	<u>(92,519)</u>	<u>(18,280)</u>	<u>-</u>	<u>(110,799)</u>

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

	2021	2020
	£000	£000
Cash generated from operations		
Surplus for the year	4,400	4,802
Actuarial (loss)/gain in respect of defined benefit pension scheme	(3,162)	3,809
Depreciation of tangible fixed assets	5,654	5,096
Depreciation of other fixed assets	41	56
Amortisation of intangible assets	35	45
Increase/(decrease) in pension provision/liability	2,479	(4,292)
Issue/(write off) of share capital	-	-
Gain on disposal of fixed assets	-	(8)
Gain on disposal of assets held for sale	(225)	(270)
Interest received	(453)	(672)
Interest paid	4,600	4,403
Corporation tax (received)/paid	-	-
Amortisation of housing property capital grant	(4,510)	(4,366)
Operating cashflows before movement in working capital	<u>8,859</u>	<u>8,603</u>
(Increase) in stock	(250)	(83)
(Increase) in receivables falling due within one year	(289)	(570)
(Increase) in receivables falling due in more than one year	(4,761)	(1,933)
Increase in payables	7,625	1,123
Total cash generated from operating activities	<u>11,184</u>	<u>7,140</u>
Corporation tax (received)/paid	-	(22)
Total cash flows from operating activities	<u><u>11,184</u></u>	<u><u>7,118</u></u>

Analysis of changes in net debt – KHA

	At 1 April	Cash	Other	At 31
	2020	flows	changes	March
	£000	£000	£000	2021
				£000
Cash and cash equivalents	55,774	(19,176)	-	36,598
Debt due within one year	(2,116)	635	(521)	(2,002)
Debt due in more than one year	(147,848)	-	521	(147,327)
	<u>(94,190)</u>	<u>(18,541)</u>	<u>-</u>	<u>(112,731)</u>

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29. Financial commitments

The annual commitments under non-cancellable operating leases, comprising mainly property leases and vehicle fleet leases, are as follows:

	Group	KHA	Group	KHA
	2021	2021	2020	2020
	£000	£000	£000	£000
Amounts due:				
Within one year	436	97	436	96
Between 1 and 5 years	263	134	596	146
	<u>699</u>	<u>231</u>	<u>1,032</u>	<u>242</u>

30. Operating lease income

KHA has future operating lease income receivable as follows:

	2021	2020
	£000	£000
Due within 1 year	26	26
Due between 1 - 2 years	4	26
Due between 3 - 5 years	4	8
	<u>34</u>	<u>60</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 £18,498k (2020: £18,749k) as at 30 September 2020, 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 2021 of £341m (2020: £301m) may be repayable to Scottish Government. The Board does not expect those circumstances to crystallise.

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 councillor 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 charged KI for purchases, expenses and management services provided by KHA amounting to £2,022k (2020: £2,212k). KI charged KHA for purchases and expenses totaling £33k (2020: £19k).

KHA received no gift aid from KI in respect of the year (2020: £32k).

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32. Related party transactions (cont'd)

At the date of the statement of financial position the balance due by KI to KHA was £9,838k (2020: £4,983k), including the balance of loans repayable. KI made interest payments to KHA during the year of £279k (2020: £184k) in accordance with the loan agreements.

KHA charged KSC for purchases, expenses and management services provided by KHA amounting to £815k (2020: £574k). KSC charged KHA for purchases and expenses totaling £21k (2020: £31k).

At the date of the statement of financial position the balance due to KSC by KHA was £24k (2020: £18k).

In April 2020 the Chief Executive, Bill Banks, was appointed Chief Executive of Fairfield Housing Association (FHA) in accordance with arrangements to improve the governance of FHA. KHA provides administrative, governance and financial services to FHA under the terms of a Service Level Agreement. FHA provides a property management service to KHA for its properties in the Perth area.