Kingdom Housing Association Limited

Consolidated Report and Financial Statements

for the year ended 31 March 2023

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

Kingdom Housing Association Limited
Report and Financial Statements
for the year ended 31 March 2023

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BOARD OF MANAGEMENT, EXECUTIVE, ADVISERS AND REGISTRATION DETAILS

Board of Management	Linda Leslie	Chairperson
	Laurie Naumann	Vice Chairperson
	Freya Lees	Vice Chairperson
	Gavin Thomson	Chair of Audit & Financial Compliance Committee
	Loretta Mordi	
	Tom Barr	(resigned December 2022)
	Laura Brotherton	(resigned September 2022)
	Graeme Mackay	
	Charles Oliver	
	David Redpath	
	Stephen Swan	
	Carol Watson	
	Alan Hobbett	(resigned November 2022)
	Ian Crocker	
	Dorothy MacCloy	(resigned November 2022)
Key Management Personnel	Thomas Barclay	Chief Executive and Company Secretary (appointed March 2023)
	William Banks	Chief Executive and Company Secretary (resigned March 2023)
	Ken Tudhope	Executive Director of Finance
	Susan McDonald	Executive Director of Operations
	Norah Smith	Executive Director, Kingdom Support & Care CIC (retired October 2022)
	Paul White	Executive Director, Kingdom Support & Care CIC (appointed October 2022)
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, Third Floor, 2 Semple Street, Edinburgh, EH3 8BL	
Principal Banker	Bank of Scotland	
Internal Auditors	Henderson Loggie LLP, Ground Floor, 11-15 Thistle Street, Edinburgh, EH2 1DF	

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 2023.

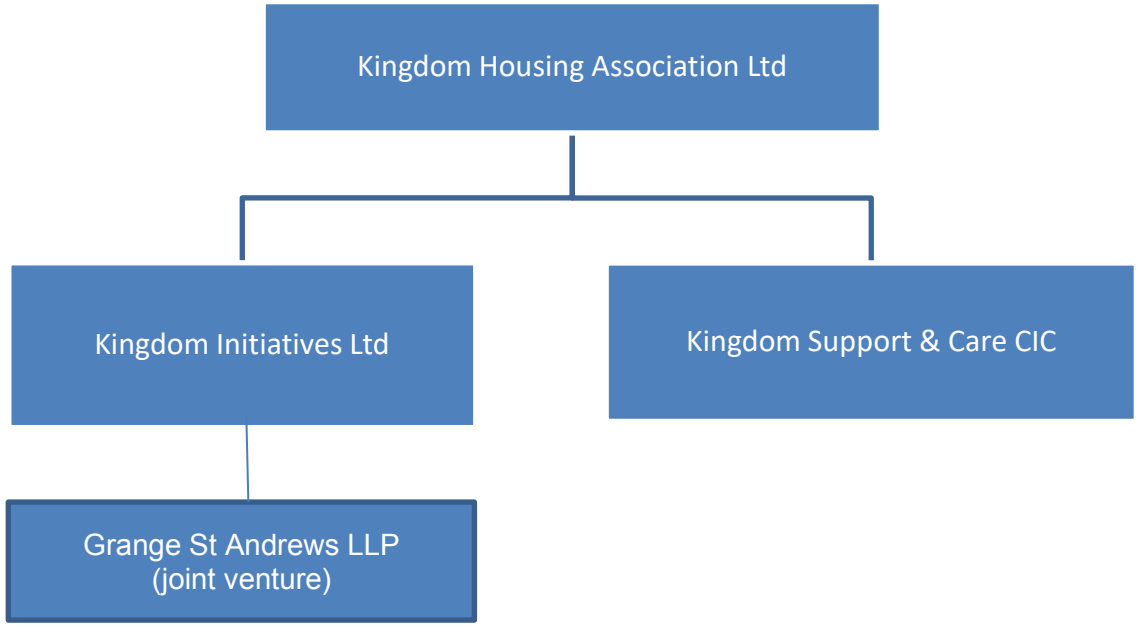
OBJECTIVES AND STRATEGY

The mission statement of the Kingdom Group is to provide 'more than a home' and this is reflected in the provision, management and maintenance of affordable, high quality houses and provision of home support and care services.

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.

GROUP STRUCTURE AND PRINCIPAL ACTIVITIES

The Kingdom Group is structured as follows:



1. Kingdom Housing Association Ltd (KHA)
   KHA is incorporated in Scotland and is a Registered Social Landlord (RSL) registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 as a mutual society and is also a Scottish charity. KHA's principal activity is the provision and management of affordable housing using Scottish Secure Tenancies throughout East Central Scotland.

2. Kingdom Initiatives Limited (KI)
   KI is a non-charitable company limited by shares (registration number SC383963) and is wholly owned by KHA. The principal activities of KI are to manage properties through Scottish Private Residential Tenancy agreements at mid-market rents (MMR), as well as a range of activities not

allowed to be undertaken by KHA as a Scottish charity, such as commercial ventures, development of private homes for sale or rent and other income generating initiatives.

3. Kingdom Support and Care Community Interest Company (KSC)
   KSC is a non-charitable Community Interest Company limited by shares (registration number SC545491) and is wholly owned by KHA. The principal activity of KSC is to provide support and care services to individuals across the Fife and Falkirk local authority areas, enabling individuals to continue to live independently in their own homes in their communities, despite medical conditions and disabilities.

4. Grange St Andrews LLP (GSA)
   GSA is a limited liability partnership (registration number SO307391), of which KI has a 51% share, created to undertake a joint venture with St Andrews University for the build and management of residential accommodation for rent to postgraduates. GSA remained dormant at year end.

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. GSA is managed jointly by representatives of KI and the University of St Andrews.

The governing body of KHA is a Board of Management (the Board) the members of which have a wide range of relevant skills and experience. The members of the Board are unpaid. The Executive Directors, who are accountable to the Board, do not own shares in KHA and do not have the legal status of directors per the Companies Act, but are considered to be key personnel for the purposes of statutory accounts disclosure.

The Board is supported by the following:

- Audit & Financial Compliance Committee;
- Senior Management Remuneration & Succession Planning Committee;
- Policy Committee.
- Internal audit function operated by an independent firm of auditors, Henderson Loggie LLP.

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, who have the legal status of director per the Companies Act. There are clear reporting arrangements between the members of the Group. The KHA Chief Executive also serves as a director of KI and KSC. All group companies operate within agreed rules, policies and financial regulations with delegated authority given to the Chief Executive and Executive Management Team. KI is the principal administrator of GSA, which consequently follows the Kingdom Group policies and procedures in agreement with St Andrews University.

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

PERFORMANCE

Highlights of Performance for the Year - Kingdom Group

The main highlights of the year for the Kingdom Group are set out below:

- 545 new affordable homes (2022: 465) completed for the Group and partner organisations;
- Integrated the business and staff of Fairfield Housing Association (FHA);
- Successfully established a co-housing development in Scone;
- 355 (2022: 360) people supported by our support and care subsidiary;
- Group financial reserves increased to £87m, which will be reinvested in housing and community initiatives;
- Lenders' covenants met;
- 540 (2022: 487) staff employed in the Group on good terms and conditions. KHA holds accreditations for IiP Gold and Best Companies and achieved IiYP Platinum accreditation;
- Successfully dealing with the challenge of the Coronavirus pandemic for our tenants and staff;
- Management of the impact of the cost of living crisis on tenants and staff.

KHA continues to be the lead social housing developer for 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.

The effects of the Coronavirus pandemic have reduced considerably and the staff teams have adapted to new ways of working. However, the cost of living crisis has created a further significant risk. Our housing team continues to work with our tenants to mitigate the difficulties arising, such as advising on fuel costs and maximising tenant income and thereby maintaining rental income. We shall continue to closely monitor the situation and the consequent financial impact throughout the crisis and take appropriate actions.

The operations and staff of the former Fairfield Housing Association Ltd (FHA) are being integrated into the Kingdom Group following the transfer of engagements effected on 1 December 2021. No major obstacles have been encountered and work is progressing to upgrade former FHA properties in accordance with the proposals in the transfer of engagements.

A new co-housing initiative comprising 51 units was implemented at Earlsgate in Scone, which sought to bring together people over the age of 55 years in a community that is safe and caring, empowering the tenants to manage many aspects of the property.

Financial Review of the Kingdom Group and KHA

The key financial results demonstrate that the Kingdom Group and KHA remain financially strong. A number of issues significantly affected the results in the year:

- Turnover reduced from last year due mainly to exceptionally large sales of £6.4m of new housing to partner organisations in 2021-22. However, this was offset to a large degree by the increase in rental income of 2.5% and the increase in the number of homes under Group management by 522, together with a full year of rental income associated with former FHA properties.
- Operating costs rose owing to global economic factors arising from recovery from Covid and the war in Europe.
- Total comprehensive income was impacted by two further significant items. Firstly, the impact of the FHA transfer of engagements in 2021-22 was a gain of £13.8m, which was non-

recurring. Secondly, the gain in 2021-22 in respect of the pension liability was reversed to a loss of £1.2m in 2022-23. Note 19 to the financial statements provides further details. While this loss is significant it does not have any impact on cash, as it relates to future liability.

- One financial impact of the cost of living crisis for KHA was a rise in the bad debt provision from 5% to 6% of rental income and a reduction in overall rent collections from 99.7% to 98.2%.
- The Group added 531 new homes to its owned portfolio, funded by an increase in loans and grants. Note 10 to the financial statements provides an analysis of homes owned and managed.

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

Description	Group			KHA	
	2023	2022		2023	2022
Turnover	£47.8m	£47.9m		£35.6m	£37.5m
(Loss)/gain in respect of pension liability	(£1.2m)	£1.9m		(£1.2m)	£1.9m
Gain from business combination	-	£13.8m		-	£13.8m
Total comprehensive income	£1.7m	£22.3m		£1.4m	£21.8m
Interest cover (ratio of surplus/interest payable)				192%	123%
Reserves	£87.0m	£85.3m		£82.8m	£81.4m
Cash at bank at year end	£39.3m	£9.8m		£36.1m	£6.6m
Gearing (ratio of net debt/net worth)				45%	40%
Housing properties	£623.8m	£578.3m		£597.3m	£551.8m
Loans due in more than one year	£220.3m	£152.5m		£220.3m	£152.4m
Deferred grants	£339.5m	£327.6m		£330.0m	£317.9m

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.

Performance - Group

Performance of the Group companies is managed through management scrutiny of key performance indicators (KPIs). Management takes corrective action where necessary. Quarterly reports are presented to the Board.

Performance - KHA

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 publicly available (www.housingregulator.gov.scot/landlord-performance). The principal KPIs and results against targets for KHA are set out below:

Housing management KPIs	Actual 2023	Target 2023	Actual 2022
Void loss (%)	1.77%	1.00%	0.72%
Rent and service charge income (%)	98.22%	98.00%	99.69%
Average time taken to re-let units	56 days	30 days	43 days

Performance in 2022-23 was affected by the cost of living crisis resulting in increases in the scale of arrears and reduction in the percentage of rent collected. We have continued to support tenants to secure the appropriate benefits and maximise their income so that KHA sustains rental income. Void loss and re-let times were adversely affected by staffing shortages.

Asset management KPIs	Actual 2023	Target 2023	Actual 2022
Emergency repairs (response target % achieved)	95.20%	97.00%	97.21%
Routine repairs (response target % achieved)	85.92%	92.00%	89.91%

Shortages in trade operatives remained challenging, resulting in under performance in asset management KPIs. Peer RSLs are experiencing similar challenges.

Capital investment KPIs	Actual 2023	Target 2023	Actual 2022
New units started on site	204	307	376
Total units completed	503	449	465
Tenant satisfaction with quality of new home	96%	94%	94%

Activity increased in 2022-23 following release of pandemic restrictions. We continue to do all that we can to mitigate the adverse impacts on our Affordable Housing Supply Programmes due to current exceptional inflationary and supply chain pressures resulting from national, European and global economic issues arising from the energy crisis and war in Europe. Quality is a key factor, which is reflected in high tenant satisfaction scores.

Treasury Management

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 the Treasury Management Policy. The Policy allows a maximum of 100% and a minimum of 50% at fixed rates of interest. In the current changeable financial environment KHA has sought to fix most of its debt interest, gaining certainty on those costs. As at 31 March 2023 KHA had 89% (2022: 95%) of its loan portfolio at fixed rates of interest. The weighted average cost of funds of all KHA's borrowings is 3.34% (2022: 3.07%).

KHA's lenders have set minimum levels of interest cover (operating surplus/interest payable) and 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 2023, 2,475 units (2022: 1,686 units) representing 38% (2022: 32%) of the total units owned were unencumbered and available for future lending security.

Performance - KI

During 2022-23 KI continued to manage 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:

	2023	2022
Units Owned	222	180
Units Managed on behalf of KHA	650	545
Units Managed on behalf of Fife Council	121	121
Total Units owned or managed	**993**	**846**

During the year, KI completed the developments that added 42 new units to its property portfolio.

The key financial statistics for KI are set out below:

Description	2023	2022
Turnover for year (£000s)	5,724	4,186
Surplus/(loss) for year after tax (£000s)	4	(48)
Operating profit margin (%)	11%	12%
Interest cover (%)	131%	112%
Gearing (%)	118%	117%
Emergency repairs completed on time (%)	97%	98%
Non-emergency repairs completed on time (%)	86%	84%
Rent and service charges collected (%)	98%	99%
Voids (%)	1.07%	2%
Total time to relet (days)	33	32

The increase in turnover is due to new rentals coming on stream. KI is not subject to covenants on its borrowings. However, the levels of interest cover and gearing are considered satisfactory for the business sector.

Performance – GSA

A two year new build programme of 61 units in St Andrews was commenced, which is funded initially by UoSA. An independent corporate funder is expected to purchase the completed units from UoSA and lease them to GSA. GSA will rent principally to postgraduates, designated by UoSA, and will be responsible for management of the units. Pending completion of contracts, GSA remained dormant at year end.

Performance - KSC

In 2022-23 KSC supported approximately 355 individuals (2022: 360) 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, KSC provided temporary accommodation and outreach services for people who were homeless throughout West Fife. New improved accommodations for the homeless service were developed in three locations if Fife, better suited to our clients' needs, delivering improvements in the service.

The key financial statistics for KSC are shown in the table below:

Description	2023	2022
Turnover	£9,962k	£8,853k
Operating surplus for the year	£351k	£548k
Operating profit margin (ratio of operating surplus to turnover)	3.52%	6.19%
Reserves	£2,236k	£1,887k
Net current assets	£2,663k	£2,314k
Cash at bank at year end	£3,052k	£2,802k

In 2022 Covid arrangements with the Local Authorities were put in place to ensure continuity of service and enhanced protection for the vulnerable people that KSC supports. These arrangements had a positive financial impact for KSC, but were reduced in 2023 in line with the reduction in Covid risk, which led to a reduction in surplus for the year. Both Local Authority (Fife and Falkirk) contracts continued until the end of 2023. However, services are continuing as normal pending renewal of contracts. Should contracts not be renewed staff would be transferred to the new provider in line with current regulations.

Staff turnover, which was 31% (2022: 36%) for the year, remains a key risk. An in-house personnel team has been established to address staffing issues specific to KSC. Work continues to reduce staff turnover through training and development.

KSC underwent inspections by the Care Inspectorate in December 2022 (Service 1) and January 2023 (Service 2). The gradings of individual services were as follows:

Service 1 - 4 Good
Service 2 - 2 Weak

In response to the weak grading an action plan was developed and implemented. Efforts will continue to further improve the quality of support delivered, the staff team and leadership.

GOING CONCERN

Following the easing of the Coronavirus pandemic the new risk of the cost of living crisis emerged, which led to the imposition of a temporary rent freeze and subsequent rent increase limits and restriction in evictions. The impact of the crisis is being carefully monitored. In order to provide assurance on the financial future of the Kingdom Group stress testing was again performed based on the 2023-24 budgets for each group company and the 30 year Corporate Plan. For KHA the budget stress test focused on rent restrictions, potential increases in voids and bad debts to determine the likely impact on the budgeted surplus for 2023-24 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 2023 Kingdom Group had cash reserves of £39m. The conclusion from the stress testing is that KHA remains a going concern for the foreseeable future.

Similar stress testing for the subsidiaries confirmed that they were also considered going concerns. KHA will continue to provide appropriate financial support, if required, within the covenant parameters set by lenders.

RISK MANAGEMENT

The Kingdom Group recognises its moral and statutory duty of care to its customers and 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 Committee.

Kingdom Group mitigates risk through the use of strong planning disciplines, monitoring of KPIs 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. The risks that were scored the most critical by management are set out below together with specific mitigating actions:

Significant Risks	Main mitigation controls
Cost of living. High inflation and increased costs resulting in customers struggling to pay rents.	Continue to undertake robust financial viability assessments to control our costs and enable below inflation rent increases. Maximise support for customers from external sources.
Risk of serious harm to a supported person due to staff action or inaction.	Health & Safety manual in place. Refresher training and reviews performed regularly. Health & Safety policies and procedures and staff training in place, including infection control. Risk assessments carried out.
Non-alignment to Scottish Government Programme to 2026 leading to reduction in support and funding, and reputational damage.	Management of internal costs in 2023/24, especially capital investment plans and maintenance. Monitoring of updates from Scottish Government and management of relations with Government.
Material non-compliance with legal and statutory requirements leading to SHR intervention, legal action, fines and reputational damage.	Management structures in place staffed by relevant experienced people. Internal and external audit programmes. Increased focus on compliance with gas safety and quality standards. Increased focus on Care Inspectorate gradings.
The risk of a cyber-attack on Kingdom's digital infrastructure, applications, networks, devices and data.	Robust systems in place that are regularly tested and training provided to all staff. Implementation of multi factor authentication for login providing 99.99% security access.
Procurement challenges and ineffective contract management, leading to loss of key services, fines and reputational damage.	Robust procurement and contract management processes in place that are reviewed on an ongoing basis by the Procurement Working Group. Audit of procurement showed a positive result.

THE ENVIRONMENT AND 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 maintenance programmes and new build housing, such as developing to Passivhaus standards.

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 continue to face a number of challenges, among them public sector funding pressures, welfare reforms affecting our tenants and the cost of living crisis. The response to the cost of living crisis forms a key part of our plans for the immediate future.

Looking further ahead, over the next 5 years KHA and KI will seek to optimise the development of more than 2,000 new properties within the constraints set by the levels of subsidy and a level of borrowing that can be serviced within the 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. KI's joint venture vehicle, GSA, is expected to commence the management of residential accommodation at the University of St Andrews in 2023-24 and is also exploring a number of other potential projects to further develop its business and complement that of the Group.

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

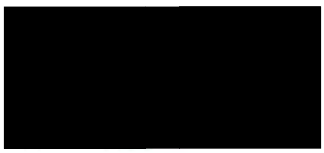
STATEMENT AS TO THE DISCLOSURE OF INFORMATION TO THE AUDITORS

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

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

By Order of the Board



Linda Leslie, Chairperson
Date: 21 August 2023

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

Linda Leslie, Chairperson

Date: 21 August 2023

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.

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

Linda Leslie, Chairperson

Date: 21 August 2023

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 pages 13 to 14 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 13 to 14 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

RSM UK AUDIT LLP
Statutory Auditor Chartered Accountants
Third Floor
2 Semple Street
Edinburgh
EH3 8BL

Date: 24/08/23

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 2023 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 2023 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.

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 12, 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.

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 group audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the Group and Association operate in and how the Group and Association are 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, Companies Act 2006, 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 and the Co-operative and Community Benefit Societies Act 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.

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 and the risk of fraud in revenue recognition as the areas 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.

For revenue recognition, the audit procedures included, but were not limited to performing detailed testing of other income by agreeing the amounts recognised to supporting documentation, focusing on the existence and valuation of income recognised.

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

RSM UK AUDIT LLP
Statutory Auditor
Chartered Accountants
Third Floor
2 Semple Street
Edinburgh
EH3 8BL

Date: 24/08/23

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2023	2022
		£000	£000
Turnover	3	47,762	47,849
Less: Operating expenditure	3	(39,502)	(38,528)
Gain on sale of housing properties	6	169	1,908
Operating surplus	5	8,429	11,229
Business combination - Excess of fair value of assets over the fair value of liabilities acquired	21	-	13,770
Gain on sale of other fixed assets		-	1
Interest receivable and similar income	7	26	30
Interest payable and financing costs	8	(5,493)	(4,622)
Surplus on ordinary activities before taxation		2,962	20,408
Taxation	9	-	-
Surplus for the year		2,962	20,408
Other Comprehensive Income			
Actuarial (loss)/gain in respect of defined benefit pension scheme	19	(1,235)	1,906
Total comprehensive income for the year		1,727	22,314

The notes on pages 26 to 62 form part of these financial statements.

The results relate wholly to continuing operations.

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

HOUSING ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME

	Notes	2023	2022
		£000	£000
Turnover	3	35,585	37,479
Less: Operating expenditure	3	(28,310)	(29,199)
Gain on sale of housing properties	6	169	1,908
Operating surplus	5	7,444	10,188
Business combination - Excess of fair value of assets over the fair value of liabilities acquired	21	-	13,770
Gain on sale of other fixed assets		-	1
Interest receivable and similar income	7	654	570
Interest payable and financing costs	8	(5,489)	(4,619)
Surplus on ordinary activities before taxation	5	2,609	19,910
Taxation	9	-	-
Surplus for the year		2,609	19,910
Other Comprehensive Income			
Actuarial (loss)/gain in respect of defined benefit pension scheme	19	(1,235)	1,906
Total comprehensive income for the year		1,374	21,816

The notes on pages 26 to 62 form part of these financial statements.

The results relate wholly to continuing operations.

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

CONSOLIDATED AND HOUSING ASSOCIATION STATEMENT OF FINANCIAL POSITION

	Notes	2023 Group £000	2023 KHA £000	2022 Group £000	2022 KHA £000
Fixed assets					
Housing properties - depreciated cost	10	623,842	597,315	578,286	551,788
Other tangible fixed assets	10	1,328	1,328	1,261	1,261
Intangible fixed assets	10	2	2	30	30
Fixed asset investments	11	-	427	-	427
Total fixed assets		625,172	599,072	579,577	553,506
Current assets					
Properties held for sale	12	2,274	2,274	642	642
Stock and work in progress	13	827	827	351	351
Trade & other receivables:					
amounts falling due within one year	14	5,582	5,870	9,451	9,425
amounts falling due after one year	14	-	13,609	-	13,902
Cash & cash equivalents		39,332	36,114	9,799	6,564
		48,015	58,694	20,243	30,884
Payables: amounts falling due within one year	15	(25,625)	(24,023)	(34,460)	(32,646)
Net current assets/ (liabilities)		22,390	34,671	(14,217)	(1,762)
Total assets less current liabilities		647,562	633,743	565,360	551,744
Payables: amounts falling due after more than one year	16,17	(220,295)	(220,264)	(152,466)	(152,425)
Deferred capital grants	18	(339,519)	(329,959)	(327,640)	(317,940)
Defined benefit pension liability	19	(767)	(767)	-	-
		(560,581)	(550,990)	(480,106)	(470,365)
Net assets		86,981	82,753	85,254	81,379
Capital and reserves					
Share capital	20	-	-	-	-
Revenue reserves		86,860	82,632	85,123	81,248
Restricted reserve		121	121	131	131
		86,981	82,753	85,254	81,379

These Financial Statements were approved and authorised for issue by the Board of Management on 21 August 2023 and signed on its behalf by:

Linda Leslie, Chairperson

The notes on pages 26 to 62 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES

	2023 Income and expenditure reserve	2023 Restricted reserve	2022 Income and expenditure reserve	2022 Restricted reserve
GROUP				
	£000	**£000**	**£000**	**£000**
At 1 April	85,123	131	62,940	-
Surplus for the year ended 31 March	2,962		20,408	
Restricted reserve acquired from business combination	-	-	(131)	131
Transfer of restricted expenditure to restricted reserve	10	(10)	-	-
Other comprehensive income:				
Actuarial (loss)/gain in respect of pension scheme	(1,235)	-	1,906	-
At 31 March	86,860	121	85,123	131

	Income and expenditure reserve	Restricted reserve	Income and expenditure reserve	Restricted reserve
KHA				
	£000	**£000**	**£000**	**£000**
At 1 April	81,248	131	59,563	-
Surplus for the year ended 31 March	2,609	-	19,910	-
Restricted reserve acquired from business combination	-	-	(131)	131
Transfer of restricted expenditure to restricted reserve	10	(10)	-	-
Other comprehensive income:				
Actuarial (loss)/gain in respect of pension scheme	(1,235)	-	1,906	-
At 31 March	82,632	121	81,248	131

The restricted reserve relates to a fund acquired in the transfer of engagements from FHA. The funds are restricted to the improvement of land and buildings in the Tulloch area of the City of Perth.

The notes on pages 26 to 62 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Notes	2023	2022
		£000	£000
Net cash flow from operating activities	27	12,235	816
Cashflow from investing activities			
Purchase of tangible fixed assets		(53,491)	(82,591)
Purchase of other fixed assets		(121)	53
(Purchase)/disposal of properties held for sale		(1,631)	4,723
Receipts of housing grants		19,423	38,521
Receipts from sales of fixed assets		499	3,116
Interest received		26	30
Cash received on business combination		-	2,562
Net cash used in investing activities		(35,295)	(33,586)
Cashflow from financing activities			
Interest paid		(5,306)	(4,642)
Housing loans received		70,000	15,280
Housing loans repaid		(12,101)	(6,660)
		52,593	3,978
Net increase/(decrease) in cash		29,533	(28,792)
Cash at beginning of year		9,799	38,591
Cash at end of year		39,332	9,799

The notes on pages 26 to 62 form part of these financial statements.

HOUSING ASSOCIATION CASH FLOW STATEMENT

	Notes	2023	2022
		£000	£000
Net cash flow from operating activities	28	11,065	(11,628)
Cash flow from investing activities			
Purchase of tangible fixed assets		(52,948)	(77,496)
Purchase of other fixed assets		(120)	53
(Purchase)/disposal of properties held for sale		(1,631)	4,722
Receipts of housing grants		19,423	44,077
Receipts from sales of fixed assets		499	3,116
Interest received		654	570
Cash received on business combination		-	2,562
Net cash used in investing activities		(34,123)	(22,396)
Cashflow from financing activities			
Interest paid		(5,302)	(4,640)
Housing loans received		70,000	15,290
Housing loans repaid		(12,090)	(6,660)
		52,608	3,990
Net increase/(decrease) in cash		29,550	(30,034)
Cash at beginning of year		6,564	36,598
Cash at end of year		36,114	6,564

The notes on pages 26 to 62 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Legal status

Kingdom Housing Association Limited (KHA) is a Registered Social Landlord incorporated under the Co-operative and Community Benefit Societies Act 2014. It is registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010 and is a Scottish Charity. 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. KI has a 51% share of Grange St Andrews LLP, a joint venture company.

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.

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 cost of living crisis and 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.

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 2023 was £767k (see (h) below and Note 19 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) Fixed asset investments

KHA's investment in its subsidiary companies, KI and KSC, is accounted for at cost less impairment. KI's investment in its joint venture company is initially recognised at transaction price and is subsequently adjusted for its share of profits or losses, other comprehensive income and equity of the joint venture company.

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 ownership 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 ownership properties is recognised on legal completion of the sales transaction.

Support and care services income is recognised when due under the agreed contractual terms.

g) 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) Building components

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

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

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

Government grants are repayable under certain circumstances, primarily following the sale of a property, but will normally be restricted to the net proceeds of sale. A contingent liability is included at Note 31 detailing the level of grants potentially repayable.

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

Non-housing grants

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

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 19).

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.

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 used an agent, Fairfield Housing Association Ltd (FHA), to manage a number of its properties. There was a management agreement in place that sets out the service levels required by KHA. The cost of managing the properties was charged to expenditure on an accruals basis. The agency agreement with FHA ended on 1 December 2021 co-terminously with the execution of the transfer of engagement.

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.

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, Work in Progress and Properties Held for Sale

Inventories are stated at the lower of cost and fair value less costs to sell. Developments in progress for other Registered Social Landlords and shared equity scheme properties are included in properties held for sale at cost. Shared ownership properties due for sale are included in properties held for sale 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.

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.

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)
				2023	2022
	£000	£000	£000	£000	£000
Social lettings (Note 4 (i))	35,738	(27,395)	-	8,343	8,517
Other activities (Note 4 (iii))	12,024	(12,107)	-	(83)	804
(Loss)/gain on disposal of housing properties (Note 6)	-	-	169	169	1,908
	47,762	(39,502)	169	8,429	11,229
Total 2022:	47,849	(38,528)	1,908	11,229	

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))	30,041	(25,632)	-	4,409	5,528
Other activities (Note 4 (iv))	5,544	(2,678)	-	2,866	2,752
Gain on disposal of housing properties (Note 6)	-	-	169	169	1,908
	35,585	(28,310)	169	7,444	10,188
Total 2022:	37,479	(29,199)	1,908	10,188	

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	2023 Total	2022 Total
Turnover	**£000**	**£000**	**£000**	**£000**	**£000**
Rent receivable net of service charges	29,593	516	481	30,591	26,092
Service charges	754	128	2	883	657
Gross income from rents & service charges	30,347	644	483	31,474	26,749
Less voids	(509)	(12)	-	(521)	(297)
Net income from rents & service charges	29,838	632	483	30,953	26,452
Grant released from deferred income	4,484	10	84	4,578	3,756
Revenue grants from Scottish Ministers	63	-	-	63	69
Other revenue grants	144	-	-	144	17
Total turnover from social letting activities	34,529	642	567	35,738	30,294
Operating costs for social letting activities	**£000**	**£000**	**£000**	**£000**	**£000**
Management & maintenance administration costs	8,304	20	290	8,614	6,647
Service costs	1,517	3	48	1,568	1,154
Planned and cyclical maintenance including major repairs costs	1,560	-	-	1,560	1,085
Reactive maintenance costs	6,926	16	225	7,167	6,229
Bad debts - rents & service charges	655	(37)	5	623	127
Depreciation of social housing	7,746	10	107	7,863	6,535
Operating costs for social letting activities	26,708	12	675	27,395	21,777
Operating surplus/(deficit) for social letting activities	7,821	630	(108)	8,343	8,517
2022 Operating surplus/ (deficit) for social letting activities	7,789	707	21	8,517	

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	2023	2022
				Total	Total
Turnover	**£000**	**£000**	**£000**	**£000**	**£000**
Rent receivable net of service charges	23,965	516	481	24,962	21,929
Service charges	752	128	2	882	657
Gross income from rents & service charges	24,717	644	483	25,844	22,586
Less voids	(446)	(12)	-	(458)	(219)
Net income from rents & service charges	24,271	632	483	25,386	22,367
Grant released from deferred income	4,354	10	84	4,448	3,681
Revenue grants from Scottish Ministers	63	-	-	63	69
Other revenue grants	144	-	-	144	17
Total turnover from social letting activities	28,832	642	567	30,041	26,134
				Total	**Total**
Operating costs for social letting activities	**£000**	**£000**	**£000**	**£000**	**£000**
Management & maintenance administration costs	8,002	20	290	8,312	6,293
Service costs	1,324	3	48	1,375	1,043
Planned and cyclical maintenance including major repairs costs	1,529	-	-	1,529	1,064
Reactive maintenance costs	6,202	16	225	6,443	5,799
Bad debts - rents & service charges	464	(38)	5	431	60
Depreciation of social housing	7,425	10	107	7,542	6,347
Operating costs for social letting activities	24,946	11	675	25,632	20,606
Operating surplus/(deficit) for social letting activities	3,886	631	(108)	4,409	5,528
2022 Operating surplus/(deficit) for social letting activities	4,800	707	21	5,528	

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	2023	2022
				Total	Total
Turnover	**£000**	**£000**	**£000**	**£000**	**£000**
Care & repair of property	307	-	-	307	560
Kingdom Works	873	-	-	873	1,048
Support activities	-	9,940	-	9,940	8,833
Other agency/management services	-	-	19	19	301
Developments for sale to registered social landlords	-	-	-	-	6,372
Sales of shared equity properties	-	-	752	752	-
Factoring	-	-	79	79	162
Renewable energy	-	-	26	26	138
Other activities	-	-	28	28	141
Total turnover from other activities	1,180	9,940	904	12,024	17,555

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

(iii) Other activities - Group (cont'd)	**Total turnover**	**Operating costs - bad debts**	**Other operating costs**	**2023 Operating surplus/ (deficit)**	**2022 Operating surplus/ (deficit)**
Operating surplus/ deficit - Group	**£000**	**£000**	**£000**	**£000**	**£000**
Care & repair of property	307	-	(299)	8	121
Kingdom Works	873	-	(873)	-	-
Development and construction of property activities	-	-	(467)	(467)	(537)
Support activities	9,940	-	(9,611)	329	529
Other agency/management services	19	-	-	19	301
Developments for sale to registered social landlords (Note 12)	-	-	2	2	149
Sales of shared equity properties	752	-	(752)	-	-
Factoring	79	(5)	(85)	(11)	66
Renewable energy	26	-	-	26	138
Other activities	28	-	(17)	11	37
Operating surplus/(deficit)	12,024	(5)	(12,102)	(83)	804
2022 Operating surplus/(deficit) for other activities	17,555	(12)	(16,739)	804	

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	2023	2022
				Total	Total
Turnover	**£000**	**£000**	**£000**	**£000**	**£000**
Care & repair of property	300	-	7	307	560
Kingdom Works	873	-	-	873	1,048
Other agency/management services	-	-	19	19	301
Developments for sale to registered social landlords	-	-	-	-	6,372
Lease income received (MMR)	-	-	3,010	3,010	2,251
Sales of shared equity properties	-	-	752	752	-
Factoring	-	-	79	79	162
Renewable energy	-	-	26	26	138
Inter-company service level agreements	-	-	450	450	372
Other activities	-	-	28	28	141
Total turnover from other activities	1,173	-	4,371	5,544	11,345

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

				2023	2022
(iv) Other activities - KHA (cont'd)	**Total turnover**	**Operating costs - bad debts**	**Other operating costs**	**Operating surplus/(deficit)**	**Operating surplus/(deficit)**
Operating surplus/ deficit - KHA	**£000**	**£000**	**£000**	**£000**	**£000**
Care & repair of property	307	-	(299)	8	121
Kingdom Works	873	-	(873)	-	-
Development and construction of property activities	-	-	(467)	(467)	(537)
Other agency/management services	19	-	-	19	301
Developments for sale to registered social landlords	-	-	2	2	149
Lease income received (MMR)	3,010	-	-	3,010	2,251
Sales of shared equity properties	752	-	(752)	-	-
Factoring	79	(5)	(85)	(11)	66
Renewable energy	26	-	-	26	138
Inter-company service level agreements	450	-	(182)	268	226
Other activities	28	-	(17)	11	37
Operating surplus/(deficit)	5,544	(5)	(2,673)	2,866	2,752
2022 Operating surplus/(deficit) for social letting activities	11,345	(12)	(8,581)	2,752	

5. Operating surplus

	Group 2023 £000	KHA 2023 £000	Group 2022 £000	KHA 2022 £000
Operating surplus is stated after charging /crediting:				
Grants released from deferred income (Note 18)	4,578	4,448	10,950	10,875
Depreciation of housing properties (Note 10)	7,863	7,542	6,535	6,347
Depreciation of other tangible fixed assets (Note 10)	53	53	50	50
Amortisation of intangible fixed assets (Note 10)	28	28	30	30
Gain on disposal of housing properties	169	169	1,908	1,908
Operating lease rental costs	256	283	101	127
Internal audit fees	21	21	10	10
Tax services and advice	10	5	8	4
External audit fees	38	25	34	23

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

	Group & KHA 2023 £000	Group & KHA 2022 £000
Sale proceeds	499	3,115
Net book value of properties	(155)	(1,084)
Expenses on disposal of properties	(4)	(6)
Gain on sale of housing properties	340	2,025
Loss on disposal of components	(171)	(117)
	169	1,908

The gain on sale of Shared Ownership housing properties arises from the sale of tranches of 25%, 50% or 75% of the whole of each property. Properties sold in 2023: 5 (2022: 8).
In 2022 a surplus of £1.4 million was realised in respect of the sale of properties to Fife Council.
The loss on disposal of components arises from the replacements of components in general rented housing properties.

7. Interest receivable and similar income

	Group 2023 £000	KHA 2023 £000	Group 2022 £000	KHA 2022 £000
Interest receivable and similar income	26	654	30	570

8. Interest payable and finance costs

	Group 2023 £000	KHA 2023 £000	Group 2022 £000	KHA 2022 £000
Interest payable in the year has been charged as follows:				
Loan interest	5,493	5,489	4,584	4,581
Net interest expense on defined benefit pension liability (Note 19)	-	-	38	38
	5,493	5,489	4,622	4,619

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 2023 £000	KHA 2023 £000	Group 2022 £000	KHA 2022 £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:	-	-	-	-
	-	-	-	-

Corporation tax is calculated at 19%, (2022: 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.

10. Fixed assets

(i) Housing properties - Group

	Shared Ownership held for letting	Housing held for letting	Housing in course of construction	Hostel held for letting	Housing properties total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2022	10,976	537,081	93,896	1,067	643,020
Additions during year	-	5,163	48,911	-	54,074
Disposals in year	(208)	(639)	-	-	(847)
Transfers	-	89,194	(89,194)	-	-
Transfers to property held for sale	-	(328)	-	-	(328)
At 31 March 2023	10,768	630,471	53,613	1,067	695,919
Depreciation					
At 1 April 2022	2,243	62,288	-	203	64,734
Provided during year (Note 4)	107	7,746	-	10	7,863
Disposals in year	(53)	(467)	-	-	(520)
At 31 March 2023	2,297	69,567	-	213	72,077
Net book value					
At 31 March 2023	8,471	560,904	53,613	854	623,842
At 31 March 2022	8,733	474,793	93,896	864	578,286

Description	Capitalised - included in housing additions	
	2023	2022
	£000	£000
Major repairs costs-KHA	2,612	1,807
Major repairs costs-KI	1	-
Development administration costs - KHA	1,189	784
Development administration costs - KI	159	99

Included in Group housing held for letting is land amounting to £55,057k (2022: £49,031k).
Included in KHA housing held for letting is land amounting to £52,091k (2022: £48,056).
There are no indicators of impairment identified and therefore no impairment review was considered necessary.
No interest was capitalised by the Group during the year (2022: Nil).

10. Fixed assets (cont'd)

(ii) Housing properties – KHA

	Shared Ownership held for letting	Housing held for letting	Housing in course of construction	Hostel held for letting	Housing properties total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2022	10,976	516,729	87,169	1,067	615,941
Additions during year	-	5,106	48,617	-	53,723
Disposals in year	(208)	(638)	-	-	(846)
Transfers	-	82,173	(82,173)	-	-
Transfers to properties held for sale	-	(328)	-	-	(328)
At 31 March 2023	10,768	603,042	53,613	1,067	668,490
Depreciation					
At 1 April 2022	2,244	61,706	-	203	64,153
Provided during year	107	7,425	-	10	7,542
Disposals in year	(53)	(467)	-	-	(520)
At 31 March 2023	2,298	68,664	-	213	71,175
Net book value					
At 31 March 2023	8,470	534,378	53,613	854	597,315
At 31 March 2022	8,732	455,023	87,169	864	551,788

10. Fixed assets (cont'd)

Stock numbers

	General housing	Support housing accommodation	Shared ownership housing	Total
Units owned				
As at 1 April 2022 - Owned by Group	5,948	16	231	6,195
As at 31 March 2023 - Owned by Group	**6,483**	**16**	**227**	**6,726**
As at 1 April 2022 - Owned by KHA	5,768	16	231	6,015
As at 31 March 2023 - Owned by KHA	**6,261**	**16**	**227**	**6,504**
Units in management				
As at 1 April 2022 - managed by Group	6,078	16	231	6,325
As at 31 March 2023 - managed by Group	**6,604**	**16**	**227**	**6,847**
As at 1 April 2022 - managed by KHA	5,244	16	231	5,491
As at 31 March 2023 - managed by KHA	**5,623**	**16**	**227**	**5,866**

(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 2022	1,745	221	241	155	2,362
Additions during year	-	12	108	-	120
At 31 March 2023	1,745	233	349	155	2,482
Depreciation					
At 1 April 2022	535	211	206	149	1,101
Provided during year	33	5	11	4	53
At 31 March 2023	568	216	217	153	1,154
Net book value					
At 31 March 2023	1,177	17	132	2	1,328
At 31 March 2022	1,210	10	35	6	1,261

10. Fixed assets (cont'd)

(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 2022	1,744	218	241	155	2,358
Additions during year	-	12	108	-	120
At 31 March 2023	1,744	230	349	155	2,478
Depreciation					
At 1 April 2022	535	208	206	148	1,097
Provided during year	33	5	11	4	53
At 31 March 2023	568	213	217	152	1,150
Net book value					
At 31 March 2023	1,176	17	132	3	1,328
At 31 March 2022	1,209	10	35	7	1,261

10. Fixed assets (cont'd)

(v) Intangible fixed assets – Computer software

	Group £000	KHA £000
Cost		
At 1 April 2022	345	324
Additions during year	-	-
At 31 March 2023	345	324
Depreciation		
At 1 April 2022	315	294
Provided during year	28	28
At 31 March 2023	343	322
Net book value		
At 31 March 2023	2	2
At 31 March 2022	30	30

11. Fixed asset investments

KHA:	2023 £000	2022 £000
Investments in subsidiaries		
Kingdom Support and Care CIC	427	427
Kingdom Initiatives Limited	-	-
	427	427

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

On 13 October 2021 KI and the University of St Andrews established a Limited Liability Partnership, Grange St Andrews LLP, to undertake the provision of accommodation principally for post-graduates. The LLP was dormant at the year end, pending completion of the contractual arrangements.

12. Property held for sale

	Group & KHA 2023 £000	Group & KHA 2022 £000
Work in progress for other RSLs at 1 April	-	5,236
Cost additions during the year	788	3,343
Net transfers from housing costs held for letting	328	-
Net transfers to housing costs under construction	-	4,835
Net transfers to operating costs on disposals	-	(13,414)
Balance of work in progress for other RSLs at 31 March	1,116	-
Shared ownership properties for sale at 1 April	32	129
Transfers & sales	-	(97)
Shared ownership properties for sale at 31 March	32	32
Shared equity properties for sale at 1 April	610	-
Additions	516	610
Transfer income from sales to Note 4 Other activities	752	-
Transfer cost of sales to Note 4 Other activities	(752)	-
Shared equity properties for sale at 31 March	1,126	610
Total properties held for sale	2,274	642

13. Stocks and work in progress

	Group 2023 £000	KHA 2023 £000	Group 2022 £000	KHA 2022 £000
Stock of materials held by Maintenance Team	827	827	351	351

14. Receivables

(i) Amounts falling due within one year

	Group 2023 £000	KHA 2023 £000	Group 2022 £000	KHA 2022 £000
Arrears of rent	2,422	2,047	1,819	1,612
less: Provision for bad debts	(1,830)	(1,484)	(1,306)	(1,138)
	592	563	513	474
Sundry receivables	2,717	1,366	4,318	3,703
Prepayments	327	304	326	314
Due from Kingdom Initiatives Limited	-	1,682	-	649
Due from Kingdom Support & Care CIC	-	14	-	-
Corporation tax (Note 9)	-	-	-	-
Car loans to employees	158	153	165	156
SHG in arrears	1,788	1,788	4,129	4,129
	5,582	5,870	9,451	9,425

(ii) Amounts falling due after more than one year

	Group 2023 £000	KHA 2023 £000	Group 2022 £000	KHA 2022 £000
Loans to Kingdom Initiatives Limited	-	13,609	-	13,902

KHA has provided a loan to KI amounting to £6 million, which 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 which the balance outstanding at year end was £7.6 million, 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.

15. Payables: Amounts falling due within one year

	Group 2023 £000	KHA 2023 £000	Group 2022 £000	KHA 2022 £000
Contractors for certified work	9,098	8,897	8,840	8,444
Trade payables	897	881	756	739
Deferred capital grants (Note 18)	5,080	4,934	4,555	4,420
Sundry payables and accruals	3,413	2,403	3,609	2,532
Prepaid rent	674	633	663	629
Other taxation & social security costs	401	223	331	176
Due to Kingdom Support & Care CIC	-	-	-	10
Interest payable	1,048	1,048	862	862
Corporation tax (Note 9)	-	-	-	-
SHG repayable	2,739	2,739	2,640	2,640
Housing loans (Note 17)	2,275	2,265	12,204	12,194
	25,625	24,023	34,460	32,646

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

	Group 2023 £000	KHA 2023 £000	Group 2022 £000	KHA 2022 £000
Housing loans (note 17)	220,295	220,264	152,466	152,425

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

17. Loans

	Group 2023 £000	KHA 2023 £000	Group 2022 £000	KHA 2022 £000
Housing loans				
Loans secured by a charge on the Group's housing, land and buildings and advanced by private lenders:	222,570	222,529	164,670	164,619

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% and 4.78% (2022: 0% and 4.525%).

Amount falling due:				
Within one year (note 15)	2,275	2,265	12,204	12,194
In 1 year or more but less than 2 years	14,550	14,539	2,354	2,343
In 2 years or more but less than 5 years	26,063	26,042	20,265	20,234
In more than 5 years	179,682	179,683	129,847	129,848
Amounts falling due after more than 1 year (Note 16)	220,295	220,264	152,466	152,425
	222,570	222,529	164,670	164,619

18. Deferred income – Government grants/other income

	Group 2023 £000	KHA 2023 £000	Group 2022 £000	KHA 2022 £000
As at 1 April	332,198	322,360	302,622	292,711
Received in year	17,257	17,257	41,678	41,679
Repayable	(265)	(263)	(284)	(284)
Released to income - social lettings	(4,578)	(4,448)	(3,756)	(3,681)
Released to income - other activities	-	-	(8,065)	(8,065)
Transfer to payables falling due within 1 year	(13)	(13)	-	-
As at 31 March	344,599	334,893	332,195	322,360
Amounts to be released within 1 year	5,080	4,934	4,555	4,420
Amounts to be released in more than 1 year	339,519	329,959	327,640	317,940
	344,599	334,893	332,195	322,360

19. 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 Association 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 2021, which revealed a deficit of £27m. A recovery plan was put in place to eliminate the deficit which ran to 30 September 2022.

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 each year. The liability figures from this valuation are rolled forward for the accounting year end 31 March 2023. The liabilities were compared at 31 March 2023 with KHA's fair share of the DB Scheme's total assets to calculate KHA's share of the net deficit or surplus.

Under the defined benefit pension accounting approach, KHA's share of the DB Scheme's net deficit as at 31 March 2023 was £767k (2022: £nil). The details are set out in the tables below:

Net defined benefit plan asset/liability	**Group & KHA 2023 £000**	**Group & KHA 2022 £000**
Fair value of plan assets	18,635	29,268
Present value of defined benefit obligation	(19,402)	(28,981)
Unrecognised surplus	-	(287)
Defined benefit (liability), (deficit) of plan to be recognised	(767)	-

Reconciliation of the impact of the asset ceiling	**Group & KHA 2023 £000**	**Group & KHA 2022 £000**
Impact on asset ceiling at 1 April	287	-
Effect of asset ceiling included in the net interest cost	15	-
Actuarial gains on asset ceiling	(302)	287
Impact on asset ceiling at 31 March	-	287

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

Defined benefit plan obligations at discounted cost	**Group & KHA 2023 £000**	**Group & KHA 2022 £000**
Defined benefit obligation at start of period	28,981	27,439
Expenses	25	23
Interest expense	798	584
Actuarial losses (gains) due to scheme experience	(621)	873
Actuarial losses (gains) due to changes in demographic assumptions	(435)	92
Actuarial losses (gains) due to changes in financial assumptions	(8,630)	(3,228)
Benefits paid and expenses	(716)	(412)
Liabilities acquired from business combination	-	3,610
Defined benefit obligation at end of period	19,402	28,981

Defined benefit plan assets at fair value	**Group & KHA 2023 £000**	**Group & KHA 2022 £000**
Fair value of plan assets at start of period	29,268	24,960
Interest income	813	546
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	(11,223)	(60)
Contributions by the employer	493	746
Benefits paid and expenses	(716)	(412)
Assets acquired from business combination	-	3,488
Fair value of plan assets at end of period	18,635	29,268

The actual return on plan assets (including any changes in share of assets) over the period ended 31 March 2023 was a loss of £10,410,000 (2022: gain of £1,151,000).

Plan costs recognised in Statement of Comprehensive Income	**Group & KHA 2023 £000**	**Group & KHA 2022 £000**
Expenses	25	23
Net interest expense	-	38
Losses on business combination	-	-
Defined benefit costs recognised in statement of comprehensive income (SoCI)	25	61

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

Plan costs recognised in Statement of Other Comprehensive Income	Group & KHA 2023 £000	Group & KHA 2022 £000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	(11,223)	(60)
Experience gains and losses arising on the plan liabilities - gain (loss)	621	(873)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	435	(92)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	8,630	3,218
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(1,537)	2,193
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	302	(287)
Total amount recognised in Other Comprehensive Income - gain (loss)	(1,235)	1,906

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

Analysis of plan assets	**Group & KHA 2023 £000**	**Group & KHA 2022 £000**
Global Equity	492	5,787
Absolute Return	254	1,342
Distressed Opportunities	573	1,049
Credit Relative Value	711	939
Alternative Risk Premia	108	1,209
Emerging Markets Debt	144	1,090
Risk Sharing	1,358	954
Insurance-Linked Securities	519	613
Property	776	758
Infrastructure	2,008	1,827
Private Debt	832	737
Opportunistic Illiquid Credit	824	970
High Yield	94	285
Opportunistic Credit	1	102
Cash	78	81
Corporate Bond Fund	24	1,850
Liquid Credit	1	187
Long Lease Property	625	843
Secured Income	1,246	1,564
Over 15 Year Gilts	-	12
Liability Driven Investment	7,890	7,082
Currency Hedging	35	(107)
Net Current Assets	42	94
Total assets	18,635	29,268

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 & KHA 2023 % per annum**	**Group & KHA 2022 % per annum**
Discount Rate	4.86%	2.79%
Inflation (RPI)	3.19%	3.51%
Inflation (CPI)	2.77%	3.16%
Salary Growth	3.77%	4.16%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

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

The mortality assumptions adopted at 31 March 2023 imply the following life expectancies:

	Group & KHA 2023 Life expectancy at age 65 (Years)	Group & KHA 2022 Life expectancy at age 65 (Years)
Male retiring in 2023	20.5	21.6
Female retiring in 2023	23	23.9
Male retiring in 2043	21.7	22.9
Female retiring in 2043	24.4	25.4

KHA participates in a multi-employer pension scheme (DB Scheme). Should KHA leave the DB Scheme the amount of employer debt has been estimated as £8,132k (2022: £13,632k) as at 30 September 2022, the date of the latest estimation available. However, the estimates are not reliable. At the present time KHA has no intention of leaving the DB Scheme.

KHA has been notified by the Trustee of the DB Scheme that it has performed a review of the changes made to the DB Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee is seeking clarification from the Court on these items. This process is ongoing and it is understood that the matter is unlikely to be resolved before the end of 2024 at the earliest. It is estimated that this could potentially increase the value of the full DB Scheme liabilities by £27 million, of which KHA's share would be £0.57 million, calculated on the DB Scheme's Technical Provisions basis as at 30 September 2022. Until the Court direction is received it is unknown whether the full, or any, increase in liabilities will apply. Therefore, it is not possible to calculate the impact of this issue on the liabilities with any accuracy for the purposes of the 31 March 2023 financial statements, particularly on an individual employer basis. Consequently, the issues are not recognised as contingent liabilities.

20. Share Capital

	2023 Number	2022 Number	2023 £	2022 £
Group and KHA				
Shares of £1 each issued and fully paid:				
At 1 April	61	59	61	59
Issued during the year	4	8	4	8
Cancelled during the year	(2)	(6)	(2)	(6)
At 31 March	63	61	63	61

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.

21. Business combination

On 1 December 2021 KHA acquired the assets and liabilities of FHA at their fair values for nil consideration. The financial impact is set out in the table below:

	Group & KHA Initial book value	Group & KHA Fair value adjustment	Group & KHA Fair value at date of acquisition
	£000	£000	£000
Housing Properties	28,403	(9,833)	18,570
Office Property	203	(68)	135
Motor Vehicles	1	-	1
Furniture & Equipment	18	(8)	10
Arrear of Rent & Service charges	52	-	52
Other Debtors	60	(4)	56
Other Taxation & Social security	3	-	3
Cash	2,562	-	2,562
Total Assets	31,302	(9,913)	21,389
Housing Loans	6,660	-	6,660
Deferred Grants	18,200	(18,200)	-
Rent received in advance	63	-	63
Amounts due to Kingdom Housing	577	-	577
Other Creditors	154	-	154
Accruals & Deferred income	43	-	43
Pension provision	122	-	122
Total Liabilities	25,819	(18,200)	7,619
Net Assets	5,483	8,287	13,770

The housing properties transferred were valued on the basis of Existing Use Value for Social Housing (EUV-SH) and the office premises were valued on the basis of open market value. The valuations were undertaken by Jones Lang LaSalle, independent professional valuers. The excess of fair value of the assets acquired over the fair value of liabilities acquired of £13,770k was recognised in the Statement of Comprehensive Income. As part of the fair value assessment of housing assets and liabilities the deferred grant income balance of £18,200k was extinguished.

22. Capital commitments

	Group 2023 £000	KHA 2023 £000	Group 2022 £000	KHA 2022 £000
Housing properties:				
Expenditure contracted but not provided in the financial statements	14,863	14,742	54,393	54,394

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

23. Employees

i) Staff costs during year:	Group 2023 £000	KHA 2023 £000	Group 2022 £000	KHA 2022 £000
Wages and salaries	15,793	8,144	13,504	6,691
Social security costs	1,459	816	1,169	629
Other pension costs	1,085	832	721	526
Expenses of defined benefit pension scheme	25	25	24	24
	18,362	9,817	15,418	7,870

There were no redundancy costs incurred during the year included in the staff costs (2022: no redundancy costs incurred).

ii) Staff numbers:	Group 2023 No.	KHA 2023 No.	Group 2022 No.	KHA 2022 No.
Average weekly number of employees (including relief staff working on an "as required" basis)	581	247	528	216
Number of Employees as at 31 March:				
Support & Care staff	271	-	251	-
Administration staff	224	210	200	188
Maintenance staff	45	45	36	36
	540	255	487	224
Full time equivalent employees	470	244	420	212

Agency staff were employed during the year by the Group at a cost of £552k (2022: £370k).

24. Auditors' remuneration

	Group 2023 £000	KHA 2023 £000	Group 2022 £000	KHA 2022 £000
Fees payable to RSM UK LLP:				
Audit services	38	25	34	23
Tax services and advice	10	5	8	4
Fees payable to Henderson Loggie LLP:				
Internal audit fees	21	21	10	10

25. Remuneration of key management personnel

	Group 2023 £000	KHA 2023 £000	Group 2022 £000	KHA 2022 £000
The aggregate remuneration of 6 directors (2022 – 4 directors) including benefits in kind was:	555	436	412	302
Pension contributions for directors were:	52	44	32	25

	2023 Number	2023 Number	2022 Number	2022 Number
Emoluments (excluding pension contributions) were paid in the following bandings:				
£10,001 to £20,000	1	1	-	-
£30,001 to £40,000	-	-	1	1
£40,001 to £50,000	1	-	-	-
£50,001 to £60,000	1	-	-	-
£80,001 to £90,000	-	-	1	1
£90,001 to £100,000	2	2	1	-
£130,001 to £140,000	-	-	1	1
£140,001 to £150,000	1	1	-	-

	2023 £000	2023 £000	2022 £000	2022 £000
The total emoluments (excluding pension contributions) received by the highest paid director was:	145	145	132	132

Key management personnel are defined to include the Chief Executive and other members of the Executive Management Team. 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 9.8% (2022: 8%) and amounted to £14,062 (2022: £10,442).

26. Payments to Members and Board members

No Member of KHA received any fee or remuneration during the year (2022: £nil). Members of the Board were reimbursed for out of pocket travel expenses amounting to £971 (2022: £nil). During the year no member of the Board was a tenant of KHA (2022: nil). During the year one member of the Board was a sharing owner (2022: one). The sharing owner arrangements for this member are on normal terms.

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

	2023 £000	2022 £000
Cash generated from operations		
Surplus for the year	2,962	20,408
Business combination - excess of fair value of assets over fair value of liabilities acquired	-	(13,770)
Actuarial (loss)/gain in respect of defined benefit pension scheme	(1,235)	1,785
Depreciation of tangible fixed assets	7,864	6,535
Depreciation of other fixed assets	53	50
Amortisation of intangible assets	28	30
Increase/(decrease) in pension provision/liability	767	(2,479)
(Gain)/loss on disposal of fixed assets	(169)	(1,908)
(Gain)/loss on disposal of other fixed assets	-	(1)
Amortisation of housing property capital grant	(4,578)	(10,950)
Corporation tax (received)/paid	-	-
Interest received	(26)	(30)
Interest paid	5,492	4,622
Operating cashflows before movement in working capital	11,158	4,292
(Increase)/decrease in stock	(476)	222
Decrease in receivables	1,528	3,728
Increase/(decrease) in payables	25	(7,426)
Total cash generated from operating activities	12,235	816
Corporation tax received/(paid)	-	-
Total cash flows from operating activities	12,235	816

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

Analysis of changes in net debt – Group

	At 1 April 2022 £000	Cash flows £000	Other changes £000	At 31 March 2023 £000
Cash and cash equivalents	9,799	29,533	-	39,332
Debt due within one year	(12,204)	9,929	10	(2,265)
Debt due in more than one year	(152,466)	(67,829)	-	(220,295)
	(154,871)	(28,367)	10	(183,228)

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

	2023 £000	2022 £000
Cash generated from operations		
Surplus for the year	2,609	19,910
Business combination - excess of fair value of assets over fair value of liabilities acquired	-	(13,770)
Actuarial (loss)/gain in respect of defined benefit pension scheme	(1,235)	1,785
Depreciation of tangible fixed assets	7,542	6,347
Depreciation of other fixed assets	53	50
Amortisation of intangible assets	28	30
Increase/(decrease) in pension provision/liability	767	(2,479)
(Gain)/loss on disposal of fixed assets	(169)	(1,908)
(Gain)/loss on disposal of other fixed assets	-	(1)
Interest received	(654)	(570)
Interest paid	5,489	4,619
Corporation tax (received)/paid	-	-
Amortisation of housing property capital grant	(4,448)	(10,875)
Operating cashflows before movement in working capital	9,982	3,138
(Decrease)/increase in stock	(476)	222
(Increase)/decrease in receivables falling due within one year	1,213	(2,369)
Decrease/(increase) in receivables falling due in more than one year	293	(4,587)
Increase/(decrease) in payables	53	(8,032)
Total cash generated from/(used in) operating activities	11,065	(11,628)
Corporation tax (received)/paid	-	-
Total cash flows from operating activities	11,065	(11,628)

28. Reconciliation of surplus to net cash generated from/(used in) operations – KHA (cont'd)

Analysis of changes in net debt – KHA

	At 1 April 2022 £000	Cash flows £000	Other changes £000	At 31 March 2022 £000
Cash and cash equivalents	6,564	29,550	-	36,114
Debt due within one year	(12,194)	9,929	-	(2,265)
Debt due in more than one year	(152,424)	(67,839)	-	(220,263)
	(158,054)	(28,360)	-	(186,414)

29. Financial commitments

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

	Group 2023 £000	KHA 2023 £000	Group 2022 £000	KHA 2022 £000
Amounts due:				
Within one year	115	98	179	61
Between 1 and 5 years	280	277	105	85
	395	375	284	146

30. Operating lease income

KHA has future operating lease income receivable as follows:

	2023 £000	2022 £000
Due within 1 year	33	30
Due between 1 - 2 years	15	17
Due between 3 - 5 years	26	36
	74	83

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

31. Contingent liabilities

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 2023 of £399m (2023: £382m) 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.

A close family member of a Board member is a partner of Thorntons Law LLP and trustee of Castle Furniture Project. KHA's purchases from these entities amounted to £9k (2022: £13k) and £22k (2022: £8k) respectively in the year. The balances due to the entities at year end were £3k (2022: £1k) and £6k (2022: £2k), respectively.

A director of KI provided consultancy services to Campion Homes Ltd up until 30 September 2022. KI's purchases from Campion Homes Ltd in the 6-month period amounted to £327k (2022: £nil for the year).

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 £3,174k (2022: £2,209k). KI charged KHA for purchases and expenses totaling £27k (2022: £27k).

KHA received no gift aid from KI in respect of the year (2022: £nil).

At the date of the statement of financial position the balance due by KI to KHA was £15,291k (2022: £14,551k), including the balance of loans repayable. KI made interest payments to KHA during the year of £629k (2022: £540k) in accordance with the loan agreements.

KHA charged KSC for purchases, expenses and management services provided by KHA amounting to £261k (2022: £737k). KSC charged KHA for purchases and expenses totaling £21k (2022: £19k).

At the date of the statement of financial position the balance due by KSC to KHA was £14k (2022: due by KHA to KSC £10k).