

**Kingdom Initiatives Limited**

**Report and Accounts**

**For the year ended 31 March 2022**

Registration No. SC383963

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**BOARD and ADVISERS**

**Board** Mark Easton (Chairperson)  
Finlay Ross (appointed April 2021, Vice Chairperson from December 2021)  
William Banks  
Garry Dickson (resigned September 2021)  
Derek Helmore  
Loretta Mordi  
Andrea Saunders (appointed April 2021)  
Lawrence West (appointed April 2021)  
Stuart Wilson

**Registered Office** Saltire Centre  
Pentland Court  
Glenrothes  
KY6 2DA

**Registration Number** SC383963

**Independent Auditors** RSM UK Audit LLP  
Third Floor  
2 Semple Street  
Edinburgh  
EH3 8BL

**Principal Banker** Bank of Scotland

The Board of Kingdom Initiatives Limited, (KI) submit their report together with the audited financial statements for the year to 31 March 2022.

### **Status, Objectives and Strategy**

KI is incorporated in Scotland and registered with Companies House under the Companies Act 2006, registration number SC383963. KI is a non-charitable, wholly owned subsidiary trading company of Kingdom Housing Association Limited (KHA). The KHA Group of companies comprises KHA, KI and Kingdom Support and Care CIC (KSC). The role of KI is to carry out activities which complement the KHA Group of companies' objectives and which KHA cannot undertake by virtue of its charitable status.

KI has three main strategic aims:

- to manage and maintain its existing portfolio of properties,
- to work with KHA to assist it in achieving its objectives, and
- to provide complementary services to other organisations.

### **Governance**

The governing body of KI is a Board of Directors, comprising 8 members at the year end. The minutes of KI meetings and regular operational reports are presented to the KI Board. KI operates under agreed KHA Group rules, policies and financial regulations. There is a KI Independence Agreement, however KHA exercises control over KI by approving the business plan and budget and reviewing these on a quarterly basis. Board members of KI are also approved and can be removed by KHA.

### **Principal Activities**

The main activity of KI during 2021-22 was the management of Mid Market Rented housing (MMR). As at 31 March 2022, KI owned 180 properties in its own right (2021: 115) of which 12 are leased to KHA for lead tenancy purposes (2021: 12). The properties owned by KI strengthen the asset base and contribute to meeting affordable housing needs.

KI managed 666 units (2021: 578) on behalf of others during the year. KI let the tenancies and is responsible for the management and maintenance of the properties in accordance with lease agreements with the landlords.

	<b>2022</b>	<b>2021</b>
Units Owned	180	115
Units Managed on behalf of KHA	545	457
Units Managed on behalf of Fife Council	121	121
<b>Total Units owned or managed</b>	<b>846</b>	<b>693</b>

During the year, KI completed the developments at Pilmuir Street in Dunfermline, Elm Grove in Alloa and substantially completed Kingdom Park in Kirkcaldy.

**STRATEGIC REPORT (cont'd)**

**Review of the Year and Performance**

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 commencement of the project.

No concerns have been highlighted from our assessment of the condition or demand for the properties owned by KI.

KI has bank loans amounting to £53k, which are all SONIA linked loans (2021: £62k). The weighted average cost of funds on those loans is 0.7% (2021: 0.6%) and the loans are amortising until 2028. 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 £7.9 million, is repayable in regular instalments of principal and interest, the last of which falls to be repaid in 2049. Both loans carry interest at 4.5% fixed. Once KI is able to demonstrate ongoing profitable trading and positive cash flow the intention is to seek external loan funding prior to 2026 to enable the KHA loan of £6 million to be repaid.

KI's Statement of Financial Position shows net current liabilities, but it has positive cash flows, total reserves of £1.98 million and is appropriately supported by KHA.

As at 31 March 2022 KI had cash at bank of £443k (2021: £174k).

The turnover for the year was £4,186k (2021: £3,620k). During the year to 31 March 2022 KI made a loss after finance income and charges, but before taxation, of £48k (2021: surplus £251k). There was no tax charge as there was no taxable surplus. The operating profit margin was 11.75% (2021: 14.67%), the reduction was predominantly due to an increase in the cost of repairs, which was due to a combination of work not reported by tenants during Covid and material costs.

The company is not subject to traditional interest cover and gearing loan covenants from its private lenders, however the calculation of these demonstrate interest cover of 112% (2021: 240%) and gearing of 79% (2021: 77%), which are within acceptable parameters. Gearing has increased as the company is using long term loans to develop its property portfolio.

KI manages and monitors its operating performance using management information systems. The primary data are the production of long term business plans, annual budgets and quarterly management accounts. In terms of medium and long term viability the Board approves a 30 year business plan setting out its strategy and the financial projections associated with that strategy. The regular review of management accounts ensures that the company is performing as expected and is meeting its short term objectives.

In addition to the financial information the Board receives regular Key Performance Indicator (KPI) reports which chart progress on a quarterly basis. These KPI reports also track non-financial indicators such as repairs satisfaction, gas safety certification, void days, time to re-let, stock numbers owned and complaints management statistics.

The main KPI performance data for 2021-22 are as follows:

KPI	Outturn	Outturn
	2021-22	2020-21
Turnover for Year (£)	£4,185,995	£3,619,713
(Loss)/surplus for year after tax (£)	£(48,241)	£251,265
Emergency repairs completed on time (%)	97.87%	99.23%
Non-emergency repairs completed on time (%)	84.33%	93.11%
Rent and service charges collected	99.00%	98.08%
Voids (%)	1.82%	1.04%
Total time to relet (days)	32	52

The Covid pandemic continued to affect performance in some areas, such as access to perform repairs. However, rent collections have recovered.

### **Risk Management**

The Board have assessed the major risks to which the business is exposed and are satisfied that appropriate systems are in place to mitigate exposure to major risks. The Board believe the most significant risks faced by KI relate to;

- Diversification into activities of which KI has little experience, for example development in its own right;
- Financial risks;
- Funding risks;
- Increased regulation of property renting and management activities; and
- Future potential economic impact of the recovery from the Coronavirus pandemic on unemployment and consequent pressure on rental income.

These risks are treated and managed by following established Group risk management principles with policies amended as necessary to meet the specific nature of KI. Specifically, however, diversification risks are limited by managing exposure to new business and applying thorough financial planning and risk management disciplines to projects. Mitigations of financial risks involve ensuring there are sufficient reserves and cash flow to maintain the company's liquidity. Financial risks are identified by an experienced management team and are managed and mitigated through the application of proven policies. Costs are managed by appropriate design of construction, tendering and other procurement policies. Credit risk is managed by close monitoring and timely intervention with debtors. Liquidity and cash flow risks are managed through treasury management, forecasting of cash requirements and monitoring of covenants, with actions taken as necessary. Funding risks are managed by ensuring KI builds sufficient financial reserves to support new borrowing and is able to withstand external and internal financial shocks through a demonstrable track record of performance. Monitoring of new regulatory and/or legislative provisions affecting the private rented sector is managed through the company seeking to ensure early and full compliance.

A key risk is the nature of the relationship between the parent and subsidiary organisation. This is managed through various formal agreements in place between the companies and through joint meetings and attendance of KI Board members at Group committees such as the main KHA Board and the Audit and Financial Compliance Sub-Committee.

### **Going Concern**

For assurance about future operations KHA Group again undertook stress testing to identify the potential impact of the pandemic in 2021-22 and beyond, using the 30 year modelling package. Comparison was also made with similar entities using information available. In addition KI performed stress testing on future cash flow forecasts and detailed sensitivity analysis of rental income levels and arrears based on the latest available data. As a result budget forecasts in the 5 year corporate plan were amended to reflect the likely consequences. The work demonstrated that KI, with appropriate support from KHA, was considered to be a going concern for the foreseeable future.

### **Staffing**

The company uses the employment policies and procedures of its parent company, KHA. KI also utilises the services and personnel provided by its parent company, which has appropriate policies in place in respect of employee communication and consultation, as well as having appropriate policies in respect of disabled persons.

### **Creditor Payment Policy**

KI realises the importance of making prompt payment to its suppliers and has a policy to settle 90% of the value of outstanding invoices within 21 days, although some payments are made more quickly in order to comply with specific creditor terms.

### **Value Added Tax and Corporation Tax**

The company is a member of the Kingdom Group of companies VAT Group and registered with HMRC on that basis. The VAT Group operates a partial exemption method with no special method operating. As the majority of the VAT Group's activities are exempt, recovery of input VAT is minimal.

KI is subject to Corporation Tax at the prevailing rate for the year, which is 19% (2021: 19%). KI is a member of the Kingdom Group for Corporation Tax purposes. As a consequence, allowable taxable losses may be passed to other companies in the group to offset taxable profits.

### **Future**

KI's corporate plan has been refreshed for the period 2022-2027, which sets out the key ambitions. A key change to KI's strategy last year was that KI will no longer directly develop MMR properties. After completion of KI's MMR build programme in 2021-22, the group's MMR development activity will be undertaken by KHA and units will then be leased to KI to then operate and manage. This allows KI to focus its financial resources on business development initiatives that are unable to be progressed within KHA. As such KI focuses on delivering growth within the following key areas:

1. Creating public and private partnerships and joint ventures;
2. Development of homes for private sale and rent; and

**STRATEGIC REPORT (cont'd)**

3. Organically growing income generating initiatives, utilising the Kingdom Group's expertise and infrastructure.

New opportunities will be sought under the above new initiatives over the 5-year period, with individual projects assessed for viability and risk. KI will also look to raise its own funding going forward, secured against its completed MMR stock , to reduce reliance on its parent and to provide capital for future operations.

**Related Party Transactions**

KI has a management agreement with KHA for the provision of governance, financial, accounting, secretarial and administration services.

On behalf of the Board



Mark Easton, Chairperson

Date: 15 August 2022



**BOARD REPORT**

**Board and their interests**

The Board members who served during the year and up to the date of signing of the financial statements are set out on page 2. None of the Board had any interests in the shares of KI at the year end. There were no indemnity provisions for the benefit of the directors of the company or the directors of any group or associated company.

Loretta Mordi is a member of the KHA Board. Garry Dickson was a member of the Kingdom Support and Care CIC Board until November 2021 and William Banks is the Chief Executive and Company Secretary of KHA and a member of the Kingdom Support and Care CIC Board.

**Dividends**

The Directors recommend that no dividend is paid for the year (2021: £Nil).

**Political and charitable donations**

KI made no donations to any company outside the Kingdom Group during the year to 31 March 2022 (2021: £Nil). KI paid no Gift Aid to KHA in the year (2021: £Nil).

**Post year end events**

Subsequent to the year end KI agreed the contract to develop and subsequently manage post-graduate accommodation for St Andrews University through the joint venture partnership Grange St Andrews LLP.

**Statement as to the disclosure of information to 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. The Board members have confirmed that they have taken all the steps that they ought to have taken as a Board in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

**Auditors**

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

On behalf of the Board



Mark Easton, Chairperson

Date: 15 August 2022

## **STATEMENT OF THE BOARD'S RESPONSIBILITIES**

The Board are responsible for preparing the Strategic Report and Board Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Board to prepare financial statements for each financial year. Under the law the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period.

In preparing those accounts the Board are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Board are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. The Board are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

**Opinion**

We have audited the financial statements of Kingdom Initiatives Limited (the 'company') for the year ended 31 March 2022 which comprise the statement of income and retained earnings, statement of financial position, 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 company's affairs as at 31 March 2022 and of its loss 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 Companies Act 2006.

**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 company 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 directors' 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 company'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 directors with respect to going concern are described in the relevant sections of this report.

**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 directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KINGDOM INITIATIVES LIMITED (Cont'd)**

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.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are 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 directors determine 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 directors are responsible for assessing the company'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 directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KINGDOM INITIATIVES LIMITED (Cont'd)**

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

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

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

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

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

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

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

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102 and the Companies Act 2006. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KINGDOM INITIATIVES LIMITED (Cont'd)**

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

A further description of our responsibilities for the audit of the financial statements is located 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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Kelly Adams*

Kelly Adams, CA MA(Hons) (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
Third Floor  
2 Semple Street  
Edinburgh  
EH3 8BL

26 August 2022

**KINGDOM INITIATIVES LIMITED**  
**YEAR ENDED 31 MARCH 2022**

**STATEMENT OF INCOME AND RETAINED EARNINGS**

	<b>Notes</b>	<b>2022 £000</b>	<b>2021 £000</b>
Turnover		4,186	3,620
Less: Operating expenditure	3	<u>(3,694)</u>	<u>(3,089)</u>
Operating surplus		492	531
Finance charges	4	(540)	(280)
Surplus on ordinary activities before taxation		<u>(48)</u>	<u>251</u>
Taxation on surplus for the year	5	-	-
Total surplus for the year		<u>(48)</u>	<u>251</u>
Retained earnings at 1 April		2,031	1,780
(Deficit)/surplus for the year		(48)	251
Retained earnings at 31 March		<u>1,983</u>	<u>2,031</u>

The notes on pages 17 to 31 form part of these financial statements.

**KINGDOM INITIATIVES LIMITED**  
**YEAR ENDED 31 MARCH 2022**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2022**

	Notes	2022 £000	2021 £000
<b>Tangible fixed assets</b>			
Housing properties - depreciated cost	6	26,499	22,490
Other tangible fixed assets	7	-	-
		<u>26,499</u>	<u>22,490</u>
<b>Investment in joint venture partnership</b>	8	-	-
<b>Current assets</b>			
Receivables	9	53	555
Cash and cash equivalents		<u>433</u>	<u>174</u>
		486	729
<b>Current liabilities</b>			
Payables: Amounts falling due within one year	10	<u>1,358</u>	<u>2,026</u>
<b>Net current (liabilities)</b>		<u>(872)</u>	<u>(1,297)</u>
Total assets less current liabilities		25,627	21,193
<b>Payables: amounts falling due after more than one year</b>	11	13,944	9,365
Deferred income - capital grants	14	9,700	9,797
<b>Total net assets</b>		<u>1,983</u>	<u>2,031</u>
<b>Capital and reserves</b>			
Share capital	18	-	-
Revenue reserve		<u>1,983</u>	<u>2,031</u>
		<u>1,983</u>	<u>2,031</u>

These financial statements were approved by the Board of Kingdom Initiatives Limited and authorised for issue on 15 August 2022 and are signed on its behalf by:



Mark Easton, Chairperson

The notes on pages 17 to 31 form part of these financial statements



**KINGDOM INITIATIVES LIMITED**  
**YEAR ENDED 31 MARCH 2022**  
**STATEMENT OF CASH FLOWS**

		<b>2022</b>	<b>2021</b>
		<b>£000</b>	<b>£000</b>
	<b>Note</b>		
<b>Net cash inflow from operating activities</b>	15	1,263	167
<b>Cash flow from investing activities</b>			
Payments to acquire tangible fixed assets		(5,095)	(7,387)
Receipt of housing grants		-	1,938
Net cash used in investing activities		<u>(5,095)</u>	<u>(5,449)</u>
<b>Cash flow from financing activities</b>			
Interest paid		(540)	(280)
Housing loans received		<u>4,631</u>	<u>4,923</u>
Net cash from financing activities		<u>4,091</u>	<u>4,643</u>
Net increase/(decrease) in cash		259	(639)
Cash at beginning of year		<u>174</u>	<u>813</u>
Cash at end of year		<u>433</u>	<u>174</u>

The notes on pages 17 to 31 form part of these financial statements

**KINGDOM INITIATIVES LIMITED**  
**YEAR ENDED 31 MARCH 2022**  
**NOTES TO THE FINANCIAL STATEMENTS**

**1. Legal status**

Kingdom Initiatives Limited (KI) is a private company limited by shares and incorporated under the Companies Act 2006. Its registered office is detailed on page 2.

KHA and its subsidiaries are referred to as “the Group”. KI is a wholly owned subsidiary of Kingdom Housing Association Limited (KHA). KI is a non-charitable body whose principal role is to complement the activities of its parent company. The principal activity of KI is the management of mid market rent housing and housing management services.

**2. Accounting policies**

The following accounting policies are Kingdom Group policies applying to all member companies.

These statements are presented in Sterling and rounded to the nearest £1,000.

The principal accounting policies are set out in paragraphs a) to p) 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”), and under the historical cost convention, modified to include certain financial instruments at fair value. There are no instruments at fair value.

**b) Going concern**

The Board of Directors 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. 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 KI is financially viable with appropriate financial support from KHA, which is in place. The assumptions used for the long term plans and the impairment review are considered to be appropriate. Stress testing has 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 believe that there are no material uncertainties in respect of going concern.

**c) 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 company’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 (m) below).

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

- The company's housing assets are judged by management to be housing for rent and are accounted for at cost less depreciation and impairments (see (g) – (j) below).
- Government grants are judged by management to be associated with social housing and are accounted for on an accruals basis as deferred income and amortised on a pro rata basis over the life of each related building component (see (e) below). In addition the conditions associated with grants are considered by management to determine any contingent liability arising from potential repayment.
- Management are not aware of any impairment indicators that would trigger impairment reviews of the company'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 (j) below).
- The lease arrangements entered into by the company are judged by management to be operating.
- Judgements have been made over the recoverability of receivables based on experience and accord with the Group's provisioning policy (see (m) below).

**d) Turnover**

Turnover represents rental and service charge income receivable (net of voids), fees, revenue grants, performance related grants, Government grants released from deferred income and sales of housing. 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 is recognised on legal completion of the sales transaction.

**e) Scottish Government grants**

Government Grants: Scottish Housing Grant and Other Grants

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

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

**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 accounts payable and allowances receivable are shown as grants receivable in accounts receivable.

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.

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.

**f) 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 the employee at the year end date is accrued as a liability.

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

**g) Tangible fixed assets – Housing land and buildings**

The Company categorises its housing tangible fixed assets as housing properties held for letting. 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

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.

**h) 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.

**i) 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.

**j) Depreciation**

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.

**KINGDOM INITIATIVES LIMITED****YEAR ENDED 31 MARCH 2022****NOTES TO THE FINANCIAL STATEMENTS (cont'd)**

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

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 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.

**k) Other tangible fixed assets**

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

Housing and office furniture and fittings	5-10 years
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**l) Investment in joint venture company**

The investment in the joint venture company is initially recognised at transaction price and is subsequently adjusted for KI's share of profits or losses, other comprehensive income and equity of the joint venture company.

**m) 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.

**n) Leases**

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

**o) Taxation**

KI is 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.

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

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.

**p) Contingencies**

Contingent assets and liabilities are not recognised.



**KINGDOM INITIATIVES LIMITED****YEAR ENDED 31 MARCH 2022****NOTES TO THE FINANCIAL STATEMENTS (cont'd)****3. Turnover, operating expenditure and operating surplus**

The turnover and operating surplus for the year relate to activities wholly within the United Kingdom. The operating result for the year is stated after crediting and charging:

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Rent and service charge income	4,110	3,551
Grants released from deferred income	76	69
Management charges	(92)	(82)
Depreciation	(187)	(175)
Auditor's remuneration – external audit services	(6)	(6)
Auditor's remuneration – other non audit services	(2)	(2)
Operating lease charges	<u>(2,657)</u>	<u>(2,244)</u>

**4. Finance charges**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Finance charges in the year have been charged as follows:		
Loan interest to Private Lender	-	-
Loan interest to KHA	540	280
	<u>540</u>	<u>280</u>

**5. Corporation tax**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Based upon the results for the year to 31 March		
Corporation tax at 19% (2021: 19%)	-	-
	<u>-</u>	<u>-</u>
<u>Reconciliation:</u>		
(Deficit)/surplus on ordinary activities before tax	(48)	251
Surplus on ordinary activities multiplied by the small company	-	(48)
Corporation tax rate at 19% (2021:19%)		
<u>Effects of:</u>		
Group relief claimed	-	28
Other adjustments	-	20
	<u>-</u>	<u>-</u>

KI is part of the KHA tax group, allowing certain taxable profits and losses to be offset within the Group.

## 6. Housing properties

	Housing Property held for letting	Assets in the course of construction	Total Housing Properties
	£000	£000	£000
<b>Net Cost</b>			
At 1 April 2021	13,078	9,804	22,882
Additions during the year	2	4,194	4,196
Transfers	7,269	(7,269)	-
At 31 March 2022	20,349	6,729	27,078
<b>Depreciation</b>			
At 1 April 2021	392	-	392
Provided during the year	187	-	187
At 31 March 2022	579	-	579
<b>Net book value</b>			
At 31 March 2022	19,770	6,729	26,499
At 31 March 2021	12,686	9,804	22,490

No interest was capitalised during the year (2021: Nil). Major repairs expenditure of £nil was capitalised and included in housing property additions (2021: £nil). Development administration costs of £99k (2021: £16k), which were charged by KHA, were included in housing property additions. Land amounting to £975k (2021: £975k) is included in housing property held for letting.

The table below details the properties under management:

Properties in management	2022			2021		
	Rent	Other	Total	Rent	Other	Total
Units owned	160	20	180	95	20	115
Units managed on behalf of KHA	545	-	545	457	-	457
Units managed on behalf of Fife Council	121	-	121	121	-	121
<b>Total units managed</b>	<b>826</b>	<b>20</b>	<b>846</b>	<b>673</b>	<b>20</b>	<b>693</b>

**KINGDOM INITIATIVES LIMITED**  
**YEAR ENDED 31 MARCH 2022**  
**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**

**7. Other tangible fixed assets**

	<b>Housing Property Furniture and Fittings</b>
<b>Cost</b>	<b>£000</b>
At 1 April 2021	4
Additions during year	-
At 31 March 2022	<u>4</u>
<b>Depreciation</b>	
At 1 April 2021	4
Provided during the year	-
At 31 March 2022	<u>4</u>
<b>Net book value</b>	
At 31 March 2022	<u>-</u>
At 31 March 2021	<u>-</u>

**8. Investment in joint venture**

On 13 October 2021 KI and the University of St Andrews established a Limited Liability Partnership, Grange St Andrews LLP, to undertake a project to provide accommodation. The LLP was dormant at the year end, pending the commencement of the project.

**9. Receivables**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Rent arrears	207	186
Less: Provision for bad debts	<u>(167)</u>	<u>(140)</u>
	40	46
Other debtors	13	54
Government grants in arrears	<u>-</u>	<u>455</u>
	<u>53</u>	<u>555</u>

**KINGDOM INITIATIVES LIMITED**  
**YEAR ENDED 31 MARCH 2022**

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

**10. Payables: amounts falling due within one year**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Prepaid rent	34	19
Due to Kingdom Housing Association Limited	357	245
Contractors for certified work	396	1,295
Other creditors	133	101
Deferred capital grants (Note 14)	135	114
Other tax and social security	-	2
Loans repayable within one year (Note 12)	303	250
	<u>1,358</u>	<u>2,026</u>

**11. Payables: amounts falling due after more than one year**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Housing loan due to bank (Note 12)	42	51
Housing loan due to KHA (Note 12)	13,902	9,314
	<u>13,944</u>	<u>9,365</u>

The current instalments due on the above loans are included in Note 10.

**12. Loans**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Housing loans due to bank	53	62
Housing loans due to KHA	14,194	9,553
	<u>14,247</u>	<u>9,615</u>
Repayable:		
Within one year (Note 10)	<u>303</u>	<u>250</u>
Between one and two years	303	250
Between two and five years	6,909	3,369
After more than five years	6,732	5,746
	<u>13,944</u>	<u>9,365</u>
	<u>14,247</u>	<u>9,615</u>

**Loans from bank**

The loans are repayable by regular instalments of principal and interest, the last of which falls to be repaid by 2028. The loans bear interest at a rate of LIBOR plus 0.45% and are secured by a first legal charge on the assets of the company.

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

**12. Loans (cont'd)**

Loans from KHA

There are two loans from KHA. The first loan, amounting to £6 million, of which £3.38 million was drawn down in the year, 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 £7.9 million, is repayable in regular instalments of principal and interest, the last of which falls to be repaid in 2049. Both loans bear interest at 4.5% and are secured by a bond and floating charge over the property and undertakings of the company.

**13. Payments to a) Board and b) Employees and Staff**

a) Board

No Director received any remuneration from KI during the period. Members of the Board were reimbursed for out of pocket travel expenses amounting to £Nil (2021: £Nil).

b) Employees and Staff

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<b>Employees</b>		
<b>Staff costs during the year:</b>		
Salaries	18	52
Social security costs	2	6
Other pension costs	2	4
	<u>22</u>	<u>62</u>
 Average weekly number of employees:	 <u>0.33</u>	 <u>1</u>
 <b>Number of employees at 31 March</b>		
Management	<u>-</u>	<u>1</u>
 Full time equivalent number of employees in post	 <u>-</u>	 <u>1</u>

In addition to employees, recharges are made for time spent by KHA staff on company business. The amount charged during the period was £91k (2021: £82k). This amount was invoiced by KHA to KI (Note 19).

**KINGDOM INITIATIVES LIMITED**  
**YEAR ENDED 31 MARCH 2022**

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

**14. Deferred capital grants**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
As at 1 April	9,911	8,041
Received in year	-	1,939
Released to income	(76)	(69)
As at 31 March	<u>9,835</u>	<u>9,911</u>
Amounts to be released within 1 year	135	114
Amounts to be released in more than 1 year	<u>9,700</u>	<u>9,797</u>
	<u>9,835</u>	<u>9,911</u>

**15. Cash flow from operating activities**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
(Deficit)/surplus for the year	(48)	251
Adjustments:		
Depreciation on tangible fixed assets	187	175
Capital grant amortised	(76)	(69)
Interest paid	<u>540</u>	<u>280</u>
Operating cashflows before movement in working capital	603	637
Decrease/(increase) in Stock & WIP	-	24
Decrease/(increase) in receivables	502	(405)
Increase/(decrease) in payables	<u>158</u>	<u>(89)</u>
Cash generated from operations	<u>1,263</u>	<u>167</u>

**Analysis of changes in net debt**

	<b>At 1 April 2021</b>	<b>Cash flows</b>	<b>Other changes</b>	<b>At 31 March 2022</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash and term deposits	174	259	-	433
Debt due within one year	(250)	250	(303)	(303)
Debt due after one year	<u>(9,365)</u>	<u>(4,882)</u>	<u>303</u>	<u>(13,944)</u>
	<u>(9,441)</u>	<u>(4,373)</u>	<u>-</u>	<u>(13,814)</u>

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

**16. Capital commitments**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Expenditure authorised and contracted	20,884	13,334
Less: Paid and accrued	<u>(20,884)</u>	<u>(9,340)</u>
Expenditure contracted but not included in the financial statements	<u>-</u>	<u>3,994</u>

**17. Share capital**

	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>Number</b>	<b>Number</b>	<b>£</b>	<b>£</b>
Share of £1 each fully paid	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

**18. Related party transactions**

KI issued invoices amounting to £27k (2021: £33k) to KHA including property lease charges.

KHA issued invoices to KI for re-invoiced charges, property leases and management services provided amounting to £2,491k (2021: £2,022k).

The balance due by KI to KHA as at 31 March 2022 was £14,551k (2021: £9,838k), which includes the loans from KHA of £14,194k (2021: £9,553k).

KI made interest payments during the year to KHA, per the loan agreements, of £540k (2021: £279k).

**19. Contingent liabilities**

On its formation, KI acquired various properties from Kingdom Initiatives Housing Association Limited (KIHAL). KIHAL was the former name of the subsidiary company of KHA. These properties had been developed by KI with the receipt of grants amounting to £508k.

Grants received net of disposals total £10,538k (2021: £10,538k), including the grants transferred from KIHAL. These may be repayable in certain circumstances, however the Board does not expect such circumstances to arise and thereby the liabilities to crystallise.

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

**20. Operating lease commitments**

At 31 March 2022 the company had total future operating lease payments under non-cancellable operating lease commitments as follows:

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Full value of operating lease commitments	<u>7,929</u>	<u>5,602</u>
Payable:		
Within one year	2,585	2,159
Between one and two years	2,020	1,559
Between two and five years	<u>3,324</u>	<u>1,884</u>
	<u>7,929</u>	<u>5,602</u>

Included in the operating lease commitments is £7,792k (2021:£5,135k) due to KHA.

**21. Operating lease income**

At 31 March 2022 the company had total future operating lease income under non-cancellable operating leases receivable within one year of £7k (2021:£7k). The income is due from KHA.

**22. Ultimate controlling party**

KI is a subsidiary undertaking of KHA, which is the ultimate controlling party owning 100% of the issued share capital. The results of KI are consolidated with those of KHA. Copies of KHA's financial statements can be obtained by contacting the Registered Office shown on page 2 or e-mailing [kingdom@kha.scot](mailto:kingdom@kha.scot).



**KINGDOM INITIATIVES LIMITED**  
**YEAR ENDED 31 MARCH 2022**  
**Detailed Profit and Loss Account**

**2022**  
**£**

<b>Turnover</b>	4,185,995
Cost of sales	(3,316,985)
<b>Gross profit/(loss)</b>	<hr/> 869,010
Administrative Expenses	(377,327)
<b>Operating profit/(loss)</b>	<hr/> 491,683
Investment income	
Bank Interest receivable and similar income	11
Bank Interest payable and similar charges	(367)
Other interest payable and similar charges	(539,568)
<b>Profit/(loss) before taxation</b>	<hr/> (48,241)
Taxation	
<b>Profit/(loss) after taxation</b>	<hr/> (48,241) <hr/>

These pages do not form part of the statutory financial statements.

**KINGDOM INITIATIVES LIMITED**  
**YEAR ENDED 31 MARCH 2022**

**Notes to the detailed profit and loss account**

	<b>2022</b>
	<b>£</b>
<b>Cost of Sales</b>	
Other costs of sales	3,316,985
	<u>3,316,985</u>
	<b>2022</b>
	<b>£</b>
<b>Administrative Expenses</b>	
Wages and salaries	34,901
Pension costs	
Other staff costs	1,430
Travel and subsistence	
Insurance	21,388
Printing, postage and stationery	
Audit and accountancy	8,381
Legal and professional	36,378
Management charges, training	20,344
Bad and doubtful debts	67,021
Depreciation of tangible fixed assets	187,484
	<u>377,327</u>

These pages do not form part of the statutory financial statements.