

Kingdom Initiatives Limited

Report and Accounts

For the year ended 31 March 2023

Registration No. SC383963

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BOARD and ADVISERS

Board

Mark Easton (Chairperson)
Finlay Ross (Vice Chairperson)
Thomas Barclay (appointed March 2023)
William Banks (resigned March 2023)
Derek Helmore
Loretta Mordi
Andrea Saunders
Lawrence West
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

STRATEGIC REPORT

The Board of Kingdom Initiatives Limited, (KI) submit their report together with the audited financial statements for the year to 31 March 2023.

Status, Objectives and Strategy

KI is a non-charitable, wholly owned subsidiary trading company of Kingdom Housing Association Limited (KHA). The KHA Group of companies comprises KHA, Kingdom Support and Care CIC (KSC) and KI, which also owns 51% of a joint venture limited liability partnership (LLP), Grange St Andrews LLP (Registration number: SO307391). The role of KI is to carry out activities that 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 owned and leased 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.

Grange St Andrews LLP (GSA) is jointly governed by representatives from the Kingdom Group and the University of St Andrews (UoSA).

Principal Activities

The main activity of KI during 2022-23 was the management of Mid Market Rented housing (MMR). As at 31 March 2023, KI owned 222 properties in its own right (2022: 180), of which 12 are leased to KHA for lead tenancy purposes (2022: 12). KI managed 771 units (2022: 666) 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.

	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

A two year new build programme of 61 units in St Andrews was commenced, 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 the UoSA, and will be responsible for management of the units. Pending completion of contracts, GSA remained dormant at year end.

STRATEGIC REPORT (cont'd)

Review of the Year and Performance

The main KPI performance data for 2022-23 are as follows:

KPI	Outturn	Outturn
	2022-23	2021-22
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%	2%
Total time to relet (days)	33	32

The turnover for the year increased significantly in line with the addition of 42 units to the property portfolio and leasing of a further 105 units from KHA. The operating profit margin dropped to 11% due to continuing pressure on costs, resulting in a small surplus. The company is not subject to traditional interest cover and gearing loan covenants from its private lenders, however the calculations are within acceptable parameters.

KI's Statement of Financial Position shows net current liabilities, as it is reliant on funding from KHA, which is a current liability. However, it has total reserves of £1.99 million and is appropriately supported by KHA. As at 31 March 2023 KI had cash at bank of £166k (2022: £433k). Effective 1 April 2023 KHA reduced the charges for the properties leased to KI by 6.25%, which will result in KI retaining a greater share of income. In addition longer term funding options are under consideration.

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.

Treasury Management

KI follows the KHA Treasury Management Policy. KI has bank loans amounting to £42k, which are all SONIA linked loans (2022: £53k). The weighted average cost of funds on those loans is 2.6% (2022: 0.7%) 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 from KHA, 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.

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 any adverse impact. The Board believe the most significant risks faced by KI relate to;

- Diversification into activities of which KI has little experience;
- Financial risks, such as the cost of living crisis and rent regulation;
- Funding risks;
- Increased regulation of property renting and management activities; and
- Future potential economic impact of recovery from the Coronavirus pandemic and the cost of living crisis 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. 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 and forecasting of cash requirements, 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 Committee.

Going Concern

No concerns have been highlighted from our assessment of the condition or demand for the properties owned by KI. For assurance about future operations KHA Group again undertook stress testing to identify the potential impact of known issues in 2023-24 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 does not employ staff directly. KI 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 95% 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 is 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% (2022: 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 2023-2028, which sets out the key ambitions. KI's focus of its financial resources is 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
3. Organically growing income generating initiatives, utilising the Kingdom Group's expertise and infrastructure.

New opportunities will be sought under the above 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 2023

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 members 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. William Banks was the Chief Executive and Company Secretary of KHA and a member of the Kingdom Support and Care CIC Board up to 21 March 2023 when he resigned. Thomas Barclay was recruited in March 2023 and was appointed director of KI and Kingdom Support and Care CIC on 20 March 2023 and assumed the roles of Chief Executive and Company Secretary of KHA.

Dividends

The Directors recommend that no dividend is paid for the year (2022: £Nil).

Political and charitable donations

KI made no donations to any company outside the Kingdom Group during the year to 31 March 2023 (2022: £Nil). KI paid no Gift Aid to KHA in the year (2022: £Nil).

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 2023

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 2023 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 2023 and of its surplus 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, 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

Date

KINGDOM INITIATIVES LIMITED
YEAR ENDED 31 MARCH 2023

STATEMENT OF INCOME AND RETAINED EARNINGS

	Notes	2023 £000	2022 £000
Turnover	3	5,724	4,186
Less: Operating expenditure	3	(5,091)	(3,694)
Operating surplus		633	492
Finance income		1	-
Finance charges	4	(630)	(540)
Surplus/(deficit) on ordinary activities before taxation		4	(48)
Taxation on surplus/(deficit) for the year	5	-	-
Total surplus/(deficit) for the year		4	(48)
Retained earnings at 1 April		1,983	2,031
Surplus/(deficit) for the year		4	(48)
Retained earnings at 31 March		1,987	1,983

The notes on pages 17 to 29 form part of these financial statements.

KINGDOM INITIATIVES LIMITED
YEAR ENDED 31 MARCH 2023

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Notes	As at 2023 £000	As at 2022 £000
Tangible fixed assets			
Housing properties - depreciated cost	6	26,527	26,499
Other tangible fixed assets	7	-	-
		<u>26,527</u>	<u>26,499</u>
Investment in joint venture partnership	8	-	-
Current assets			
Receivables	9	841	53
Cash and cash equivalents		166	433
		<u>1,007</u>	<u>486</u>
Current liabilities			
Payables: Amounts falling due within one year	10	<u>2,347</u>	<u>1,358</u>
Net current (liabilities)		<u>(1,340)</u>	<u>(872)</u>
Total assets less current liabilities		25,187	25,627
Payables: amounts falling due after more than one year	11	13,640	13,944
Deferred income - capital grants	14	9,560	9,700
Total net assets		<u><u>1,987</u></u>	<u><u>1,983</u></u>
Capital and reserves			
Share capital	17	-	-
Revenue reserve		<u>1,987</u>	<u>1,983</u>
		<u><u>1,987</u></u>	<u><u>1,983</u></u>

These financial statements were approved by the Board of Kingdom Initiatives Limited and authorised for issue on 15 August 2023 and are signed on its behalf by:

Mark Easton, Chairperson

The notes on pages 17 to 29 form part of these financial statements

KINGDOM INITIATIVES LIMITED
YEAR ENDED 31 MARCH 2023

STATEMENT OF CASH FLOWS

		2023	2022
		£000	£000
	Note		
Net cash inflow from operating activities	15	1,201	1,263
Cash flow from investing activities			
Payments to acquire tangible fixed assets		(544)	(5,095)
Net cash used in investing activities		(544)	(5,095)
Cash flow from financing activities			
Interest paid		(630)	(540)
Housing loans (repaid)/received		(294)	4,631
Net cash from financing activities		(924)	4,091
Net (decrease)/increase in cash		(267)	259
Cash at beginning of year		433	174
Cash at end of year		166	433

The notes on pages 17 to 29 form part of these financial statements

KINGDOM INITIATIVES LIMITED
YEAR ENDED 31 MARCH 2023
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. KI is a wholly owned subsidiary of Kingdom Housing Association Limited (KHA).

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 except where indicated.

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 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).
- 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

- 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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.

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
---	------------

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) Loans

All 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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 and are instead disclosed in the notes to the accounts.

KINGDOM INITIATIVES LIMITED**YEAR ENDED 31 MARCH 2023****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:

	2023	2022
	£000	£000
Rent and service charge income	5,594	4,110
Grants released from deferred income	130	76
Management charges	(143)	(92)
Depreciation	(321)	(187)
Auditor's remuneration – external audit services	(7)	(6)
Auditor's remuneration – other non-audit services	(3)	(2)
Operating lease charges	<u>(3,443)</u>	<u>(2,657)</u>

4. Finance charges

	2023	2022
	£000	£000
Finance charges in the year have been charged as follows:		
Loan interest to bank	1	-
Loan interest to KHA	629	540
	<u>630</u>	<u>540</u>

5. Corporation tax

	2023	2022
	£000	£000
Based upon the results for the year to 31 March		
Corporation tax at 19% (2022: 19%)	-	-
	<u>-</u>	<u>-</u>
<u>Reconciliation:</u>		
Surplus/(deficit) on ordinary activities before tax	4	(48)
Surplus on ordinary activities multiplied by the small company		
Corporation tax rate at 19% (2022:19%)	(1)	-
<u>Effects of:</u>		
Group relief claimed	-	-
Other adjustments	1	-
	<u>-</u>	<u>-</u>

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

KINGDOM INITIATIVES LIMITED

YEAR ENDED 31 MARCH 2023

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

6. Housing properties

	Housing property held for letting £000	Assets in the course of construction £000	Total Housing properties £000
Net Cost			
At 1 April 2022	20,349	6,729	27,078
Additions during the year	57	292	349
Transfers	7,021	(7,021)	-
At 31 March 2023	<u>27,427</u>	<u>-</u>	<u>27,427</u>
Depreciation			
At 1 April 2022	579	-	579
Provided during the year	321	-	321
At 31 March 2023	<u>900</u>	<u>-</u>	<u>900</u>
Net book value			
At 31 March 2023	<u>26,527</u>	<u>-</u>	<u>26,527</u>
At 31 March 2022	<u>19,770</u>	<u>6,729</u>	<u>26,499</u>

No interest was capitalised during the year (2022: Nil). Major repairs expenditure of £nil was capitalised and included in housing property additions (2022: £nil). Development administration costs of £159k (2022: £99k), which were charged by KHA, were included in housing property additions. Land amounting to £2,965k (2022: £975k) is included in housing property held for letting.

The table below details the properties under management:

Properties in management	2023			2022		
	Rent	Other	Total	Rent	Other	Total
Units owned	202	20	222	160	20	180
Units managed on behalf of KHA	650	-	650	545	-	545
Units managed on behalf of Fife Council	121	-	121	121	-	121
Total units managed	973	20	993	826	20	846

KINGDOM INITIATIVES LIMITED

YEAR ENDED 31 MARCH 2023

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

7. Other tangible fixed assets

	Furniture and Fittings
Cost	£000
At 1 April 2022	4
Additions during year	-
At 31 March 2023	4
Depreciation	
At 1 April 2022	4
Provided during the year	-
At 31 March 2023	4
Net book value	
At 31 March 2023	-
At 31 March 2022	-

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 (GSA), to undertake a project to provide accommodation. The project was still under construction at year end and GSA remained dormant, pending build completion.

9. Receivables

	2023	2022
	£000	£000
Rent arrears	375	207
Less: Provision for bad debts	(346)	(167)
	29	40
Other debtors	812	13
	841	53

10. Payables: amounts falling due within one year

	2023	2022
	£000	£000
Prepaid rent	41	34
Due to Kingdom Housing Association Limited	1,380	357
Contractors for certified work	201	396
Other creditors	266	133
Deferred capital grants (Note 14)	146	135
Loans repayable within one year (Note 12)	313	303
	2,347	1,358

KINGDOM INITIATIVES LIMITED**YEAR ENDED 31 MARCH 2023****NOTES TO THE FINANCIAL STATEMENTS (cont'd)****11. Payables: amounts falling due after more than one year**

	2023	2022
	£000	£000
Housing loan due to bank (Note 12)	31	42
Housing loan due to Kingdom Housing Association Ltd (Note 12)	13,609	13,902
	<u>13,640</u>	<u>13,944</u>

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

12. Loans

	2023	2022
	£000	£000
Housing loans due to bank	42	53
Housing loans due to KHA	13,911	14,194
	<u>13,953</u>	<u>14,247</u>
Repayable:		
Within one year (Note 10)	<u>313</u>	<u>303</u>
Between one and two years	303	303
Between two and five years	6,899	6,909
After more than five years	6,438	6,732
	<u>13,640</u>	<u>13,944</u>
	<u>13,953</u>	<u>14,247</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.

Loans from KHA

There are two loans from KHA. The first loan, amounting to £6 million 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.

KINGDOM INITIATIVES LIMITED

YEAR ENDED 31 MARCH 2023

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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 (2022: £Nil).

b) Employees and Staff

The company ceased direct employment of staff in 2021-22. Recharges are made for time spent by KHA staff on company business. The amount charged during the period was £143k (2022: £91k). This amount was charged by KHA to KI (Note 18).

	2023	2022
	£000	£000
Staff costs during the year:		
Salaries	-	19
Social security costs	-	2
Other pension costs	-	2
	<u>-</u>	<u>23</u>
	Number	Number
Average weekly number of employees:	<u>-</u>	<u>0.33</u>
Number of employees at 31 March		
Management	<u>-</u>	<u>-</u>
Full time equivalent number of employees in post	<u>-</u>	<u>-</u>

14. Deferred capital grants

	2023	2022
	£000	£000
As at 1 April	9,836	9,911
Released to income	(130)	(76)
As at 31 March	<u>9,706</u>	<u>9,835</u>
Amounts to be released within 1 year	146	135
Amounts to be released in more than 1 year	9,560	9,700
	<u>9,706</u>	<u>9,835</u>

KINGDOM INITIATIVES LIMITED
YEAR ENDED 31 MARCH 2023
NOTES TO THE FINANCIAL STATEMENTS (cont'd)
15. Cash flow from operating activities

	2023	2022
	£000	£000
Surplus/(deficit) for the year	4	(48)
Adjustments:		
Depreciation on tangible fixed assets	321	187
Capital grant amortised	(130)	(76)
Interest received	(1)	-
Interest paid	630	540
Operating cashflows before movement in working capital	<u>824</u>	<u>603</u>
(Increase)/decrease in receivables	(788)	502
Increase in payables	<u>1,165</u>	<u>158</u>
Cash generated from operations	<u><u>1,201</u></u>	<u><u>1,263</u></u>

Analysis of changes in net debt

	At 1			At 31
	April	Cash	Other	March
	2022	flows	changes	2023
	£000	£000	£000	£000
Cash and term deposits	433	(267)	-	166
Debt due within one year	(303)	303	(313)	(313)
Debt due after one year	<u>(13,944)</u>	<u>(9)</u>	<u>313</u>	<u>(13,640)</u>
	<u><u>(13,814)</u></u>	<u><u>27</u></u>	<u><u>-</u></u>	<u><u>(13,787)</u></u>

16. Capital commitments

	2023	2022
	£000	£000
Expenditure authorised and contracted	17,472	20,884
Less: Paid and accrued	<u>(17,350)</u>	<u>(20,884)</u>
Expenditure contracted but not included in the financial statements	<u><u>122</u></u>	<u><u>-</u></u>

17. Share capital

	2023	2022	2023	2022
	Number	Number	£	£
Share of £1 each fully paid	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

KINGDOM INITIATIVES LIMITED**YEAR ENDED 31 MARCH 2023****NOTES TO THE FINANCIAL STATEMENTS (cont'd)****18. Related party transactions**

A director of KI provided consultancy services to Champion Homes Ltd up until 30 September 2022. KI's purchases from Champion Homes Ltd in the 6-month period amounted to £327k (2022: £nil for the year). The balance due to Champion Homes Ltd was nil at year end (2022: £17k).

KI charged £27k (2022: £27k) to KHA in the year, including property lease charges.

KHA charged KI for expenses, property leases and management services provided amounting to £3,174k (2022: £2,491k) in the year.

The balance due by KI to KHA as at 31 March 2023 was £15,291k (2022: £14,551k), which includes the loans from KHA of £13,911k (2022: £14,194k).

KI made interest payments during the year to KHA, per the loan agreements, of £629k (2022: £540k).

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 (2022: £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.

20. Operating lease commitments

At 31 March 2023 the company had total future operating lease payments under non-cancellable operating lease commitments as follows:

	2023	2022
	£000	£000
Full value of operating lease commitments	<u>7,380</u>	<u>7,929</u>
Payable:		
Within one year	2,681	2,585
Between one and two years	2,054	2,020
Between two and five years	<u>2,645</u>	<u>3,324</u>
	<u>7,380</u>	<u>7,929</u>

Included in the operating lease commitments is £7,361k (2022: £7,792k) due to KHA.

21. Operating lease income

At 31 March 2023 the company had total future operating lease income under non-cancellable operating leases receivable within one year of £7k (2022: £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.

KINGDOM INITIATIVES LIMITED
YEAR ENDED 31 MARCH 2023

Detailed Profit and Loss Account

	2023
	£
Turnover	5,723,519
Cost of sales	(4,838,559)
Gross profit/(loss)	<hr/> 884,960
Administrative Expenses	(251,268)
Operating profit/(loss)	<hr/> 633,692
Investment income	
Bank Interest receivable and similar income	555
Bank Interest payable and similar charges	(1,197)
Other interest payable and similar charges	(629,170)
Profit/(loss) before taxation	<hr/> 3,880
Taxation	
Profit/(loss) after taxation	<hr/> <hr/> 3,880

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

KINGDOM INITIATIVES LIMITED
YEAR ENDED 31 MARCH 2023

Notes to the detailed profit and loss account

	2023
	£
Cost of Sales	
Other costs of sales	4,838,559
	<u>4,838,559</u>
	2023
	£
Administrative Expenses	
Travel and subsistence	46
Insurance	20,610
Publicity, printing, postage and stationery	9,346
Audit and accountancy	9,413
Legal and professional	(30,965)
Management charges, training	52,033
Bad and doubtful debts	190,785
Depreciation of tangible fixed assets	-
	<u>251,268</u>

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