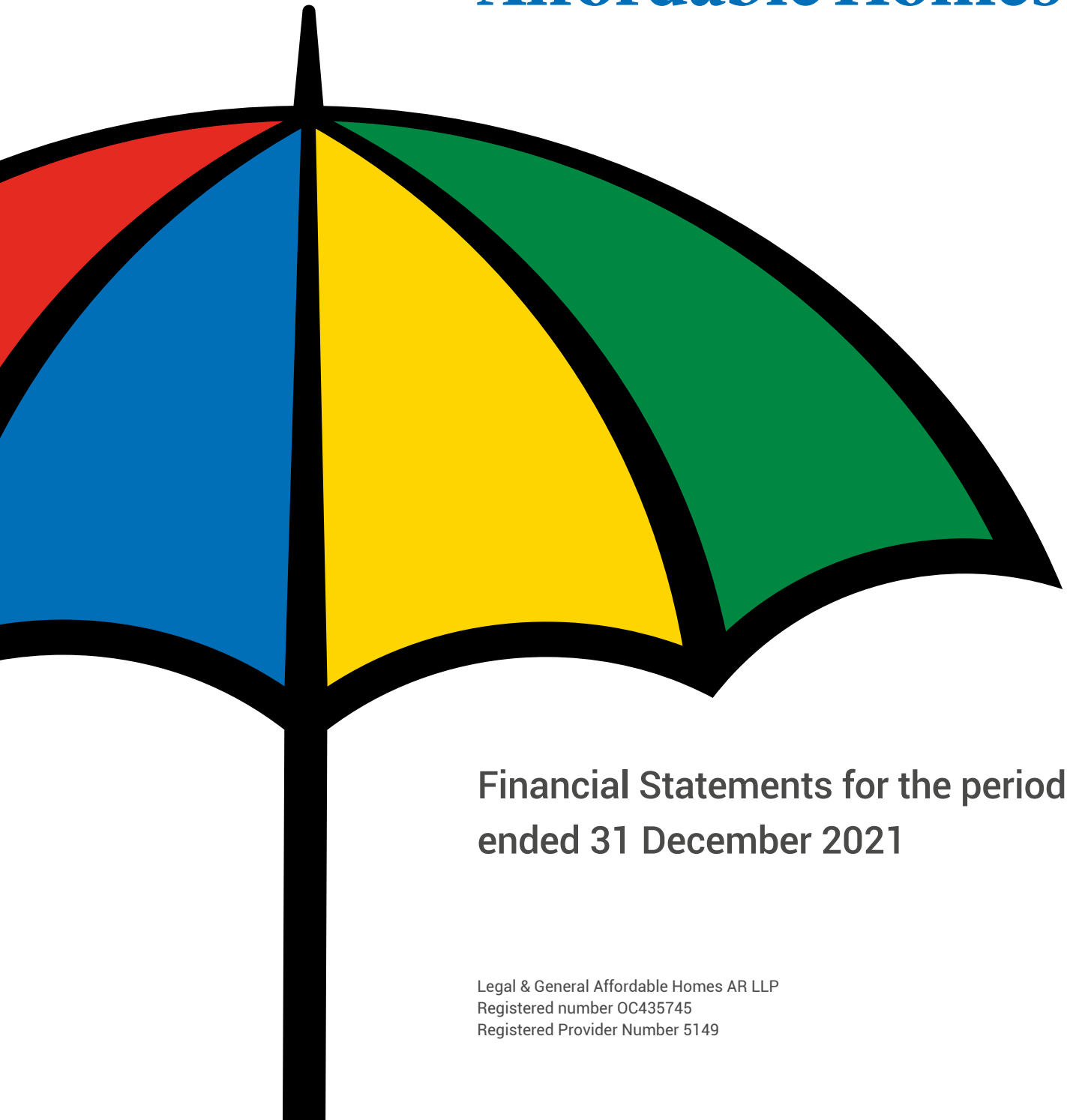


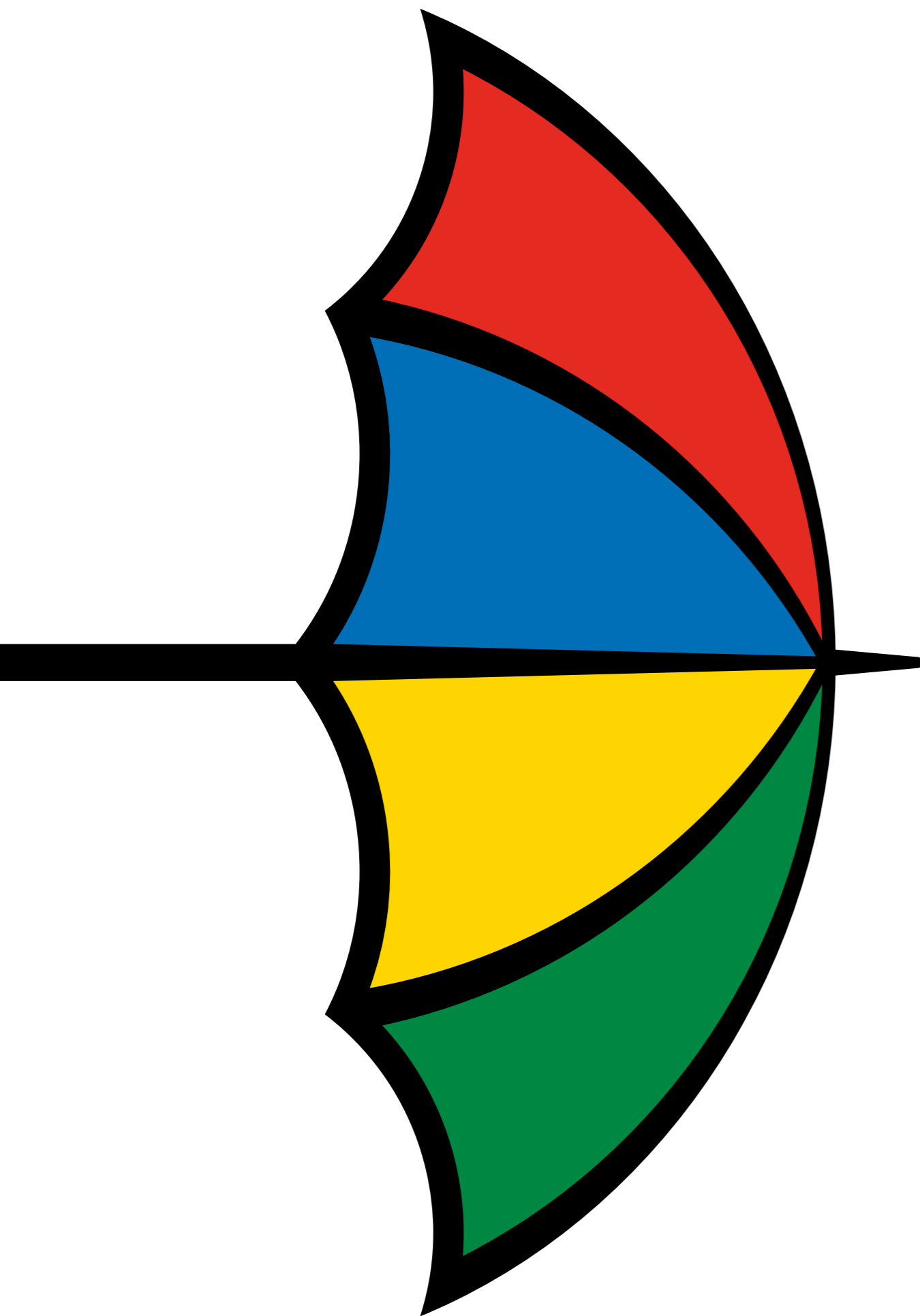


Legal & General Affordable Homes

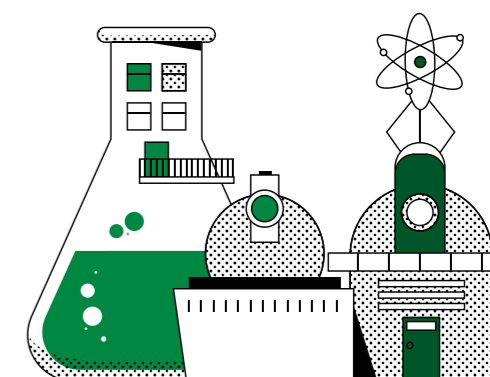


**Financial Statements for the period
ended 31 December 2021**

Legal & General Affordable Homes AR LLP
Registered number OC435745
Registered Provider Number 5149



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Registered Office:
One Coleman Street, London, EC2R 5AA

Registered in England & Wales No. OC435745
Registered Provider Number: 5149

Chairman's statement

A long-term business focussed on quality of service

Legal & General Affordable Homes (AR) LLP (the "LLP") is a newly established member of the wider Legal & General Affordable Homes business and received confirmation of its for profit registered provider status in November 2021, enabling it to commence activity as a provider of social housing.

Accordingly, we entered into an agreement to acquire 1,395 rented properties from one of our sister companies Legal & General Affordable Homes Limited, also a for profit registered provider, and completed the acquisition of the first 411 of these in December 2021. Long term funding was arranged with Legal & General Assurance Society Limited ("LGAS") for the acquisition.

We expect to acquire the remaining properties under the existing agreement over the next 18 months and to enter into further similar agreements with the other companies within the Legal & General Affordable Homes business to grow the number of properties we own.



As the LLP only commenced activity for a very brief duration in the period, we have not provided prior year comparatives or detailed analysis of the performance but we plan to do so in future periods.

“Legal & General is leading the evolution of the affordable housing sector”



Legal & General Affordable Homes publishes an Annual Customer Report and information about the LLP's properties and customers are included in that. The report can be viewed on the website: www.legalandgeneral.com/affordable-homes.

Our digitisation of the business through our bespoke Housing Management system continues apace with many of our management partners now working directly in our system, providing real-time access to portfolio information and enhancing our customer experience.

Looking ahead

As part of the Legal & General Affordable Homes business, we aim to play a leading role in raising service standards whilst increasing the long-term supply of affordable housing.

We continue to strive for high standards of energy efficiency in the homes we acquire. This is important for our customers with utility prices rising rapidly at the moment but also as part of our larger ambitions as we work towards net zero carbon. We have made significant progress in designing a range of house types for delivery by our sister companies within Legal & General Affordable Homes, other businesses across the Legal & General group or our external partners.

Board Member
Ian Graham
Director (Chairman)
23 June 2022

Board Members

In accordance with an LLP Agreement dated 8 December 2021, the Members have appointed a Board (the "Board") to operate the business of the LLP and have the power to make all decisions and take all actions concerning the LLP and its business. The current Members of the Board are as shown below:



Ian Graham | Chairman
Appointed 13 May 2021

Ian is Chair of each of the Legal & General Affordable Homes entities. Ian was a Partner of leading affordable housing law firm Trowers & Hamblins for 28 years. Ian led the Housing and Regeneration Team at Trowers as well as serving on the firm's board as a Managing Partner. He retired from Trowers in 2018. Ian was a member of the Board of Notting Hill Housing Trust and was also the Chair of Governors at St Paul's Whitechapel and St John's Bethnal Green Primary Schools. He holds an LLB from the University of Southampton and qualified as a solicitor in 1986.



Karen Wilson | Independent Non Executive Board Member
Appointed 13 May 2021

Karen is Chair of the Risk & Audit Committee. Karen was Chief Executive of London and Hertfordshire based Origin Housing Association for over 13 years, managing over 6,000 properties. Prior to Origin, Karen was Operations Director at English Churches Housing Group, Director of Planning & Operations at Metropolitan Housing Partnership and held various housing roles at both the London Borough of Greenwich and Sheffield City Council. Karen previously held non-executive positions at Euston Town Ltd, Placeshapers Ltd and was Vice Chair of Homes Connections Limited. Karen is a Fellow of the Chartered Institute of Housing and has a degree in Geography from Sheffield University.



Simon Century | Board Member
Appointed 27 February 2021

Simon is responsible for leading investment into the affordable housing, build to rent and other residential long income sectors. He led the creation of Legal & General Affordable Homes in 2018. Simon's experience ranges across residential real estate, specialising in corporate finance and corporate strategy. He joined from the affordable housing provider, Bpha Group where he was Director of Strategy and Corporate Finance and spent the majority of his career at the corporate finance firm, Trade Risks, advising clients in the infrastructure and quasi-government sectors across debt and equity advisory and trading, banking and DCM transactions. Simon holds full membership of the Association of Corporate Treasurers, the Certificate in Investment Management and a Psychology degree from the University of Liverpool.



Ben Denton | Board Member
Appointed 13 May 2021

Ben joined Legal & General from Sovereign Housing Association, the 6th largest housing association in the UK. As Executive Director of Property and Development, he delivered a development programme of 1,300 homes a year, managing an annual budget of c. £250 million. Ben has over 30 years of experience across residential housing, regeneration and real estate. Prior to Sovereign, Ben held the position of Group Director of Strategy and Business Development at house builder Keepmoat, Executive Director of Growth, Planning and Housing at Westminster City Council, was Director of Investment at First Base and was a Director and Executive Consultant for ABROS financial advisory and KPMG. Additionally, Ben was previously Chair at Westminster Community Homes, Deputy Chair of Thames Valley Housing Association. Ben is MRICS qualified from the Royal Institute of

Chartered Surveyors, Holds a First Class degree in Agriculture from the University of Reading as well as a Diploma in Business Administration from Manchester Business School.



Sarah Melinek | Independent Non Executive Board Member
Appointed 13 May 2021

Sarah is the Senior Independent Director. Sarah has over 20 years' experience in customer focused roles across the telecommunications, utilities and financial services sectors for organisations serving millions of customers including TalkTalk, The Carphone Warehouse, E.ON and Thames Water. Sarah has expertise as a Consultant and Director in transforming customer experience and customer service, embedding customer needs at the heart of business decision making, reducing customer effort and bringing the voice of the customer into the board room. Sarah has a degree in French and Spanish from the University of Exeter.



Karl Shaw | Board Member
Appointed 17 June 2021

Karl is the Corporate Development Director for Legal & General Retirement. He has a remit of Corporate Finance activities for the division, including the funding of Affordable Housing and other Legal & General businesses. Karl is a qualified actuary who has worked in the life insurance industry for over 25 years, with the majority of that time in various roles at Legal & General. Karl holds a first class degree in Mathematics from Cambridge University.

Members' Report

The Members are pleased to present their Report together with the audited financial statements of Legal & General Affordable Homes (AR) LLP (the "LLP") for the period ending 31 December 2021.

Activities

The LLP is a registered provider for social housing. The principal activity of the LLP during the period was providing of social housing through Affordable Rent and Social Rent schemes.

Results for the period and allocations to members

The loss for the period is £376,520.

Policy with respect to Members' drawings and subscription and repayments of amounts subscribed or otherwise contributed by Members

Contributions have been made to the capital account in accordance with the Members Agreement dated 8th December 2021. A Member shall not be required to provide any additional Capital Contribution to the LLP beyond its initial Capital Contribution unless otherwise unanimously agreed by the Members.

All the members subscribe to the LLP by way of an equity contribution of £100 initial capital.

Distribution of profit and losses are made, after repayment of debt, unless they agree otherwise at the time and credited to the member's distribution account.

No Member shall have the right to the return of its respective Capital Contribution except in the event of a Termination Event.

Going concern

The Members have reviewed the forecast cash flow for a period of at least 12 months from the date of approval of these financial statements. As with any entity placing reliance on other group entities for financial support, the Members acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.



Consequently, the Members are confident that the LLP will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and, therefore, have prepared the financial statements on a going concern basis.

Principal risks and uncertainties

In meeting its long term objectives the key business risks and uncertainties affecting the LLP are:

- Valuation of its properties
- Ability to source new housing opportunities
- Political changes to the operating environment
- Reputational damage arising from poor performance of the business
- The availability of sources of financing

Statement of internal control

The Board is ultimately responsible for ensuring the Company maintains a system of internal control that is appropriate to the various business environments in which it operates. Business risks are identified through a system of continuous monitoring. The risk control framework includes the following key features:

- The Risk and Audit Committee, which is a formal committee of the LLP Board.



- Risk Appetite Statements which set out the tolerance the business has for identified risks.
- The Legal & General Group internal audit function provides independent assurance on the effectiveness of business risk management and the overall operation of our risk framework.

- The Investment Manager identifies and evaluates risks to which the LLP may be exposed so that they can be managed in line with risk policies.
- Regular reporting of ongoing and emerging risks to assess whether risk positions are within the limits set by the risk appetite.

Value for Money

Please refer to the Value for Money statement section of this report.

NHF Code of Governance

The Board of the Designated Members of the LLP (the "Board") has adopted the 2020 edition of the NHF Code of Governance and has been working towards full compliance in accordance with the NHF recommended approach. As at 31 December 2021 the LLP was fully compliant with the NHF Code of Governance 2020 with the exception of provision 4.5 as the LLP adopts the Legal & General Group Whistleblowing Policy. Although this does not include a route to contact the independent non-executive directors on the Board, it is a robust approach to whistleblowing, which is considered an appropriate alternative for the LLP given its ownership by the Legal & General Group.

Governance and Viability standard

From registration with the Regulator of Social Housing in November 2021 until its first stock acquisition in December 2021 the LLP was an intending provider of affordable housing. The Board has undertaken a review of compliance and the Board is assured that the LLP is compliant with the regulatory framework including the governance and financial viability standard and its accompanying code of practice, in its status as both an intending and actual provider.

Equality and Diversity

We are committed to equality, diversity and inclusion and in 2021 we adopted our Equality and Diversity targets and approved a Board Diversity Statement. Our business, like that of the Legal & General Group more widely, is built on the belief of being economically and socially useful, embracing diversity and being fully inclusive in everything we do.

In engaging our Management Providers, their commitment to equality and inclusion through customer service was part of our selection criteria and is enshrined in the contracts for services that we have with them.

The LLP employs no staff but its Investment Manager employs staff to deliver services to the LLP and therefore the Board will encourage and influence the actions of the Investment Manager to act in accordance with the equality, diversity and inclusion principles set out by the Board. The Investment Manager reports key diversity metrics to the Board on a regular basis to enable monitoring and the LLP will publish information about its progress in this area.

Statement of members' responsibilities in respect of the Members' Report and the financial statements

The members are responsible for preparing the Members' Report and the financial statements in accordance with applicable law and regulations.



The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 the members 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 LLP and of its profit or loss for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

- use the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that its financial statements comply with those regulations. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

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

Modern slavery

Legal & General Group Plc and its global subsidiaries ("The Group") recognise that companies have an obligation to ensure that their business and supporting supply chains are slavery free. Legal & General's full slavery statement can be found at <https://www.legalandgeneralgroup.com/>.

Statement of disclosure to the Auditor

At the time of approval of this report:

- so far as the Members are aware, there is no relevant audit information of which the LLP's auditor is unaware; and
- the Members have taken all steps that they ought to have taken as Members in order to make themselves aware of any relevant audit information and to establish that the LLP's auditor is aware of that information

Signed on behalf of the members

Board Member

Ian Graham
Director (Chairman)
23 June 2022

Value for Money Statement

Introduction

Legal & General Affordable Homes' vision is for everyone to have a great quality, environmentally sustainable and affordable home from which they can build better futures. Central to this purpose is the delivery of great quality housing supported by great quality customer and property services delivering high levels of customer satisfaction. The LLP was formed in 2021 to own and manage rented housing in the affordable housing market. The LLP is part of the family of Registered Providers that make up Legal & General Affordable Homes which has been operating since 2018 and is in a period of significant growth. At the year-end the LLP owned and operated 411 properties being managed via its network of management providers.

In complying with the Value for Money Standard Legal & General Affordable Homes seeks to achieve economy, efficiency and effectiveness across all areas of activity. As the LLP is still in its early growth stage some of its value for money metrics will include outliers when benchmarked to the sector. As we grow, we expect it will become easier to benchmark performance with sector peers. Given the growth aspirations, and the ambitions of the organisation overall, the LLP will assess itself against the median of the sector and the top quartile.

The Organisation

The LLP focusses solely on the acquisition and management of affordable housing properties throughout England. It takes limited development risk and typically acquires homes approximately one year after their practical completion and occupation, primarily from its sister company, Legal & General Affordable Homes Ltd.

The LLP does not employ its own workforce but utilises the resources of an Investment Manager, Legal & General Affordable Homes (Operations) Limited, under an Investment Management Agreement. The Investment Manager is also owned by the common ultimate shareholder, Legal & General Group PLC.

As part of its role, the Investment Manager oversees the outsourced management providers who deliver services to customers and properties on the LLP's behalf.

Activities undertaken in 2021

The LLP completed the acquisition of 411 homes from Legal & General Affordable Homes Limited in December 2021. The transfer timing and materiality relative to the total stock holding had a significant impact on the metrics which use the end of year stock position in their computation. A similar impact is likely in 2022 and future years as tranches of stock are transferred in bulk to the LLP. This reflects the operating model adopted by the Legal & General Affordable Homes business in order to channel institutional investment into the

business over the long term. Supplemental measures will therefore continue to complement the sector standard Value for Money metrics.

How Legal & General Affordable Homes delivers Value for Money

The principle costs of the business are:

- its financing costs
- its property and customer services management costs
- the fees paid to the Investment Manager

In respect of financing costs, the business is financed by the Legal & General Group and in order for the business to be successful and grow, it must deliver fair returns to shareholders and funders whilst delivering a great quality customer service.

In relation to the property and customer service management costs, the business achieves value for money through its relationships with the management provider network that was procured through Legal & General Affordable Homes and which the LLP shares. This network was competitively tendered in 2019. In creating the network, the business was keen to ensure that it secured quality of service at an efficient cost of management. To deliver this aim, a two-stage tender process was adopted where bidders were required to pass through a quality scoring stage before submitting pricing. The business had a great response from the sector with over 130 expressions of interest and 34 final quality submissions received. 24 bidders were then invited to submit pricing before the final 14 providers were selected. This exercise has resulted in the business securing a network of high-quality management providers at competitive prices. The quality of service that the management providers deliver is overseen by the Investment Manager through performance management agreements which require sector leading performance on service delivery and customer feedback metrics.

Additional services provided to the LLP are undertaken by the Investment Manager, under an Investment Management Agreement. In 2018, Legal & General Affordable Homes Ltd independently benchmarked the Investment Manager's costs on an arm's length basis. These represented value for money based on the services and responsibilities provided. The fees for the LLP were further reviewed independently in 2021 confirmed the fee as fair and comparative to the market. This work was reported to the Board.

A Forward View of Value for Money Performance

The business has sought to establish a benchmark group of organisations in the sector to compare its value for money performance against. A cross section of Registered Providers who were most similar to the Legal & General Affordable Homes business were selected for this purpose. However, having attempted to create a meaningful benchmark group it became evident upon testing comparative performance that Legal & General Affordable Homes remains

an almost unique business in the affordable housing sector and that benchmark comparisons yield limited value. This is simply as a result of Legal & General Affordable Homes still being in its growth phase as a business and its continued evolution, not least the emergence of additional Registered Providers in the Legal & General Affordable Homes family of businesses during 2021.

As a result, the attempts to form a benchmark group were halted during 2021 and the Board agreed a further set of value for money metrics, in addition to the mandatory measures, which it wishes to begin to monitor. From 2022 these metrics will begin to be reported upon and will help ensure value for money is delivered throughout the business.

Value for Money Metrics

Legal & General Affordable Homes tracks its performance using financial, operational and strategic metrics as well as specific value for money metrics. These are monitored in line with the Value for Money Standard 2018 as set out by the Regulator of Social Housing. Legal & General Affordable Homes is consistently seeking to balance the efficiency of its operation with the value it generates for its residents. Therefore, it will always report on customer experience in addition to the required financial metrics in its annual statement. The business uses net promoter scores as its core indicator of customer experience. The metrics used are described below and the LLP will report them from 2022 onward.

Metric 1 - Reinvestment (2021: n/a)

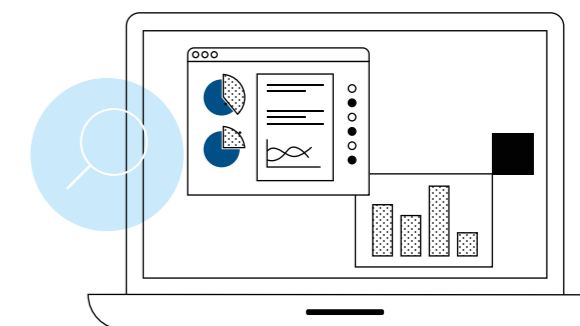
This metric looks at the investment in properties (works to existing stock and new supply) as a percentage of the value of total properties held at the end of the period. The LLP acquired 411 homes from one of its sister companies, Legal & General Affordable Homes Limited, in December 2021, which makes up the entirety of its housing property assets at the end of the period. In order that the Legal & General Affordable Homes business does not report new supply in both entities these homes have not been included in the calculation. As the LLP did not incur any capital works to the properties there was no 'reinvestment' to report.

Metric 2 - New supply delivered (2021: n/a)

As the only properties the LLP acquired in the period were from one of its sister companies there was no new supply in the period.

Metric 3 - Gearing (2021: n/a)

The LLP funded the acquisition of its 411 homes with contributions from its members. The LGAS contribution is in the form of two loan notes, one with a 40 year term bearing a fixed interest coupon and one with no maturity date or coupon. The gearing metric reported represents the amount of 40 year notes outstanding as a proportion of property value.



Metric 4 - Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) (2021: n/a)

This metric measures the level of underlying operating surplus compared to interest payable on the 40 year notes described above. The metric is strong and although only represents a short trading period is expected to be maintained going forward.

Metric 5 - Headline social housing cost per unit (2021: n/a)

This metric assesses the cost per unit of operating social housing properties in management. As homes were only acquired by the LLP in December a disproportionately low cost was incurred, relative to the end of year unit count.

Metric 6a & 6b - Operating Margin (2021: n/a)

This metric demonstrates the profitability of the operating assets. Metric 6a represents the operating margin on social housing only and 6b takes in to account all operating surplus for the year (both excluding revaluation gains/losses).

Metric 7 - Return on capital employed (2021: n/a)

This metric compares the operating surplus to total assets less current liabilities and is a measure to assess the efficient use of capital. The ROCE for Legal & General Affordable Homes is representative of the fact that significant investment is being made in social housing stock to achieve our ambitious targets with revenue not yet fully stabilised. This means the return is low compared to established peers who hold and maintain a large standing stock. It is anticipated that the business will perform below the sector norm whilst it continues to grow and establish a stock holding commensurate with its peer group. This is reflected in the 2022 target measure.

Metric 8 - Net Promoter Score (2021: n/a)

Net Promoter Score is calculated based on the question: "On a scale of 1-10, how likely is it that you would recommend us to a friend or colleague?" Based on the number a customer selects, they are categorised as promoters, passives or detractors. The score is the difference between promoters and detractors. The business has an independent organisation collect all of its customer experience data to ensure neutrality and accuracy. Given the LLP only acquired stock in December 2021, it has not yet concluded a survey of its stock.

Independent auditor's report to the members of Legal & General Affordable Homes (AR) LLP

Opinion

We have audited the financial statements of Legal & General Affordable Homes (AR) LLP ("the LLP") for the period ended 31 December 2021 which comprise the Income Statement, Balance Sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, of the state of affairs of the LLP as at 31 December 2021 and of its result for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the LLP in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The members have prepared the financial statements on the going concern basis as they do not intend to liquidate the LLP or to cease its operations, and as they have concluded that the LLP's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the members' conclusions, we considered the inherent risks to the LLP's business model and analysed how those risks might affect the LLP's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;

- we have not identified, and concur with the members' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the LLP's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the LLP will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because of the low value recognised in the year. We did not identify any additional fraud risks.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the



policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and

we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We have not identified any such areas. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation



Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The members are responsible for the other information, which comprises the chairman's statement and members' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to limited liability partnerships we are required 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
- we have not received all the information and explanations we require for our audit.
- we have nothing to report in these respects.

Members' responsibilities

As explained more fully in their statement set out on page 10, the members are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the LLP'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 they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the members of the LLP, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP'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 LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Sarah Brown (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill, Snow Hill Queensway
Birmingham B4 6GH
30 June 2022



Income Statement & Balance Sheet

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Income Statement

For the period ended 31 December 2021	Notes	2021 £'000
Revenue	2	213
Cost of sales		
Gross profit		213
Administrative expenses		(149)
Loss on investment property revaluation		(450)
Operating (loss)/profit		(386)
(Loss)/profit for the period before Members' remuneration and profit shares		(386)
Automatic division of (loss)/profit		386
Result for the financial period available for discretionary division among Members		

Balance Sheet

For the period ended 31 December 2021	Notes	2021 £'000
Fixed Assets		
Investment property	5	76,590
		76,590
Current assets		
Debtors	6	213
Cash at bank and in hand		323
		536
Creditors: amounts falling due within one year	7	(87)
Net current assets		449
Creditors: amounts falling due after more than one year	8	(77,038)
Net assets attributable to members		1
Represented by		
Capital contributions from limited partners (Profit)/Loss for the year		(387)
		386
		(1)
Total Member's Interests		
Amounts due (to)/from members		386
Capital contributions from limited partners		(387)
		(1)

The notes on pages 21 to 24 form an integral part of these financial statements. The financial statements were approved by the members on 8 June 2022 and were signed on its behalf by:



Board Member
Ian Graham
Director (Chairman)

Notes to Financial Statement

1. Accounting policies

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The accounts are also prepared in accordance with the Accounting Direction for Private Registered Providers of Social Housing 2019 and the Housing Statement of Recommended Practice 2018 ("SORP"), to the extent that the SORP does not conflict with UK adopted international accounting standards.

The LLP's ultimate parent undertaking, Legal & General Group Plc includes the LLP in its consolidated financial statements. The consolidated financial statements of the Group are available to the public and may be obtained from One Coleman Street, London EC2R 5AA. In these financial statements, the LLP is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes;

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the Members, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Post-Balance sheet events

Subsequent to the balance sheet date, there has not been any other item, transaction or event of a material and unusual nature likely, in the opinions of the Members, to affect significantly the operations of the LLP, the result of those operations, or the state of affairs, in future financial years.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- Valuation of investment property. The investment property has been valued by an independent third party valuer, in accordance with the Royal Institute of Chartered

Surveyors ("RICS") Valuation – Professional Standards ("The Red Book") and the International Valuation Standard and was arrived at by reference to market transactions for similar properties. Management also consider any special assumptions that are relevant to the particular circumstances, which are then applied to the valuation.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value.

1.2 Going concern

After making enquiries, the Members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future. The LLP therefore continues to adopt the going concern basis in preparing its financial statements. The LLP has continued to model various scenarios around the impact of the pandemic and is comfortable that there are no significant risks to the business which would impact its ability to continue as a going concern. The Members have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the LLP will have sufficient funds to meet its liabilities as they fall due for that period.

As with any entity placing reliance on other Group entities for financial support, the Members acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Consequently, the Members are confident that the LLP will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.



Interest-bearing borrowings classified as basic financial instruments Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the LLP's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.4 Investment property

Under the Housing SORP Housing guidance properties that are held for the provision of social housing must be treated as property, plant and equipment. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in fair value recognised in income and expenditure.

The LLP has deviated from the Housing SORP in treating all properties as Investment Property due to the following reasons:

- The LLP holds its property to earn rentals and for capital appreciation which is the definition of
- Investment Property under IAS 40
- The LLP is a for-profit registered provider and so it provides social housing not solely for the purpose of holding it for social benefit, but also with the aim of generating a financial return
- The accounts are prepared in accordance with the Housing SORP to the extent that the SORP does not conflict with UK adopted international accounting standards

The intended use of the property is the overriding criteria when determining whether a property is Property, Plant and Equipment or Investment Property. The SORP guidance in this respect has not been followed since it is considered to contradict management's interpretation of IAS 40. The intended use of Investment Properties is to earn profitable rents and/or capital appreciation and therefore the LLP will hold its properties as Investment Property at fair value, with movements recognised through the profit and loss account.

Investment property is revalued to its fair value at each reporting date and any changes in fair value are recognised through the Income statement.

1.5 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell.

1.6 Turnover

Turnover represents proceeds from the rent. Income from the rent is recognised in the statement of income.

1.7 Provisions

A provision is recognised in the balance sheet when the LLP has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.8 Taxation

Tax to be paid on the profits arising in the LLP are a personal tax liability of the Members of the LLP and therefore are not included as a tax charge or provision within these financial statements.

2. Turnover

	2021 £'000
Property rent	213
Total turnover	213

The turnover was derived from the LLP's principal activity which was carried out in the UK. The whole of the turnover is attributable to continuing operations.

3. Administrative expenses

	2021 £'000
Legal and professional fees	149
	149

4. Movement in fair value of investment property

	2021 £'000
Investment property revaluation loss	450
	450

5. Investment property

	2021 £'000
Balance at incorporation on 27 February 2021	-
Rental additions	77,040
Revaluation	(450)
Balance at 31 December 2021	76,590

6. Debtors

	2021 £'000
Prepayments and accrued income	213
	213

7. Creditors: amounts falling due within one year

	2021 £'000
Trade creditors	9
Amounts owed to group undertakings	78
	87

8. Creditors: amounts falling due after more than one year

	2021 £'000
Loan notes issued	77,038

9. Capital Contribution

	2021 £'000
Capital contribution from parent entities	387

10. Employees

The LLP had no employees during the period.

11. Board members' emoluments

The executive Board members are not paid to undertake their activities as board members of the LLP and the costs are not paid by the LLP however the costs included below represent a fair allocation of their remuneration in relation to the work they undertake for the LLP.

	2021 £'000
Simon Century	4
Karl Shaw	4
Ben Denton	4
	13

Similarly, payments to non executive board members are not paid by the LLP but the remuneration relating to their work for the LLP is shown below.

	2021 £'000
Ian Graham (Chairman)	6
Karen Wilson	4
Sarah Melinek	4
	14

12. Ultimate parent undertaking

The LLP's ultimate parent undertaking is Legal & General Group Plc.

The largest and smallest group in which the results of the LLP are consolidated is that headed by the Group, whose registered office address is One Coleman Street, London EC2R 5AA. No other group financial statements include the results of the LLP. The consolidated financial statements of the Group is available to the public and may be obtained from One Coleman Street, London EC2R 5AA





Registered Office:
One Coleman Street, London, EC2R 5AA

Registered in England & Wales No. OC435745
Registered Provider Number: 5149

