Legal and General Affordable Homes

Annual Report & Accounts

For the year ended 31 December 2019

Legal and General Affordable Homes Limited
Company Registration Number: 11223470
Registered Provider Number: 5062

Registered Office:
One Coleman Street
London EC2R 5AA

Registered in England & Wales No. 11223470

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London EC2R 5AA

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Legal & General
AFFORDABLE HOMES

Afford. Live. Love.

Directors and advisors at date of approval of the financial statements

Directors
Ben Denton
Ian Graham (Chair)
Karen Wilson
Kerrigan Procter
Simon Century

Independent Statutory Auditor
KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Bankers
Barclays Bank PLC
Churchill Place
Canary Wharf
London
E14 5RB

Legal Advisors
Trowers & Hamlins
3 Bunhill Row
London
EC1Y 8YZ

Registered Office:
One Coleman Street
London EC2R 5AA

Registration Numbers
Company Registration Number: 11223470
Registered Provider Number: 5062

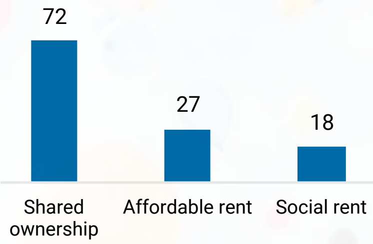
Legal & General
AFFORDABLE HOMES

Highlights

Our ambition is to deliver 3,658 affordable homes annually by 2023. We have already secured a pipeline of c.3,500 new affordable homes throughout the UK. During the year our first affordable homes became both operational, welcoming our first residents, and profitable.

Profit before tax
£1m
(2018: £nil)

Number of homes*
117
(2018: nil)
*Units under management

Homes by tenure


Investment Property
£20.1m
(2018: £nil)

Secured homes pipeline*
3,658
(2018: £nil)

14
housing associations and partners selected to manage our affordable homes

Net promotor score
59.6

Legal and General Affordable Homes welcomes its first customers

Jamie and Melanie were living in an overcrowded one bedroom flat after the birth of their daughter Ellie in January 2019. Jamie is a self-employed landscaper and Melanie is currently signed off work after having an operation. Jamie and Melanie became the first ever Legal & General Affordable Homes residents, finding a safe and stable home, after waiting 13 months on the Cornwall Council Home Choice register for appropriate accommodation.

Before becoming our second customers, Adam and Stacy, who both work in education, were living in a three bedroom property with their five sons. They'd been living in an older property too small for their needs for over seven years before the opportunity arose to move their family back to their home town and nearer to relatives who are keen to help the family enjoy a better standard of living.

We have selected 14 partners to manage our homes

Pinnacle Group

OPTIVO

SAXON WEALD – Great homes, building futures

Jigsaw

rhp

CHP

karbon homes

Accord

Flagship Homes

STONEWATER

Raven Housing Trust

Coastline

The Regenda Group

great places HOUSING GROUP

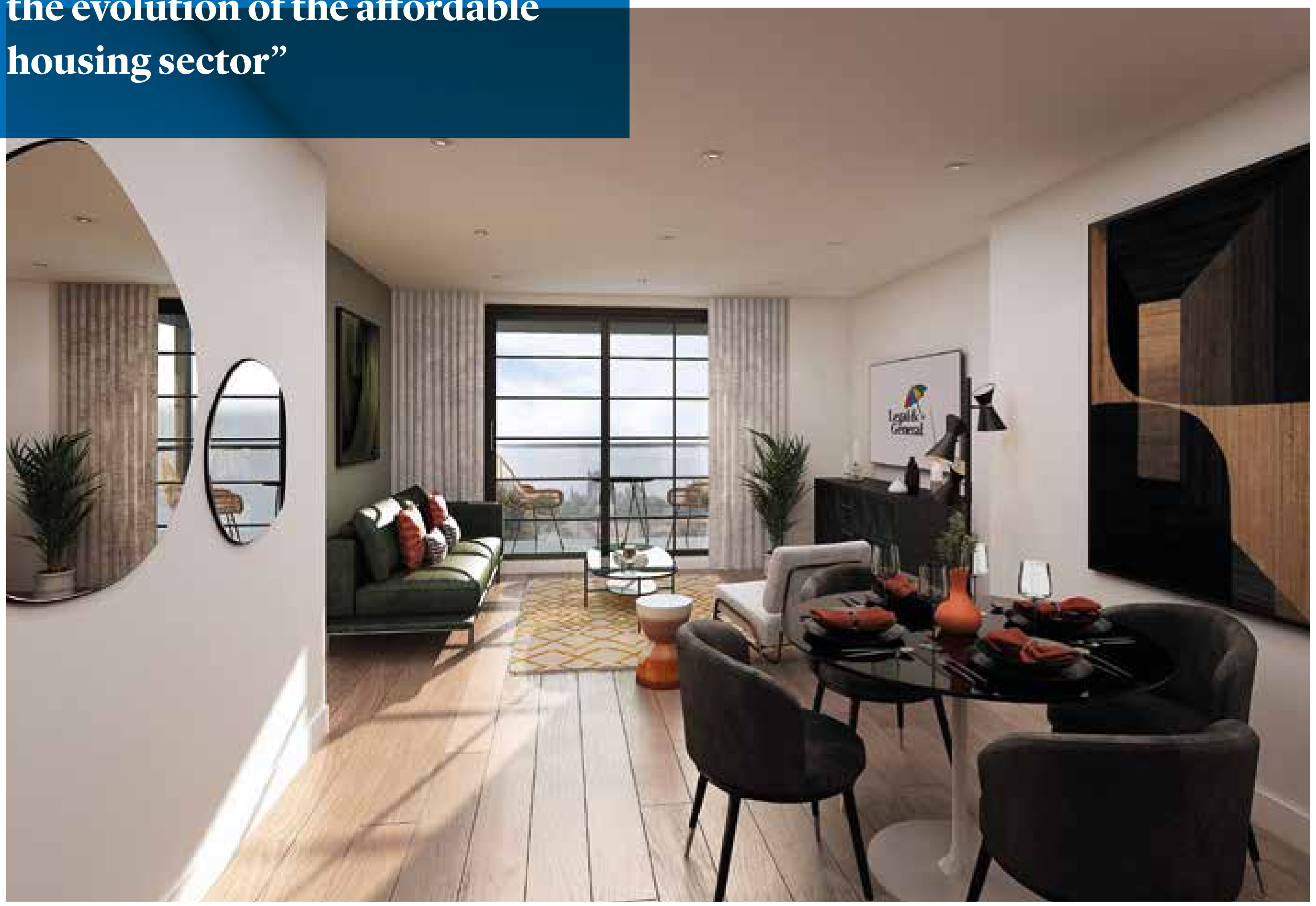
Chairman's statement

A new ambitious business

Legal & General Affordable Homes launched in April 2018, with an aim to bring institutional capital at scale into a heavily capital constrained sector, funding the huge need for additional affordable housing. Across England, 1.3 million households remain on waiting lists for social housing. One in three low income earners have had to borrow money to pay their rent and the steep decline in social housing has led to huge increases in government welfare costs, as well as rising homelessness. Legal & General is leading the evolution of the affordable housing sector; committed to raising service standards and increasing the long-term supply of affordable housing, a sector which continues to suffer from chronic shortage.

Having already brought our first homes into operation, we are on target to create 3,000 affordable homes each year by 2023. We are committed to working in partnership with the sector and have successfully contracted with 14 established housing associations and providers to form a panel that is leading our housing operations across the UK. Creating a nationwide network of management partners, this panel is bringing local expertise and established infrastructure to support the operation of our growing pipeline of homes. We look forward to building on these relationships through exploring further opportunities, such as collaborating with providers in the direct development of homes and working on future technological solutions for the sector to drive-up customer satisfaction.

"Legal & General is leading the evolution of the affordable housing sector"



Covid-19 response

We are currently living through unprecedented times with the full impact of the Covid-19 pandemic yet to be fully determined. We believe that the affordable housing sector will be critically important in leading the rebound from any resultant market downturn. We recognise the support that Government is providing through Homes England and GLA grant programmes, and hope to see this grow at pace given the likely market turbulence ahead.

Finally, I would like to recognise the huge effort by the Board, our Legal & General colleagues (both our Investment Manager and the wider business) and partners across the country which has positioned us for success. We have a fantastic team in place and I look forward to seeing the business grow and deliver on our ambitious targets over the coming years.

Ian Graham
Director (Chairman)

Key Highlights for the year

Legal & General Affordable Homes has had a successful year with the key highlights being:

Management Providers

14

Now in place to deliver a high-quality service to our customers

Customers

First customers moved into homes with encouraging initial customer feedback

Homes secured

c.3,500

A pipeline of c.3,500 homes secured in just over a year, delivering a mix of social rent, affordable rent and shared ownership homes throughout the country.

Debt Facility

£100m

Post year end, an initial £100m debt facility has been secured with L&G's Retirement business, demonstrating how Legal & General can invest UK pension money to back the provision of much-needed affordable housing.

Board of Directors

Ian Graham | Chairman
Appointed July 2018

Ian is Chair of Legal & General Affordable Homes Limited. Ian was a Partner of leading affordable housing law firm Trowers & Hamlins for 28 years. Ian led the Housing and Regeneration Team at Trowers as well as serving on the firm's board and 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 Director
Appointed July 2018

Karen is a non-executive director of Legal & General Affordable Homes Limited and Chair of the Risk 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 is also Vice Chair of Women in Sport and previously also 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.

Kerrigan Procter | Director
Appointed February 2018

Kerrigan Procter is the CEO of Legal & General Capital and a member of Legal & General's Group Board as well as its Executive Committee. Previously Kerrigan worked as the CEO of Legal & General Retirement. Kerrigan managed the retirement business that helps over one million customers to achieve financial security in retirement and invests over £50bn of assets to back L&G's annuity promises to pensioners. Prior to that, he was Head of Solutions at Legal & General Investment Management from 2006 to 2012 where he was responsible for Liability Driven Investment and multi-asset funds for defined benefit and defined contribution pension schemes. Prior to joining Legal & General, Kerrigan worked at RBS in the financial markets division where he held several roles including Head of Pensions Advisory, Head of Credit Risk Measurement and Director of Interest Rate Derivative Structuring. Kerrigan started his career in 1994 with Ernst & Young Corporate Finance before moving to Mercer where he was both an investment consultant and responsible for ALM in Europe. Kerrigan is a Fellow of the Institute of Actuaries, has a First Class Honours Degree in Mathematics from Reading University and a PhD in number theory from King's College, London

Simon Century | Director
Appointed February 2018

Simon is responsible for leading investment into the affordable housing, build to rent and other residential long income sectors He led the creation of L&G's wholly owned affordable housing business, 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, TradeRisks, advising clients in the infrastructure and quasi-government sectors across debt and equity advisory and trading, banking and DCM transactions. Simon hold a full member of the Association of Corporate Treasurers, holds the Certificate in Investment Management and a Psychology degree from the University of Liverpool

Ben Denton | Director
Appointed October 2018

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.

Strategic Report

Principal activities

Legal & General Affordable Homes Limited ("the Company") is a Registered Provider of social housing for profit. The Company is a private company limited by shares incorporated under the Companies Act 2006 and is registered in England and Wales.

Review of the business

The Company is in a net asset position and profit making as at 31 December 2019.

Principal risks and uncertainties

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

- Valuation of the properties
- Ability to source new housing opportunities
- The availability of sources of financing
- Rent regime risk
- 3rd party operator management performance
- Inflation and interest rate risks
- Financial impact of void units and rent arrears

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 Legal & General Affordable Homes Board has delegated authority.
- Risk Appetite Statements which set out the key decisions that the business makes are assessed against this risk framework.
- The Legal & General Group PLC 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 Company 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.

Since the year end the Legal & General Group PLC internal audit function performed an internal audit to provide assurance that the Company had implemented a sufficient and effective control framework. No major or high risk issues were noted.

Impact of Covid-19 pandemic

Given the United Kingdom is still in the middle of the pandemic the impact of Covid-19 is still being assessed. However, the main risk to the Company is a delay in the handover of units from developers. The Company has modelled 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.

Financial key performance

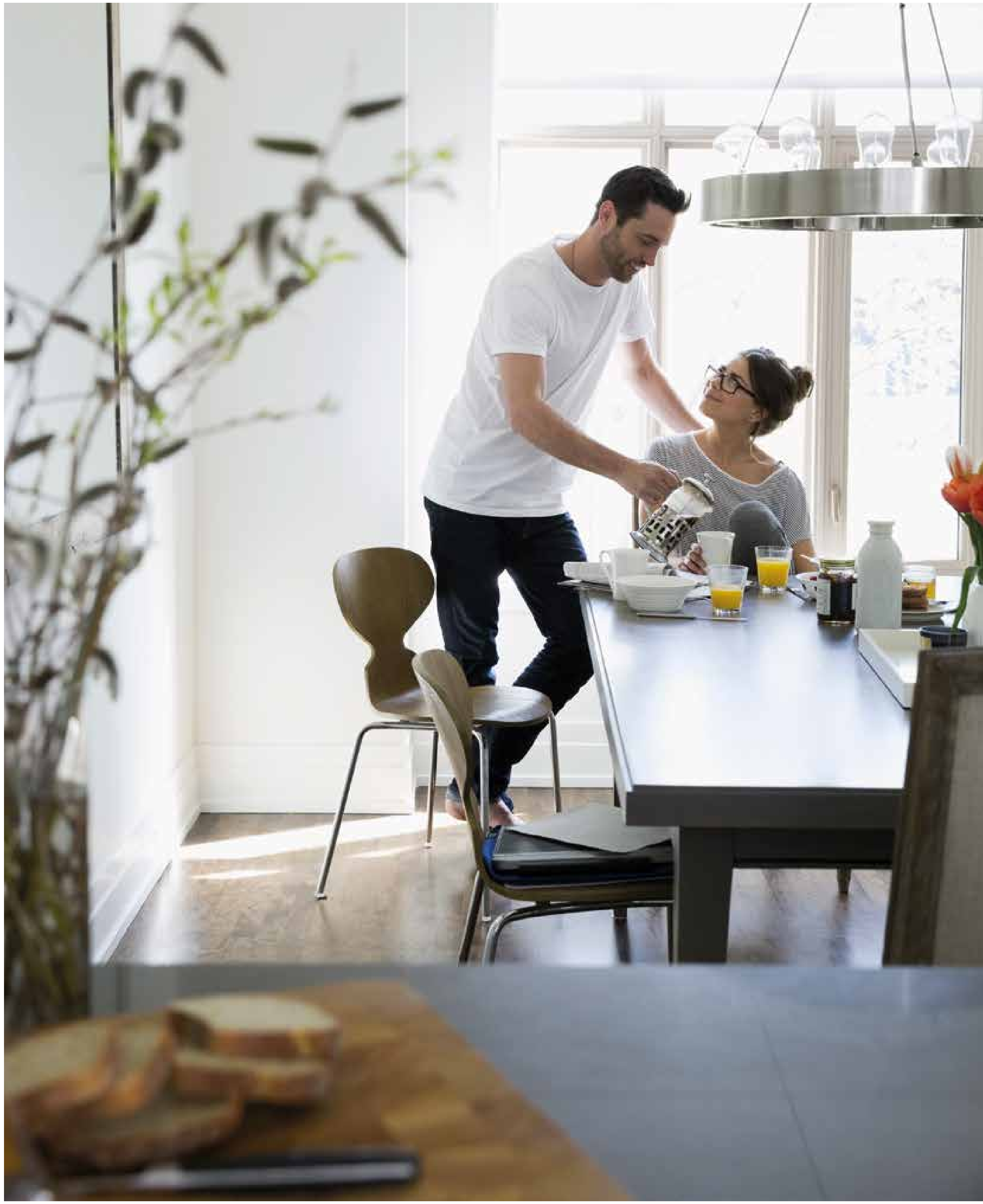
Please refer to the Value for Money statement section of this report.

NHF Code of Governance

The Company has adopted the 2015 edition of the NHF Code of Governance and is compliant with all applicable requirements since registration as a Registered Provider in December 2018.

By Order of the Board

Ian Graham
Director (Chairman)
14th May 2020



Directors' Report

The directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2019.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Future developments

The Company's ambition is to deliver 3,000 homes per year by 2023. It should be noted that the development risk is borne by the Company's sister companies, Legal & General Affordable Homes (Development) Limited and Legal & General Affordable Homes (Development 2) Limited. Together, the business had a secured pipeline of 3,658 homes at the year end.

Debt financing

Since the year end the Company has successfully agreed terms with Legal & General's Retirement business to provide the Company with £100m of long term debt financing.

Result for the year end

The results of the Company are set out on page 25. The directors do not recommend the payment of a dividend.

Going concern

No material uncertainties that cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors. An analysis of the impact of the Covid-19 pandemic can be found within the Strategic report. The Company has the ability to drawdown on committed capital from its parent company. A £100m debt facility was also entered in to after the year end. This will support the Company's business activities for the foreseeable future.

Units under management

	2019 units	2018 units
Shared ownership	72	-
Affordable rent	27	-
Social rent	18	-
Total units under management	**117**	**-**

The management of units is outsourced to external management provider companies. The Company currently has 14 housing associations and partners selected to manage the affordable homes.

Directors

The directors of the Company, who were in office during the year and up to the date of signing the financial statements are shown below:

Director	Date appointed
Simon Century	23 February 2018
Kerrigan Procter	23 February 2018
Ian Graham	17 July 2018
Karen Wilson	17 July 2018
Ben Denton	10 October 2018

Value for Money Statement

Introduction

The Company's central purpose is to deliver great quality housing supported by great quality customer and property services and thereby deliver high levels of customer satisfaction. The Company was formed in 2018 and 2019 was the first year that properties came into operation. At the year-end 31 December 2019 the company owned and operated 117 properties.

In complying with the Value for Money Standard the business seeks to achieve economy, efficiency and effectiveness across all areas of activity. We currently have a small number of homes in operation, but have ambitious plans for growth. The early-stage of the organisation's growth means that across the trading year, the value for money metrics will include outliers, but as the organisation grows, we expect it will become more possible to benchmark performance with sector peers.

Given the growth aspirations, and the ambitions of the organisation overall, the business has assessed itself against the median of the sector and the top quartile. The top quartile tend to be the best performers against the Regulator Value for Money metrics and as a newly formed but ambitious organisation, the target is to perform well compared to the top quartile businesses in the Registered Provider sector..

The Organisation

The business focusses solely on the acquisition and management of affordable housing properties throughout England. It takes on no development risk and typically acquires homes upon practical completion of homes, primarily from its' sister companies, Legal & General Affordable Homes (Development) Limited and Legal & General Affordable Homes (Development 2) Limited, which is owned by the common ultimate shareholder, Legal & General Group. The business focuses on managing the properties it owns and serving the interests of its customers.

The business 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.

The Investment Manager operates the business and as part of that role it oversees the outsourced management providers who deliver services to customers and properties on its behalf.

Activities undertaken in 2019

At the beginning of 2019, the Company had no properties in operation. Over the course of 2019 the business has acquired its first homes and contracted a network of management partners from which it can start to deliver excellent customer service and property management.

How L&G Affordable Homes delivers Value for Money

The principle costs of the business are:

- Its financing costs
- Its property and customer 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 at prices that are largely set by the regulatory environment. Where Legal & General Affordable Homes enters into debt financing arrangements the Board receives assurance that value for money is being secured by the business through independent reviews of the transactions to ensure the pricing and terms reflect market norms.

In relation to the property and customer management costs, the business achieves value for money through its relationships with the management provider network it has procured. 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 Company 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 customer feedback from the providers in the network.

Additional services provided to the business are undertaken by the Investment Manager, under an Investment Management Agreement. In 2018, the Board independently benchmarked the Investment Managers costs on an arm's length basis. These represented value for money based on the services and responsibilities provided.

How L&G Affordable Homes will develop its value for money metrics

In 2019 the first homes were brought into operation and the business secured its management partners. The value for money objectives for 2019 were to deliver a great quality customer experience and to contract a national network of management providers at a competitive price. Both these objectives have been achieved.

In relation to customer experience, early evidence is encouraging. Customers moving into homes in 2019 returned a net promoter scores for the quality of services offered at +50 or above whilst the businesses average cost per unit, when adjusted to consider the impact of no stock investment spend, is highly competitive with the best performance in sector. The sector average for those organisations that measure net promoter score is 24.

In relation to management and overhead costs, the business currently measures favourably against the sector, despite its relatively small current asset base. Section 6 sets out the current Value for Money performance against the assumed peer groups.

In 2020, now that homes are in operation, the Board will develop its Value for Money framework and strategy as an integral part of its overall business strategy. As part of that work it will set medium term value for money indicators that it can track and measure the performance of the business against and report-on as part of the annual Value for Money reporting process.

The Board's view is that, given the Company's unique characteristics – being a fast-growing organisation but with no development risk or responsibilities, the key value for money measure for the business is and will continue to be customer satisfaction, measured through the Net Promoter Score framework. We will consider performance against organisations in the sector, and outside.

Value for Money Metrics

The business 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. The business 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 and has included it in the reporting for the financial year 2019.

The Company is a relatively unique business in the affordable housing sector. It is a for profit Registered Provider in only its second year of trading, with a growth trajectory of around 3,000 affordable homes per year and a broad split between shared ownership and rented stock. As a result, its performance is not easily comparable with others in the market. That said, as the business plans to grow to around 10,000 homes by 2025, it has established a benchmark against the performance of traditional Housing Associations owning in excess of 10,000 units. These businesses are managing the scale of asset and customer base that this business will mature toward and they will come to offer a more direct comparison than any other benchmark group in the sector.

Metric 1 - Reinvestment

This metric looks at the fixed asset investment in properties (existing as well as new supply) as a percentage of the value of total properties held. At the start of the year the business had yet to invest in any properties, but this has grown to an investment of £46.8m by the end of December 2019. As the business had no existing stock at the beginning of 2019, its performance is markedly different from the rest of the sector where businesses typically hold a large existing asset base.

Metric 2 - New supply delivered
This metric considers the number of new housing units developed in the year as a proportion of total units owned at the end of the year. We started the year with no homes but by the end of 2019 we had delivered 117 new social homes representing 100% new supply. The focus is on delivering social housing and we have not acquired or delivered any non-social housing units in 2019.

Metric 3 - Gearing
As at the end of 2019 the Company did not have any debt in place although a £100m loan facility was put in place shortly after the end of the year end. The Company will ensure that its gearing levels are appropriate by balancing the need for debt funding to increase capacity to deliver more homes and enable us to be capital efficient with the need for the organisation to be financially stable and resilient to any market downturns.

Metric 4 - Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI)
This metric measures the level of surplus compared to interest payable. For the year ended 31 December 2019 there was no debt in place and so no interest was payable.

Metric 5 - Headline social housing cost per unit
This metric assesses the cost per unit. The organisation is still in its set up stage and the costs incurred in the year are low as most units were handed over towards the end of the year. A more directly comparable position to peers will be possible at the end of the 2020. It is anticipated that the business will have costs lower than the sector median for a number of years to come due to its portfolio being generated from new build housing.

Metric 6a & 6b - Operating Margin
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 (excluding revaluation gain). Operating margin on social housing reflects the small number of units handed over towards the back of the end of the year. Metric 6b represents a lower margin once factoring in all costs for the year.

Metric 7 - Return on capital employed
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 was 2.3% which as a result of the fact that significant investment has been made in social housing stock during the year, but units were handed over in the back half of the year and therefore revenue was not representative of a full trading year. Total assets less current liabilities are taken at the Balance Sheet date of 31st December 2019. This means the return is low compared with peers who hold and maintain a large standing stock. It is anticipated that the business will perform below the sector norm for the first four years of trading as it establishes a stock holding commensurate with its peer group. This is reflected in the 2020 target measure.

Metric 8 - Net promoter score
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 Company has an independent organisation, The Institute of Customer Services, collect all of its customer experience data to ensure neutrality and accuracy. In any sector a score of +50 and above is deemed to be excellent and the business is intent on maintaining this level as it matures.

			2018/19 Sector VFM			
Metric	Description		Median Quartile	Upper Quartile	2019 actual	2020 target
1	Reinvestment	%	5.3	7.3	100.0	86.4
2	New supply delivered	%	2.0	2.6	100.0	88.9
3	Gearing	%	46.8	51.4	nil	45.0
4	EBITDA MRI	%	154.9	191.2	n/a	180.0
5	Headline social housing cost per unit	%	3,789	3,321	94	1,230
6a	Operating Margin - social housing lettings	%	33.8	38.2	63.0	62.0
6b	Operating Margin - overall	%	26.6	30.4	32.0	62.0
7	Return on capital employed	%	3.6	4.2	2.3	0.8
8	Net promoter score	%	n/a	n/a	54.9	50.0

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law the directors 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 or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors 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. They 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.

Disclosure of information to auditors

Each of the directors, who held office at the date the Director's report is approved, confirms that:

(a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

A resolution to reappoint the auditors, KPMG LLP, who have expressed their willingness to be reappointed, will be proposed at the Legal & General Group plc's Annual General Meeting.

By Order of the Board

Ian Graham
Director (Chairman)
14th May 2020

Independent Auditors' Report To The Members of Legal & General Affordable Homes Limited

Our opinion

We have audited the financial statements of Legal and General Affordable Homes Limited ("the Company") for the year ended 31 December 2019 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity 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 company as at 31 December 2019 and of its surplus for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006, 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 company 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 directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company'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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Other information

The directors are responsible for the other information, which comprises the strategic report, the directors' report, and the chairman's statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, 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;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 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
- 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.
- we have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 20, the directors 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 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 they either intend to liquidate the company 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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 128 of the Housing and Regeneration Act 2008. 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.

SBrown

Sarah Brown (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill, Snow Hill Queensway
Birmingham B4 6GH
30th June 2020

Financial Statements

Income Statement

For the year ended 31 December 2019	Notes	2019 £'000	2018 £'000
Income	3	1,960	-
Operating expenditure	4	(1,326)	
Other gains and losses	5	341	
Operating surplus		**975**	**-**
Surplus before income tax		**975**	
Income tax expense	9	(197)	-
Profit/(loss) for the year		**777**	

There were no gains or losses in the year other than those included in the above Income Statement.

Balance Sheet

As at 31 December 2019	Notes	2019 £'000	2018 £'000
Assets			
Non-current assets			
Investment property	10	20,096	-
Current assets			
Inventories	11	26,661	-
Cash at bank		21	
Financial Asset	12	523	-
		27,205	-
Total assets		**47,301**	-
Liabilities			
Current liabilities			
Trade and other payables	13	2,566	
Financial Liability	12	523	
Deferred tax	14	58	
Reservation deposits held		8	
Deferred grant income on schemes under development		1,588	
		4,743	-
Total liabilities		**4,743**	-
Net assets		**42,558**	-
Equity			
Share capital and share premium	15	41,781	-
Retained earnings		777	
Total equity		**42,558**	**-**

The notes on pages 28 to 36 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the board on 14th May 2020 and were signed on its behalf by

Ian Graham
Chairman of the Board

Statement of changes in Equity

For the year ended 31 December 2019	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total £'000
As at 1 January 2019	-	-	-	-
Profit for the year	-	-	777	777
Total comprehensive income for the year	**-**	**-**	**777**	**777**
Shares purchased	0	41,781	-	41,781
As at 31 December 2019	**0**	**41,781**	**777**	**42,558**

For the year ended 31 December 2018	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total £'000
As at 1 January 2018	-	-	-	-
Shares purchased	0	-	-	0
As at 31 December 2018	0	-	-	0

Notes to the Financial Statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

Legal & General Affordable Homes Limited ("the Company") is a registered provider of social housing for profit. The financial statements of Legal & General Affordable Homes Ltd have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit and loss, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The accounts are also prepared in accordance with the Accounting Direction for Private Registered Providers of Social Housing 2019 and the Housing SORP 2018, to the extent that the SORP does not contradict the requirements of IFRS.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise price of share options, and how the fair value of goods or services received was determined)
- IFRS 7, 'Financial Statements: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15, 'Revenue from Contracts with Customers'.
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16, 'Leases'.
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:

(i) paragraph 79(a)(iv) of IAS 1;

(ii) paragraph 73(e) of IAS 16 Property, plant and equipment

(iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period).

- The following paragraphs of IAS 1, 'Presentation of financial statements':
- 10(d), (statement of cash flows)
- 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements),
- 16 (a statement of compliance with all IFRS),
- 38A (requirement for minimum of two primary statements, including cash flow statements),
- 38B-D (additional comparative information),
- 40A-D (requirements for a third statement of financial position)
- 111 (cash flow statement information), and
- 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

(b) Going Concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements. Given we are still in the middle of the pandemic the impact of Covid-19 is still being assessed. However, the main risk to the Company is a delay in the handover of units from developers. The Company has modelled various scenarios around the impact of the pandemic and is comfortable that there are no significant risks to the business. The Company has the ability to draw down on £300m of committed capital from its parent company. A £100m debt facility was also entered after the year end. This will support the Company's business activities for the foreseeable future.

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors 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 company will have sufficient funds, through funding from its immediate parent, Legal & General Assurance Society Limited, to meet its liabilities as they fall due for that period as well as a debt facility which was entered in to after the year end.

Legal & General Assurance Society Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors 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. The Directors have considered plausible downsides which may impact the ability of LGAS to provide continued funding and have a reasonable expectation that the parent company has sufficient capital resources to meet funding commitments.

Consequently, the directors are confident that the company 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.

(c) Consolidation and Separate Financial Statements

The Company is a wholly owned subsidiary of Legal & General Assurance Society Limited and of its ultimate parent, Legal & General Group Plc. It is included in the consolidated financial statements of Legal and General Group Plc, which are publicly available. Therefore the Company is exempt by virtue of section 408 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. These financial statements are separate financial statements.

(d) 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 Company has deviated from the Housing SORP in treating all properties as Investment Property due to the following reasons:

- The Company holds its property to earn rentals and for capital appreciation which is the definition of Investment Property under IAS 40.
- The Company 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 contradict the requirements of IFRS.

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

(e) Inventory

Inventories are stated at the lower of cost and net realisable value and compromise of projects under development and proportions of shared ownership properties allocated as first trance sales.

(f) Financial Asset and Financial Liability

When completed Shared Ownership units are handed over to the Company from its sister development companies it recognises the residual element as Investment Property on its Balance Sheet. The unsold first tranche element is recognised as a current asset 'Financial Asset' and an equal 'Financial Liability' is recognised to reflect the future sale of which the proceeds are due to the sister development company. At the year end a review of the market value of the first tranche element is carried out with any adjustments resulting in a change to the financial asset and corresponding liability.

(g) Government Grants

Grant income is accounted for under the performance model. Grants on completed schemes are recognised in the Income Statement as revenue at the point of completion. Grants on schemes currently under development are recognised as a liability on the Balance Sheet up until the point of completion.

(h) Impairment

For financial assets held at amortised cost or FVOCI the Company reviews the carrying value of its assets at each balance sheet date. For such assets, the Company determines forward looking expected credit losses (ECL), based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Company measures loss allowance at an amount equal to lifetime ECLs, except for debt securities that are determined to have low credit risk at the reporting date and other debt securities for which credit risk has not increased significantly since initial recognition. In these cases, ECLs are based on the 12-month ECL, which is the ECL that results from a possible default up to 12 months after the reporting date. The Company uses relevant quantitative and qualitative information and analysis based on historical experience, and informed credit assessment including forward-looking information in order to evaluate the credit-worthiness of each security at each reporting date, to determine whether a significant increase in credit risk since origination occurred. Should this be the case, the allowance will be based on the lifetime ECL.

ECLs are calculated by considering the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD). The PD is determined by reference to third party information on available companies, or using qualitative information available to the Company, and depends on whether a financial asset requires determination of a 12-month ECL or lifetime ECL. The LGD is determined with reference to any exposure reducing instruments such as collateral or liquid assets that the counter party may have. The EAD is determined as the amount of the loan balance outstanding at the reporting date.

Investment property

Investment properties are measured at cost on initial recognition and subsequently at fair value (as determined by external valuers) as at the year end, with changes in fair value recognised in income and expenditure.

Inventory

Inventories are stated at the lower of cost and net realisable value. An external valuation is used to determine whether impairment is required.

(i) Cash and cash equivalent

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts

(j) Revenue recognition

Revenue is stated excluding recoverable Value Added Tax and represents social housing related income from lets and first tranche sales.

(k) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the

Revenue source	Recognition, nature and timing
Rental income	Rental income is recognised in the Income Statement for the period that it relates to.
Proceeds from first tranche sales	When proceeds are received the amount is credited against the Financial Asset created at the point the first tranche asset was purchased. The proceeds are then paid over to Legal & General Affordable Homes (Development 2) Limited against the Financial Liability which was also created at the same time the asset was purchased.
Grant income	Grants on completed schemes are recognised in the Income Statement as revenue at the point of completion.
Revaluation gains/(losses)	Investment Property is stated at fair value at the year end with changes in fair value recognised in income and expenditure.

related deferred income tax asset is realised or the deferred income tax liability is settled.

(l) Critical accounting estimates and judgments
In the application of the Company's accounting policies, the directors are required to make judgements that have significant impact on the amounts recognised and to make estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis.

(i) Significant estimates:

Investment Property

Investment Property is stated at fair value at the year end with changes in fair value recognised in income and expenditure. Changes to the estimates used to derive the market value will therefore impact on the results and financial position of the Company. Any decrease in valuation and subsequently profitability of the Company in the next 12 months is not expected to impact the long term strategy of the Company.

Financial asset/liability - first tranche sales

At the year end a review of the market value of the first tranche element is carried out with any adjustments resulting in a change to the financial asset and corresponding liability. Changes to the estimates used to derive the market value will therefore impact on the financial position of the Company.

(ii) Significant judgements:

Impairment

Determining whether inventories require any impairment requires judgement. As a result of the impairment reviews conducted for the year no indicators of impairment have been identified and no provisions have been required.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. Segmental disclosure

The turnover and pre-tax profit is all attributable to the Company's activities as an owner of affordable housing and arises wholly in the UK.

3. Revenue

	2019 £'000	2018 £'000
Gross rental income	60	-
Grant income	1 ,900	-
	1 ,900	-

Net rental income relates to the gross rent income less direct costs on properties that had been handed over post development during the year. At the year end only 117 homes were under management, with the majority being handed over in the last few weeks of 2019.

Grants received

	2019 £'000	2018 £'000
Grant received recognised in the Income Statement 1 ,900	1,900	-
Grant received recognised on the Balance Sheet	1,588	-
	3,488	-

Grants on completed schemes are recognised in the P&L at the point of completion. Grants on schemes currently under development are recognised as a liability on the Balance Sheet up until the point of completion.

4. Operating expenditure

	2019 £'000	2018 £'000
Amounts due under the contract for difference	(826)	-
Direct costs	(12)	-
Administrative expenses	(437)	-
Fee under an Investment Management Agreement	(51)	-
	(1,326)	**-**

The amounts received under the contract for difference relate to amounts received from the Company's sister company (Legal & General Affordable Homes (Development) Limited) in relation to the capital charges arising from the services provided in the development of affordable housing less any development gains or loss paid over to Legal & General Affordable Homes (Development) Limited.

5. Other gains and losses

	2019 £'000	2018 £'000
Revaluation gain on Investment Property	341	-
	341	-

6. Audit fees

	2019 £'000	2018 £'000
Audit fees	40	-
	40	-

The 2018 audit fees of £3,000 was expensed by the Company's sister company, Legal & General Affordable Homes (Operations) Limited.

7. Employees

The Company had no employees during the year.

8. Directors' emoluments

The directors of the Company do not receive any remuneration as part of their role as directors of the Company. The payments to Non Executive directors is shown below.

	2019 £'000	2018 £'000
Ian Graham (Chairman)	30	16
Karen Wilson	18	9
	48	**25**

There are no senior personnel in the Company as the management of the Company is performed by the Investment Manager. The Investment Manager charges a fee. Amounts paid are disclosed under note 19.

9. Income tax

	2019 £'000	2018 £'000
Current tax		
UK corporation tax at 19.0% (2018: 19.0%)		
- Current tax on profits for the year	139	-
Total current tax charge/(credit)	**139**	**-**
Deferred tax		
- Origination and reversal of temporary differences	65	-
- Impact of change in tax rates	(7)	-
- Other		
Total deferred tax charge/(credit)	**58**	**-**
Tax charge/(credit) on profit/(loss) on ordinary activities	**197**	**-**

Factors affecting current tax charge/(credit) for the period:

Tax expense for the period is higher than the standard rate of corporation tax in the UK for the year ended 31 December 2019 of 19.0% (2018: 19.0%). The differences are explained below:

	2019 £'000	2018 £'000
Profit/(loss) on ordinary activities before tax	975	-
Tax calculated at the standard UK corporation tax rate of 19%	185	-
Effects of:		
Expenses not deductible for tax purposes	19	-
Impact of reduction of change in tax rate	(7)	-
Tax Charge	**197**	**-**

Factors which may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax liability as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax liability would have increased by £6,829.

10. Investment Property

	Long term investment property	
	2019 £'000	2018 £'000
Valuation		
At 1 January	-	-
Additions at cost	19,755	-
Disposals	-	-
Gain on revaluation of investment property	341	-
At 31 December	**20,096**	**-**
Investment Property by tenure:		
Shared ownership	14,376	-
Affordable rent	3,845	-
Social rent	1,875	-
At 31 December	**20,096**	**-**

External valuations are carried out by CBRE Limited. Completed assets are held at fair value which is based on the Existing Use Value for Social Housing (EUV-SH).

11. Inventories

	2019 £'000	2018 £'000
Work in Progress	26,661	-
	26,661	-

Work in progress relates to the amounts spent on current projects under development. It should be noted that the development risk is borne by the Company's sister companies, Legal & General Affordable Homes (Development) Limited and Legal & General Affordable Homes (Development 2) Limited.

12. Financial Asset & Liability

When completed Shared Ownership units are handed over to the Company from its sister development companies it recognises the residual element as Investment Property on its Balance Sheet. The unsold first tranche element is recognised as a current asset 'Financial Asset' and an equal 'Financial Liability' is recognised to reflect the future sale of which the proceeds are due to the sister development company. At the year end this asset and corresponding liability amounted to £523,000.

13. Trade and other payables

	2019 £'000	2018 £'000
Intercompany Creditors	1,435	-
Accruals	992	-
Corporation tax payable	139	
	2,566	-

14. Deferred tax liabilities

	2019 £'000	2018 £'000
At 1 January	-	-
Additional provision (debited)/credited during the year in the income statement	58	-
At 31 December	**58**	**-**

15. Share capital

Authorised share capital	**2019 Number of shares**	2019 £'000	**2018 Number of shares**	2018 £'000
At 31 December: ordinary shares of £1 each	4	0	1	1

Issued share capital, fully paid	**Number of shares**	**Share Capital £'000**	**Share Premium £'000**
As at 1 January 2019	1	1	-
Issued shares during the year	3	3	4 1,781
At 31 December	**4**	**4**	**4 1,781**

16. Commitments

The Company's ambition is deliver 3,000 homes per year by 2022. It should be noted that the development risk is borne by the Company's sister companies, Legal & General Affordable Homes (Development) Limited and Legal & General Affordable Homes (Development 2) Limited. Together, the business had a secured pipeline of 3,658 homes at the year end. The number of schemes committed to at the year end were 21 (836 homes). The Company has committed to purchasing these homes from its sister companies at a value of £161m.

17. Ultimate parent undertaking

The immediate parent company is Legal & General Assurance Society Limited.

The ultimate parent company is Legal & General Group Plc, a company incorporated in England & Wales - the controlling party which consolidates the financial statements of the Company. These accounts therefore provide information about the Company as an individual undertaking. Copies of the accounts of the ultimate holding company, Legal & General Group Plc, are available on the Group website, www.legalandgeneralgroup.com or from the Company Secretary at the Registered Office, One Coleman Street, London, EC2R 5AA.

18. Cash flow statement

The Company has taken advantage of the exemption under paragraph 8 (h) of FRS 101 from the requirements of IAS 7 Statement of Cash flows, and hence has not presented a cash flow statement.

19. Related party transactions

Transactions during the year related to fees paid under a Investment Management Agreement to its sister company, Legal & General Affordable Homes (Opertations) Limited (£1.2m), payments made to its development sister companies for handover of homes (£7.4m) and the net amount paid under a contract for difference to Legal & General Affordable Homes (Development) Limited which is set out in note 4 to these accounts. Note that both these entities are not registered providers of social housing.

The only other related party transactions to disclose relate to transactions with one of the Company's legal advisors, Gowlings WLG (UK) LLP "Gowlings". A director of the Company is married to a partner at Gowlings. Although the partner is not involved in any of the transactions with the Company and Gowlings are on the Legal & General Group procurement framework, we are obliged to disclose the nature and amount of the transactions during the year. During the year £0.1m was paid to Gowlings by the Company and the year end creditor owed to Gowlings at 31 December 2019 amounted to £nil.

20. Event after the Balance Sheet date

Since the year end, the Covid-19 pandemic has arisen which has impacted many areas of day-to-day life across the country. Although the United Kingdom remains in the middle of the pandemic and the longer term impact is still unclear, the Company is comfortable that there are no significant risks to the business which would impact its ability to continue as a going concern (for the reasons described in Note 1b) and believe this is a non-adjusting event.