Legal & General Affordable Homes

Annual Report and Accounts for the year ended 31 December 2022

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

Improving lives through inclusive capitalism

Our mission is to become the leading developer and operator of affordable homes in the UK.

As a company, we have never stopped moving forward, but our position of being a byword for reliability, integrity and trust, is one we will never move from. That's why our key principles underpin everything we do:

Quality

We aim to bring you the best possible experience in every aspect of your new home. That's in location, design, furnishing, environment and, above all, value.

Customer Service

We are committed to providing first-class customer service, from your first contact to when you open the door of your new home and beyond.

Sustainability

We work to minimise the environmental impact of what we do. That means reducing carbon emissions, using renewable materials and following sustainable design and building processes.

Contents

Directors and advisors at date of approval of the financial statements

Directors
Ian Graham (Chair)
Karen Wilson
Sarah Melinek
Ben Denton
Karl Shaw
Liewen Chan

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

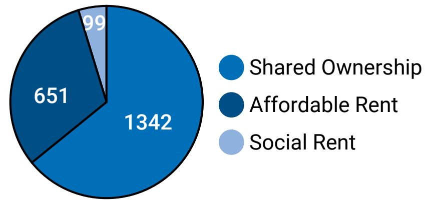
Registration Numbers
Company Registration Number: 11223470
Registered Provider Number: 5062

Highlights of 2022 in numbers

Operating surplus*
£3.3m
(2021: £12.0m)
* Before interest and tax

Number of homes*
2,092
(2021: 1,256)
*Units under management

Homes by tenure



Investment property
£391.3m
(2021: £264.1m)

Secured homes pipeline*
6,200+
(2021: 7,000+)
*As at 31 December 2021
(including completed units)

Net Promoter score
59
(2021: 55)

Chairman's statement

A passionate team combined with the backing of a trusted brand

During the year we took handover of our 3,000th home and continue to be on track with our strategy and stated objective of delivering over 10,000 affordable homes by 2027, in partnership with the other Legal & General Affordable Homes entities.

This was achieved through the acquisition of 1,363 completed properties from our developing sister companies.

During 2022 we transferred a further 527 of our rented properties to Legal & General Affordable Homes (AR) LLP resulting in the Company ending the year with 2,092 homes.

The year also saw significant market volatility, especially in the latter part of the year, with rapid increases in interest rates by the Bank of England in an attempt to slow the rise in inflation. The Government intervened too by capping rent increases for certain properties. The combined effect of these led to a fall in the value of our property portfolio at the end of the year and increased costs on our inflation linked debt.

We are pleased to report that the Regulator of Social Housing issued their first regulatory judgement for Legal & General Affordable Homes Limited giving the top gradings of G1 for governance and V1 for viability - the first for-profit provider to be given compliant grades.

Legal & General Affordable Homes publishes an Annual Customer Report on the website, www.legalandgeneral.com/affordable-homes with information about the Company's properties and customers.

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

Looking ahead

We updated our 5 year strategy to focus on "Building Better" Technology, Partnerships, Talent and Homes, in support of our mission to become the leading developer and operator of affordable homes in the UK, providing great quality and environmentally sustainable homes that allow our customers to build better futures.

The digitisation of the business through our bespoke Housing Management system continues and, as the portfolio of properties under management increases in scale, we are starting to see the efficiency benefits as well as real-time access to portfolio information and enhancing our customer experience.

We want everyone to have the best customer experience. Through listening to our customers, we learn and then adapt and improve our services. We have exciting plans for 2023 including the launch of a customer website which will support greater self service, the introduction of more customer feedback opportunities, the launch of a new survey - The Tenant Satisfaction Measures, enhancing our repairs service, review of and improvements to our complaints process and driving improvements in the delivery of Management Provider services.

The increased cost of energy and utility bills provides further impetus to strive for high standards of energy efficiency in the homes we acquire from partners, and we also aim to develop over 1,000 carbon neutral affordable homes across the country by 2025.

Our Investment Manager is investing in its people to grow the skills and capabilities required to deliver our vision, mission and strategy, and growing the future skills and capabilities that our business requires to be a digitally enabled market leader.

We aspire to play a leading role in raising service standards whilst increasing the long-term supply of affordable housing and our overall net promoter score rose again to 59 compared to 55 in the prior year. Equally feedback from customers living in homes for longer is comparable to the wider sector and improving our services through the customer journey is at the centre of our plans for the next twelve months.

Ian Graham
Chairman
21 June 2023

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 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 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.

Sarah Melinek | Independent Non Executive Director

Appointed November 2020

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 | Director

Appointed 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.

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.

Liewen Chan | Director

Appointed February 2023

Liewen is responsible for the management of the investment portfolio and asset structuring for Legal & General Capital (LGC). This includes funding and structuring of affordable housing assets for the Legal & General Retirement business. Liewen joined LGC in 2012 having previously worked in the Legal & General Group as Head of Group Tax. Prior to joining Legal & General, Liewen worked at KPMG as a tax consultant advising various sectors within the financial services industry including insurance, banking and fund management. Liewen is a member of the Chartered Financial Analyst (CFA) Institute and has a First Class Honours Degree and a Masters Degree in Economics from the University of Birmingham.

Simon Century | Director

Appointed February 2018 and resigned February 2023

Environmental, Social and Governance Statement: Investing society's capital for society's benefit

Legal & General Affordable Homes is a for-profit business, guided by a social purpose. We recognise the importance of balancing financial returns with environmental, social and governance ("ESG") outcomes.

Our vision is for everyone to have a great quality, environmentally sustainable and affordable home from which they can build better futures. However, there are not enough affordable homes being delivered to meet the housing need. The National Housing Federation estimate that 145,000 affordable homes per year are required in England alone, with only around one third of those being delivered.

Our business model uses long-term capital to deliver those homes. Since 2018, the Legal & General Affordable Homes entities have committed £1.1bn on our path to becoming the leading developer and operator of affordable homes in the UK. By investing this long-term capital at scale, our aim is to significantly increase the supply of sustainable affordable homes. 96% of completed homes have EPC ratings of A or B.

We believe that our business is delivering significant impact - our Impact Objectives are to:

1. Increase the Supply of Affordable Homes
2. Fund High Quality Sustainable Developments
3. Provide Best in Class Customer Service

These three objectives aim to have two direct outcomes - the improvement in Customer Wellbeing and becoming Net Zero Carbon. The business believes its impacts will also have wider systemic outcomes - raising standards across the whole Social Housing sector and motivating wider investment into the sector.

The Legal & General Affordable Homes business has developed a detailed Sustainability Framework for use on projects with six themes of sustainability, each with detailed objectives which sets targets for use in driving that change. These themes are:

1. Social and Economic Inclusion
2. Health and Wellbeing
3. Environmental Quality
4. Travel and Mobility
5. Resources Management
6. Energy and Carbon

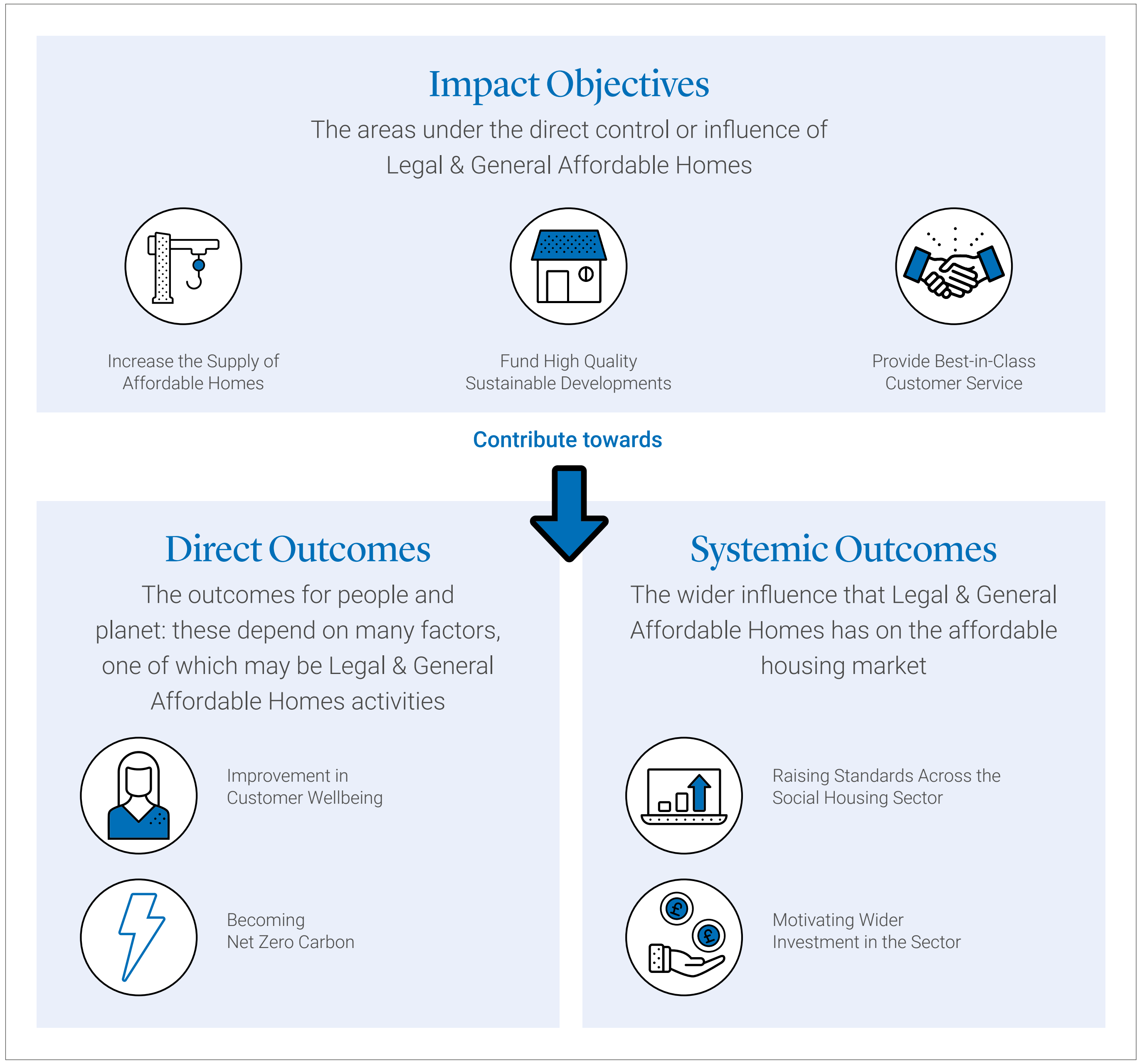
Alongside this, we are reporting against the Sustainability Reporting Standard for Social Housing, a voluntary ESG performance disclosure framework which aims to drive transparency, consistency and comparability in the Social Housing sector.

As a business we are starting on the journey to benchmark our overall sustainability performance and understand the impacts that our activities have on the environment, our customers and the communities within which we work. The Good Economy was appointed to opine on our progress with a Sustainability and Impact Report which was published mid 2022. Our aim is to annually report on our sustainability journey with the next report due during 2023. The report can be viewed on the website: www.legalandgeneral.com/affordable-homes.

Operating as a Net Zero Carbon business

We want to work with government, our partners and other businesses within the Legal & General Group to reduce our carbon emissions and accelerate the pace of change towards net zero carbon.

We are committed to running Legal & General Affordable Homes as an agile and net zero carbon business and reducing the emissions generated via business travel, employee commuting, purchased goods and services and hotel accommodation. We are taking practical steps to reduce emissions by enabling 100% home working, implementing an electric car salary sacrifice scheme and buying 100% green energy for all the offices we control.



Commitment to our customers

We want everyone to have the best customer experience. Through listening to our customers, we learn and then adapt and improve our services. Our customers have told us that our aim to deliver sector leading service is being achieved during the process of moving home and settling in, but that right now our ongoing service is comparable to the wider sector. We are committed to our ambition to deliver sector leading service and so our customers can expect the following:

1. A home that is affordable
2. Better designed homes that are energy efficient, well laid out and provide storage and flexible space
3. Being responsive in answering queries and problems quickly and aiming to make it easy
4. To be kept safe through regular inspection and testing of key equipment and facilities

In addition to delivering 1,363 new homes we undertook the following activities in 2022 to improve customer experience:

1. Development of online customer account

We've spent time with customers to understand how we can develop our services online to give the best experience. This has helped us to design online solutions fit for the future. We will be launching these to new customers in 2023 and to everyone else a little later.

2. Increasing the times we ask customers for feedback so we understand how we are performing, where we are doing well and where we can improve

Customer feedback is vital to help us shape our products and services. In 2022, we started a new survey for customers to report back on how we performed when carrying out repairs in their home. We also worked with our volunteer customer panel and explored what they value most in their home. This will help us to focus on things which customers think are important in a new home.

3. More customers have volunteered to be involved in enhancing our products and services

During 2022 the number of people on our volunteer customer panel increased to around 200 people with the panel helping to shape our products and services.

4. Introduction of a new defect management service to improve the time it takes to resolve reported issues

Our new Aftercare service was launched mid-way through 2022 to look at delays in repairs. This dedicated service is designed to manage repairs and faults experienced by customers within the first 12 months of moving in. In just a few months, Aftercare has improved responses to new repairs and reduced the number of outstanding faults. We know this is really important to our customers and there's still more work that can be done. We will continue to monitor Aftercare performance during 2023.

During 2023 we will continue to build on the work we have undertaken in 2022 and our plans include the following:

1. Launching a customer website to help make it easier to identify who to talk to about different topics, pay rent online, report and track repairs online as well as ask questions online;
2. Enhancing our repairs service to make every experience a good experience and review the Aftercare repair management service after its first 12 months of operation;
3. Continuing to put customers safety first, including being ready to meet new building standards when they come into effect and ensuring that customers are safe in their homes;
4. Introducing additional customer feedback opportunities including complaint feedback, anniversary surveys and leaving surveys;
5. Introducing a new survey, known as "The Tenant Satisfaction Measures", which will ask customers about Legal & General Affordable Homes as their landlord and will be an important measure for us to review our own performance;
6. Reviewing and improving our complaints process. This will apply learnings from our complaint handling in 2022 to provide more visibility on who is managing the complaint, speed up response and resolution times and keep customers up to date at all times; and
7. Improving management provider services including response times and standards.

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

During the year the Company took ownership of a further 1,363 homes. Whilst gross rental income grew to £13.2m the Company reported pre-tax losses of £7.5m for the year largely driven by higher debt servicing costs and revaluation losses on its investment property portfolio. The Company remained in a net asset position at 31 December 2022.

The Legal & General Affordable Homes business currently operates through 8 separate entities, all part of Legal & General Group Plc, 5 of which are for profit registered providers with the Regulator of Social Housing:

- Legal & General Affordable Homes Ltd, Legal & General Affordable Homes (AR) LLP, Legal and General Affordable Homes (Development 3) Ltd, Legal & General Affordable Homes (SO) LLP and Legal and General Affordable Homes (Capital) Ltd.

The 3 other, non-registered provider, entities are:
- Legal & General Affordable Homes (Operations) Ltd, Legal & General Affordable Homes (Development) Ltd and Legal & General Affordable Homes (Development 2) Ltd.

Operational, financing and asset management services are provided to the Company by Legal & General Affordable Homes (Operations) Limited (the "Investment Manager") under a long term management agreement.

The Company is ultimately owned by Legal & General Group Plc (the "Group").

Principal risks and uncertainties

In meeting its long term objectives the key business risks and uncertainties affecting the Company 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 Company Board.
- Risk Appetite Statements, which set out the tolerance the business has for identified risks.
- The Legal & General Group internal audit function, which provides independent assurance on the effectiveness of business risk management and the overall operation of our risk framework.
- The Investment Manager, who 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, which allows us to assess whether risk positions are within the limits set by the risk appetite.

External Outlook

Headline inflation grew significantly during 2022 due to continued disruption from the aftermath of the COVID-19 pandemic and the war in Ukraine which worsened supply disruptions leading to higher food and energy prices. The resulting increase in the cost of living combined with the response of policy makers in raising interest rates has impacted affordability in the housing sector. This has been most notably evidenced through the fall in property valuations. The economic outlook remains challenging and there is likely to be further downward pressure on property prices.

Financial key performance

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

NHF Code of Governance

As at 31 December 2022, and for the whole of 2022, the Company was fully compliant with the NHF Code of Governance 2020 with the exception of provision 4.5 as the Company adopts the Legal & General Group Whistleblowing Policy. Although this does not include a route to contact the iNEDs on the board, it is a robust approach to whistleblowing, which is considered an appropriate alternative for the Company given its ownership by the Legal & General Group.

Governance and Viability Standard

Each year the Regulator of Social Housing requires Registered Providers to assess their compliance with the governance and financial viability standard. The Company has undertaken an annual review of compliance and the board is assured that the Company is compliant with the regulatory framework including the governance and financial viability standard and its accompanying code of practice.

Equality and Diversity

We are committed to equality, diversity and inclusion and in 2022 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 Company employs no staff but its Investment Manager employs staff to deliver services to the Company 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. The reporting provided to the Board for December 2022 demontrated female headcount being above the 50/50 target and an increase in minority ethnicity by 2.1% over the previoius year.

This report was approved by the Board on 9 June 2023 and signed by order of the Board.

Ian Graham
Director (Chairman)

Directors' Report

The Directors present their Annual Report together with the audited financial statements of the Company for the year ended 31 December 2022

Future developments
The Company's ambition is to develop and maintain over 10,000 affordable homes by 2027. It should be noted that development risk is borne by the Company's sister companies, Legal & General Affordable Homes (Development) Limited, Legal & General Affordable Homes (Development 2) Limited and Legal & General Affordable Homes (Development 3) Limited. Together, the business had a secured pipeline of over 6,200 homes at the year end (including completed units).

Debt financing
The Company has a £100m debt facility provided by Legal & General's Retirement business and this facility was fully drawn during the year.

Result for the year and dividend
The results of the Company are set out on page 7. The Directors do not recommend the payment of a dividend (2021: £nil).

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.

Units under management

	2022 units	2021 units
Shared ownership	1,342	821
Affordable rent	651	319
Social rent	99	116
Total units under management	**2,092**	**1,256**

The units under management at year end are shown after the Company transferred 527 of its rented properties to Legal & General Affordable Homes (AR) LLP in December 2022. The management of units is outsourced to external management providers. During the year the Company had 13 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	Date resigned
Simon Century	23 February 2018	15 February 2023
Ian Graham	17 July 2018	
Karen Wilson	17 July 2018	
Ben Denton	10 October 2018	
Sarah Melinek	19 November 2020	
Karl Shaw	17 June 2021	
Liewen Chan	16 February 2023	

Section 172 Statement

The Board of the Company consider that they have adhered to the requirements of section 172 of the Companies Act 2006 and have, in good faith, acted in a way that they consider would be most likely to promote the success of the Company for the benefit of its shareholders as a whole and, in doing so, have had regard to and recognised the importance of considering all stakeholders and other matters (as set out in s.172(1)(a-f) of the Companies Act 2006) in its decision-making.

As part of the wider Legal & General Group Plc (the "Group"), taking into account the relative size and complexity of the Company and centralised nature of the Group, the Board may consider it reasonable for decision making to be handled by the Group Board. In such cases, this will be articulated in the statement and reference provided to the appropriate section of the Group's Annual Report & Accounts.

The reporting legislation around stakeholder engagement is welcomed by the Board and the commentary and table below sets out our s.172(1) statement. This statement provides details of key stakeholder engagement undertaken by the Board during the year and how this helps the Board to factor potential impacts on stakeholders in the decision making process. Additional details of the Group's key stakeholders and why they are important to us are set out on in the Group's Annual Report & Accounts, which can be found here: www.legalandgeneralgroup.com/investors/results-reports-and-presentations.

General

The Group promotes the highest standards of governance and ensures that these standards cascade throughout the Group and its subsidiaries. Guiding principles are in place for the relationship between the Group Board and the Boards of the Group's principal subsidiaries. This framework promotes full and effective interaction across all levels of the Group to support the delivery of strategy and business objectives within a framework of best corporate governance practice. A full description of the Group's governance arrangements can be found in the Group Annual Report & Accounts, which can be found at: www.legalandgeneralgroup.com/investors/results-reports-and-presentations.

Corporate governance underpins how we conduct ourselves as a Board, our culture, values, behaviours and how we do business. As a Board we are conscious of the impact that our business and decisions have on our direct stakeholders as well as our wider societal impact.

As part of the Director induction process, Directors are briefed on their duties, including their duty under s.172 of the Companies Act 2006. The Directors are entitled to request from the Company all such information they may reasonably require in order to be able to perform their duties as Directors, including professional advice from either the Company Secretary or from an independent advisor at the Company's expense. On-going training is provided to the Directors, as required, to ensure that their knowledge remains up to date and they continue to be able to discharge their duties as Directors.

In 2019 the Group implemented a new standard practice which requires all Group and subsidiary Board papers to demonstrate that stakeholders have been considered. Details of this have been included in the cover sheet for each Group and subsidiary Board papers since implementation. For each transaction approved by the Board, including but not limited to material acquisitions and strategic expansion, discussion takes place around employee impact and impact on other stakeholders, such as customers. The relevance of each stakeholder group may vary by reference to the issue in question, so the Board seeks to understand the needs of each stakeholder group and any potential conflicts as part of its decision-making. Additionally, the Company Secretary is on hand to provide support to the Board in ensuring that sufficient consideration and time is given to stakeholder issues during these discussions.

Principal decisions

For the year ended 31 December 2022, the Board consider that the following are examples of principal decisions that it made in the period:

- Contracting on Affordable housing development schemes delivered by housebuilders and developers – as part of the Company's principal activities it contracted on several developments during the year
- Approval of annual budget and business plans – the Company's 5 year plan was approved
- Sale of homes to Legal & General Affordable Homes (AR) LLP – during the year, 527 stabilised properties were sold to a sister entity for proceeds of £98.78m

The table on the right sets out our key stakeholders and how we have engaged with them in the period, as well as demonstrating stakeholder consideration in the decision making process.

Stakeholders - Their importance to us	The Board's approach to stakeholder engagement	Outcomes and Stakeholder consideration in the Board's decision making
Shareholders Our shareholders are vital to the future success of our business, providing funds which aid business growth and the generation of sustainable returns.	Our ultimate shareholder is the Group, whose shareholders are institutional and individual investors who own Legal & General shares or bonds. Performance metrics and updates are provided by the Board to our parent company, with subsidiary performance cascaded up the Group.	As a Board, we aim to provide clear information to our parent company and ultimate shareholders, being honest and transparent as to the performance of the business. Value is generated for shareholders by achieving the business plan, providing a sustainable, progressive dividend (where appropriate) and through share price performance of the ultimate shareholder, Legal & General Group Plc.
Customers Listening to our customers helps us to better understand their needs and provide suitable and reliable products and services.	The Company's primary customers are the occupiers of our rented and shared ownership properties. The quality of the product and the customer service provided to the end users of the homes is tracked via Net Promoter Scores which are reported regularly to the Board.	When assessing any new development opportunity, the Board considers the quality of the home that will be provided. All developments must meet a number of Quality Criteria to be approved. Net Promoter Scores are tracked regularly to assess the quality of product and customer service provided for the Board to consider whether any actions need to be taken.
Workforce Engaging with our Investment Manager enables us to create an inclusive culture and a positive working environment.	Notwithstanding that the Company does not employ staff directly, the Board expects the Investment Manager to ensure services are delivered in accordance with the culture set by the Board. The Board adopted a formal approach to culture and instructed the Investment Manager to adopt and report on this annually.	Each year the Investment Manager coordinates an anonymous company wide employee engagement survey, the results of which and actions to be taken are reviewed and shared with the Board. Some of the decisions made as a result of the survey relate to, for example, training and development, health and well being and change management.
Suppliers Interaction with our suppliers and treating our suppliers fairly allows us to drive high standards and reduce risk in our supply chain whilst also benefitting from cost efficiencies and generating positive impact for the environment and wider society.	As a Group we hold regular meetings with our key suppliers ensuring risks are proactively managed and they are up to date on latest developments and best practice. We strive to work with like-minded businesses, requiring suppliers to comply with our Supplier Code of Conduct. This safeguards the relationship and establishes standards that ensure suppliers operate ethically, are environmentally responsible and that their workers are treated with respect and dignity.	We base our decisions on which suppliers to work with on a range of qualitative and quantitative factors rather than price alone.
Community/wider society Contributing positively to wider society enables us to create stronger communities and have a positive environmental impact.	Our purpose is to improve the lives of our customers, build a better society for the long term and create value for our shareholders. This inspires us to create long-term assets in an economically and socially useful way to benefit everyone in our communities. Our approach to inclusive capitalism takes our belief in responsible behaviour and extends it into investing in communities and cities to change people's lives for the better.	We use our own capital to create real assets which the Group can invest in long term using Group capital and policyholder's assets . This allows us to create value for shareholders, provide stability for pension customers and benefit communities right across the UK. The Group has a Group Corporate Responsibility & Ethics (GCRE") Committee which has responsibility and oversight of such matters. The Group Board approve the GCRE Policy on an annual basis and this is implemented across the Group.

Further information on how the Group have engaged with stakeholders can be found in the Group s.172(1) Statement, which can be found here: www.legalandgeneralgroup.com/investors/results-reports-and-presentations.

Value for Money Statement

Introduction

Legal & General Affordable Homes business' 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 business was formed in 2018 and has been through a period of significant growth. At the year-ended 31 December 2022 the Company owned 2,092 properties being operated via its network of management providers.

In complying with the Value for Money Standard the L&G Affordable Homes business seeks to achieve economy, efficiency and effectiveness across all areas of activity. As the business 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 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 Organisation

The Company focusses solely on the acquisition and management of affordable housing properties throughout England. It takes limited development risk and typically acquires homes upon practical completion, primarily from its sister companies, Legal & General Affordable Homes (Development) Limited, Legal & General Affordable Homes (Development 2) Limited and Legal & General Affordable Homes (Development 3) Limited, which are 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 Company 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.

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

Activities undertaken in 2022

At the beginning of 2022, the Company had 1,256 properties in operation. Over the course of 2022 the business took handover of completed stock totalling 1,363 homes and in December 2022 transferred 527 homes to its sister business, Legal & General Affordable Homes (AR) LLP. As a result at the end of the year the Company held 2,092 homes under management. The transfer timing and materiality relative to the total stock holding had a significant impact on the reported metrics which use the end of year stock position in their computation. A similar impact is likely in 2023 and future years as this reflects the operating model adopted by the business. 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 management costs
- The fees paid to the Investment Manager

In respect of financing costs, the Company 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. Where the Company enters into debt financing arrangements the Board receives assurance that value for money is being secured 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 L&G Affordable Homes 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 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 business are undertaken by the Investment Manager, under an Investment Management Agreement. In 2018, the Board 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 Company's Additional Value For Money Targets

L&G Affordable Homes 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 L&G 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 L&G 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 L&G 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 L&G 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 began to monitor in 2022. These voluntary measures demonstrate that the Company is making a substantial impact on the supply of new homes, delivering good levels of product quality with good energy performance, helping to get more people onto the property ladder or find an affordable home to rent.

Value for Money Metrics

The Company 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 Company 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 Company uses Net Promoter Score as its core indicator of customer experience and has included it in the reporting for the financial year 2022.

Metric 1 - Reinvestment 2022: 60%; Target: 80%

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. During the year the investment in properties has grown by £105m to £397m. As the business had a comparatively small stock holding at the beginning of 2022, its performance is markedly different from the rest of the sector where businesses typically hold a large existing asset base. Actual reinvestment in 2022 was behind target due to the business having made a strategic decision to slow origination of new homes in response to the challenging economic environment it faced in the latter part of the year as well as the impact of fewer homes handing over in year than originally planned due to delays in schemes reaching practical completion.

Metric 2 - New supply delivered 2022: 65%; Target: 70%

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. At the end of 2022 the business owned and managed 2,092 units and had delivered 1,363 new social homes in the period representing 65% new supply. The business focusses solely on delivering social housing and we have not acquired or delivered any non-social housing units in 2022 and therefore have not reported against part b of this metric.

Metric 3 - Gearing 2021: 22%; Target: 50%

At the start of 2022 and throughout the year the Company was fully drawn-down on its inflation linked £100m loan facility which had been put in place at the start of 2020. The Company will continue to ensure that its gearing levels are appropriate by balancing the need for debt funding alongside equity investment 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) 2022: 749%; Target: 500%

This metric measures the level of surplus compared to interest payable. For the year ended 31 December 2022 the Company's performance far exceeded the performance of the wider sector due to the structure of its funding yielding lower interest charges alongside the performance of its portfolio. Performance was also in excess of target due to lower interest costs being incurred as a result of lower gearing reported by the Company relative to the target level of gearing (see metric 3 above).

Metric 5 - Headline social housing cost per unit 2022: £4,290; Target: £4,300

This metric assesses the cost per unit of operating properties under management. The Company's headline cost per unit benchmarks well to industry peers as a result of the portfolio being predominantly made up of new build housing. It had been anticipated that the Company will have costs lower than the sector median for a number of years to come due to this feature of its portfolio.

The 2022 headline cost per unit was in line with target but marginally above the sector median due to the Company having incurred higher management fees which are calculated as a percentage of the unit net asset value. Net asset values were higher than expected as a result of the Company having had a lower level of gearing (refer to metric 3). Headline costs are further inflated by a quarter of units under management having been transferred out at the end of the year. It should be noted that the headline cost per unit would have been £3,420 if units had not been transferred out at the end of the year - significantly below the sector median.

Metric 6a&b - Operating Margin 6a: 2022: 28%; Target: 65% 6b: 2022: 36%; Target: 65%

This metric demonstrates the profitability of the operating assets. Metric 6a represents the operating margin on social housing only and 6b takes into account all operating surplus for the year (excluding revaluation gains/losses). Grant income has been excluded from both metrics. Any gain/loss on Investment Property revaluation is excluded from both metrics. The operating margin on both metrics is below the target of 65.0% largely as a result of higher management fees being incurred.

Metric 7 - Return on capital employed 2022: 1.6%; Target: 3.3%

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 the Company 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. Total assets less current liabilities are taken at the Balance Sheet date of 31st December 2022. This means the return is low compared to established peers who

			2022 Sector Value for Money				
Metric	Description		Median Quartile*	Upper Quartile*	2022 Actual	2022 Target	2023 Target
Mandatory value for money targets							
1	Reinvestment	%	6.5	8.6	60.0	80.0	76.5
2	New supply delivered	%	1.4	2.1	65.2	70.0	83.4
3	Gearing	%	44.1	53.1	22.3	50.0	50.0
4	EBITDA MRI	%	146.0	198.0	748.7	500.0	324.4
5	Headline social housing cost per unit	£000	4.2	5.2	4.3	4.3	4.5
6a	Operating Margin - social housing lettings	%	23.3	28.5	27.8	65.0	59.3
6b	Operating Margin - overall	%	20.5	25.4	35.9	65.0	59.3
7	Return on capital employed	%	3.2	3.9	1.6	3.3	3.3
8	Net Promoter Score		N/A	N/A	+59	+50	+50
Additional value for money targets							
9	More affordable housing	Units	N/A	N/A	1,363	1,100	1,436
10	Product quality	%	N/A	N/A	+53	N/A	+50
11	Environmental Sustainability	%	N/A	N/A	97.0	85.0	85.0
12a	Truly affordable homes - market rent	%	N/A	N/A	70.0	<75	<75
12b	Truly affordable homes - local income	%	N/A	N/A	37.0	<35	<35
13	Efficient model of operation	%	N/A	N/A	78.0	76.0	76.0

*This is based on the 2022 VFM metric release published by the Regulator of Social Housing May 2022.

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 it establishes a stock holding commensurate with its peer group. This is reflected in the 2023 target measure.The actual ROCE is lower than target due to a combination of lower actual operating surplus and higher value of assets being held at the year end due to delayed offtakes.

Metric 8 - Net Promoter Score 2022: +59; Target: +50

Net Promoter Score is calculated based on the question: "On a scale of 0-10, how likely is it that you would recommend us to a friend or colleague?" Based on the score a customer selects out of 10, they are categorised as Promoters (if they score 9 or 10), Passives (if they score 7 or 8) and Detractors (if they score 6 or lower). The overall score is calculated by subtracting the percentage of Detractors from the percentage of Promoters. The Company uses an independent organisation to collect all of its customer experience data to ensure neutrality. In any sector, a score of +50 and above is deemed to be excellent and the Business is delighted that new customers have consistently scored us high on Net Promoter Score throughout the year.

Even with our strong Net Promoter Score from new customers, we recognise that there is room for improvement. Customers who have lived within their homes for longer are telling us that our service is comparable to the wider sector and that we can improve. This is why in 2022 we launched a new repairs service and will follow this up in 2023 with the launch of our new website and easier access for all customers to our services. By reviewing all feedback, including customer complaints, we drive continuous improvement in our performance and are committed to delivering sector leading service in all areas.

Metric 9 - More affordable housing in 2022: 1,363 units; Target: 1,100 units

This metric demonstrates the substantial impact the Company is making to the supply of new homes. Performance in the year was ahead of target with the result that the Company was able to deliver on its aim of being a top 10 provider of affordable housing amongst Registered Providers.

Metric 10 – Product Quality 2022: +53; Target: N/A

Product Quality is measured through the Net Promoter Score of new customers rating their home. Customer satisfaction amongst new customers has improved year upon year and was reported at +53 for 2022. Whilst no target had been set for product quality in 2022 as previously mentioned a score of +50 and above is deemed excellent. Notwithstanding the favourable Net Promoter Score, we continue to work with our volunteer customer panel and suppliers to help shape and improve our product and service offerings. In particular, we are working towards a reduction in the number of post occupation defects in our homes, further helping our customers to have peace of mind as they settle into their new home.

Metric 11 - Environmental sustainability 2022: 97%; Target: 85%

This metric looks at the average EPC score of homes acquired in the year. This is an important measure for the business as it seeks to deliver homes that minimise the impact on the planet and improve affordability for customers. The Company's target is for 85% or more of units developed to have an EPC rating of B or better. The Company is delivering 97% of homes at EPC B or better which is well above the performance of new homes in the wider English housing market at 84%.

Metric 12 - Truly affordable homes 12a) 2022: 70%; Target: less than 75% 12b) 2022: 37%; Target: less than 35%

This metric measures the affordability of our homes. Metric 12a looks at the average rent charged as a percentage of market rent whilst 12b captures the average rent charged as a percentage of gross local income. For 90% of the homes acquired by the Company the rent charge cannot exceed 80% of market rent with the remaining 10% being social rent homes where rents are typically charged at 50% or less of market rent. With an average rent at 70% of market rent the Company is offering excellent value to its customers. Despite the Company offering rents at excellent value its rents as a percentage of gross local income are behind target due exclusively to the growing disparity of market rents to income levels in London and the South East of England.

Metric 13 - Efficient model of operation 2022: 78%; Target: 76%

This metric looks at the gross to net performance of the business which underpins net operating income against which the asset base is valued. The metric reported here is based upon the performance of occupied assets and does not include costs associated with managing empty properties. This provides a better period to period comparison of underlying performance. Overall performance on this metric remains strong and ahead of target. This is as a result of rents being set at or near to their forecast levels at letting and costs being controlled largely through the fixed structure of MP fees at forecast levels.

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 surplus or deficit 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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

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, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. 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 Company and to prevent and detect fraud and other irregularities.

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

Disclosure of information to auditors

Each of the directors, who held office at the date the Directors' 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

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the Board on 9 June 2023 and signed by order of the Board.

Ian Graham
Director (Chairman)

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

Opinion

We have audited the financial statements of Legal and General Affordable Homes Limited ("the Company") for the year ended 31 December 2022 which comprise the Balance Sheet, the Income Statement, the 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 2022 and of its loss 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").

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.

Our conclusions based on this work:

- we consider that the directors' 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 directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company'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 Company 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 routine, low value nature of rental transactions. 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 identified the following areas as those most likely to have such an effect: health and safety (including related fire safety and building standards). 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 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, the directors' report and the chairman's 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

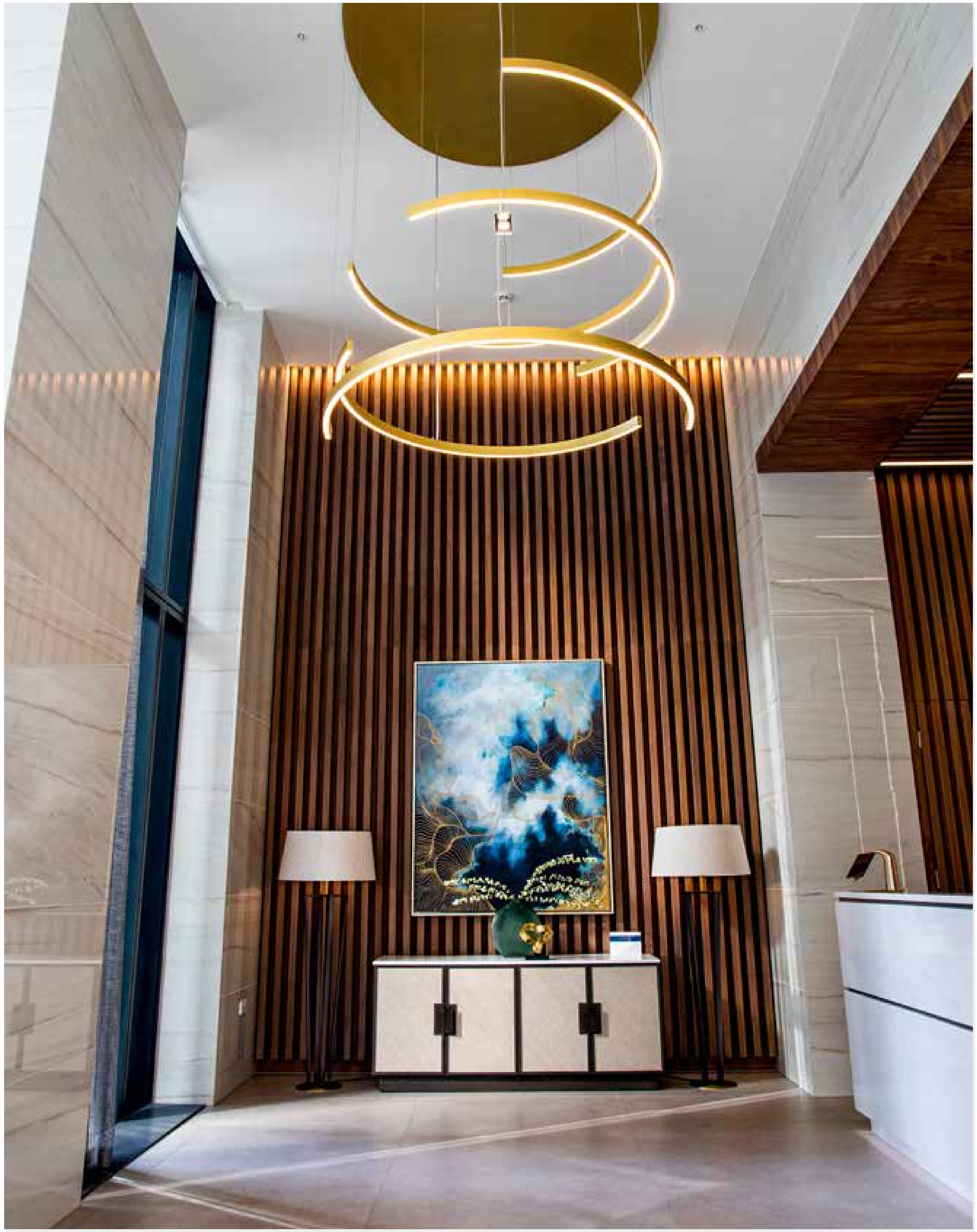
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company 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 25, 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

28 June 2023

Financial Statements

Income Statement

For the year ended 31 December 2022	Notes	2022 £'000	2021 £'000
Income	3	18,999	12,023
Other income	5	3,155	3,198
Operating expenditure	6	(9,496)	(4,485)
Other gains and losses	7	(9,404)	1,288
Operating profit before interest and tax		**3,255**	**12,024**
Finance costs		(10,788)	(4,611)
(Loss)/ profit before tax		**(7,533)**	**7,413**
Tax credit/ (expense)	11	3,857	(1,354)
(Loss)/ Profit for the year		**(3,676)**	**6,059**

The notes on pages 35 to 44 form an integral part of the financial statements.

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

Balance Sheet

Registered Number: 11223470

As at 31 December 2022	Notes	2022 £'000	2021 £'000
Assets			
Non-current assets			
Investment property	12	391,331	264,058
Current assets			
Inventories	13	5,519	11,650
Cash at bank		26,370	55,655
Financial Asset	14	27,394	20,278
Trade and other Receivables	15	17,537	6,285
Deferred tax asset	16	3,491	261
		80,310	**94,129**
Total assets		**471,641**	**358,187**
Liabilities			
Non-current liabilities			
Loan facility	17	**113,680**	**103,801**
		113,680	103,801
Current liabilities			
Trade and other payables	18	**12,934**	18,177
Financial Liability	14	27,394	20,278
Reservation deposits held		**77**	**248**
Deferred grant income on schemes under development		**-**	**4,451**
Deferred tax liability		-	-
		40,405	**43,154**
Total liabilities		154,085	146,955
Net assets		317,556	211,232
Equity			
Share capital and premium	19	**311,871**	**201,871**
Retained earnings		**5,685**	**9,361**
Total equity		**317,556**	**211,232**

The notes on pages 35 to 44 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 9 June 2023 and were signed on its behalf by

Ian Graham
Director (Chairman)

Statement of changes in Equity

For the year ended 31 December 2022	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total £'000
As at 1 January 2022	-	201,871	9,361	211,232
Loss for the year	-	-	(3,676)	(3,676)
Total comprehensive income for the year	**-**	**-**	**(3,676)**	**(3,676)**
Shares issued	-	110,000	-	110,000
As at 31 December 2022	**-**	**311,871**	**5,685**	**317,556**

For the year ended 31 December 2021	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total £'000
As at 1 January 2021	**-**	**112,871**	**3,301**	**116,173**
Profit for the year	-	-	6,059	6,059
Total comprehensive income for the year	**-**	**112,871**	**9,361**	**122,232**
Shares issued	-	89,000	-	89,000
As at 31 December 2021	**-**	**201,871**	**9,361**	**211,232**

The notes on pages 35 to 44 form an integral part of the financial statements.

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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1(j). 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 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. The Company has continued to model various scenarios around the impact of the macroeconomic challenges faced and is comfortable that there are no significant risks to the business which would impact its ability to continue as a going concern. The

Company has the ability to draw down on committed capital from its parent Company. A £100m debt facility was fully drawn at the end of the year. 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 and General Assurance Society Limited ("LGAS"), to meet its liabilities as they fall due for that period.

LGAS 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) Investment Property

Under the Housing SORP guidance properties that are held for the provision of social housing must be treated as property, plant and equipment. The Company recognises its properties as Investment properties, measured at cost on initial recognition and subsequently at fair value as determined by external valuers and derived from current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. The fair value is determined to be at Level 3 of the fair value hierarchy outlined in IFRS13 Fair Value Meaurement. There have been no transfers between levels of the fair value hierarchy. No depreciation is provided with changes in fair value recognised in the Income Statement.

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 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 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 income statement.

Derecognition of the relevant portion of the property takes place through subsequent staircasing. The difference between the net disposal proceeds and the carrying value of the related portion of the asset disposed is recognised in profit or loss in the period of recognition.

All of the investment property relates to the Company's share of the properties which they control and retain legal title.

Shared ownership

Shared ownership is where initially a long operating lease on a property is granted through the sale of an initial portion to the occupier, in return for an initial payment (the first Tranche). Initial sales are made by the company's sister development companies and recognised as revenue in their financial statements.

Shared owners have the right to acquire further tranches (staircasing) and any profit or loss on such subsequent sales are recognised in the Income Statement as a part disposal of Investment Properties.

(d) Inventory

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

(e) 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 of the Shared Ownership units 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.

(f) 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.

(g) Cash and cash equivalents

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.

(h) Revenue recognition

Revenue is stated excluding recoverable Value Added Tax and represents social housing related income from lets and first tranche sales. Please refer to the table below for revenue recognition by source.

(i) Current and deferred 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 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 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 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 related deferred tax asset is realised or the deferred tax liability is settled.

Deferred 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 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 taxes assets and liabilities relate to 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.

(j) 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 Statement. 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 subsequent 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.

Revenue source	Recognition, nature and timing
Rental income	Rental income is recognised in the Income Statement for the period that it relates to.
Grant income	Grants on completed schemes are recognised in the Income Statement as revenue at the point of completion.

Rental income billing and collection is undertaken on behalf of the Company by the Company's network of management providers.

Deferred tax

Deferred 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 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 tax assets and liabilities relate to 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.


CGI representation of the 2 East River Wharf Shared Ownership blocks and playground facilities

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

	2022 £'000	2021 £'000
Gross rental income	13,157	7,608
Grant income	5,842	4,415
	18,999	12,023

Net rental income relates to the gross rental income less direct costs (see note 5 below) on properties that had been handed over post development during the year. At the year end 2,092 homes (2021: 1,256 homes) were under management.

4. Grants received

	2022 £'000	2021 £'000
Grant received recognised in the Income Statement	5,270	4,415
Grant received recognised on the Balance Sheet	-	4,451
	5,270	8,866

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.

5. Other income/(costs)

	2022 £'000	2021 £'000
Amounts owed under the contract for difference	3,155	3,198
	3,155	3,198

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. All remaining contracts for difference were terminated in 2022.

6. Operating expenditure

	2022 £'000	2021 £'000
Direct costs	(4,871)	(2,021)
Administrative expenses	(530)	(580)
Fee under an Investment Management Agreement	(4,095)	(1,884)
	(9,496)	**(4,485)**

7. Other gains and losses

	2022 £'000	2021 £'000
Revaluation (loss)/ gain on Investment Property	(11,875)	477
Gain/(loss) on Investment Property	2,471	811
	(9,404)	1,288

8. Audit fees

	2022 £'000	2021 £'000
Audit fees	69	45
	69	45

During the year the Company did not obtain any non-audit services from its Auditor (2021: £nil).

9. Employees

The Company had no employees during the year.

10. Directors' emoluments

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

	2022 £'000	2021 £'000
Simon Century	5	14
Karl Shaw (appointed 17 June 2021)	5	4
Liewen Chan (appointed February 2023)	-	-
Ben Denton	5	14
	15	31

The payments to Non Executive directors are shown below.

	2022 £'000	2021 £'000
Ian Graham (Chairman)	9	20
Karen Wilson	7	13
Sarah Melinek	7	11
	23	**44**

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 21.

11. Tax

	2022 £'000	2021 £'000
Current tax		
UK corporation tax at 19.0% (2019: 19.0%)		
- Current tax on profits for the year	229	1,318
- Adjustments in respect of prior years	(857)	8
Total current tax charge	**(628)**	**1,326**
Deferred tax		
- Origination and reversal of temporary differences	(3,230)	91
- Impact of change in tax rates	-	(63)
Total deferred tax (credit)/charge	**(3,230)**	**28**
Tax charge on profit on ordinary activities	**(3,857)**	**1,354**

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 2022 of 19.0% (2021: 19.0%). The differences are explained below:

	2022 £'000	2021 £'000
Profit on ordinary activities before tax	(7,533)	7,413
Tax calculated at the standard UK corporation tax rate of 19%	(1,431)	1,409
Effects of:		
Adjustments in respect of prior year current tax	**(857)**	**8**
Expenses not deductible for tax purposes	2,225	(91)
Impact of reduction of change in tax rate	**(565)**	**-**
Impact of reduction of change in tax rate		-
Current Tax Charge/ (Credit)	**(628)**	**1,326**

Factors which may affect future tax charges

Finance Act 2021 increased the rate of corporation tax from 19% to 25% from 1 April 2023. The prevailing rate of UK corporation tax for the year therefore remained at 19%. The future enacted tax rate of 25% has been used in the calculation of UK deferred tax assets and liabilities, as the rate of corporation tax that is expected to apply when those deferred tax balances reverse.

To calculate the current tax on profits, the rate of tax used is 19.0% (2021: 19.0%), which is the average rate of Corporation Tax applicable for the year.

The Company has no unprovided deferred tax assets or liabilities as at 31 December 2022 (2021: £nil).

12. Investment Property

	Long term investment property	
	2022 £'000	2021 £'000
Valuation		
At 1 January	264,058	139,391
Additions at cost	236,544	199,609
Disposal at cost	(97,396)	(76,230)
Gain on Disposals	-	811
Gain/(loss) on revaluation of investment property	(11,875)	477
At 31 December	**391,331**	**264,058**
Investment Property by tenure:		
Shared ownership	234,725	155,459
Affordable rent	126,168	95,803
Social rent	30,438	12,797
At 31 December	**391,331**	**264,058**

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). The established method for determining fair value is a discounted cash flow. It allows the valuer to capture explicitly the main variables affecting the letting, management and operatives for each property over the long term..
The main inputs and assumptions used relating to the valuation ranged as follows:

	2022	2021
Discount rate	5.1% - 7.5%	5.0% - 7.25%
HPI - house price index	-2.9% - 7.2%	3%
CPI - consumer price index	1.4% - 10.1%	2.0% - 3.1%
RPI - retail price index	2.4% - 12.6%	3.0% - 4.9%
Staircasing rate (Shared Ownership properties only)	7.2% - 9.4%	7.0 - 7.75%
% of gross rent receivable	97.30%	97.30%

The assumptions around how much staircasing may arise in any one year relates to shared owners progressively acquiring a greater share of the property they have acquired on a part buy-part rent agreement.

A sensitivity analysis was performed as part of the valuation at 31 December 2022 by flexing HPI, staircasing and discount rates on the Company's portfolio.

Significant increases/ (decreases) in the discount rate would result in a significantly lower/ (higher) fair value of the Company's investment portfolio. As an example, a 0.5% increase in the discount rate range to 5.6% - 8.0% would lead to a £15.87m decrease in the fair value of the same portfolio.

Significant increases/ (decreases) in HPI would result in a significantly higher/ (lower) fair value of the company's investment portfolio. As an example, a 0.5% upward change in HPI range to -2.4% - 6.7% would lead to a £7.7m increase in the fair value of the portfolio.

Significant increases/ (decreases) in the rate of staircasing would result in higher/ (lower) fair value of the Company's investment portfolio. As an example, a 0.5% increase in the staircasing range to 7.7% - 9.9% would lead to a £0.55m increase in the fair value of the same portfolio.

Significant increases/ decreases in RPI and CPI would result in a significantly higher/ (lower) fair value of the Company's investment portfolio. As an example, a 0.5% increase in each of RPI and CPI would lead to a £20.5m increase in the fair value of the same portfolio.

The company has no restrictions on the realisability of its investment properties. If the investment properties had been accounted for under the historic accounting rules, the properties would have been measured as follows:

	2022 £'000	2021 £'000
Gross historic cost	407,550	267,891
	407,550	**267,891**

13. Inventories

	2022 £'000	2021 £'000
Shared ownership properties (First Tranche Sales)	5,519	11,650
	5,519	**11,650**

This is the portion of Shared Ownership properties held by the company for sale to customers. There were no write-downs or reversal of prior period inventory write-downs. No inventories are carried at below cost.

14. 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 £27.4m (2021: £20.3m)

15. Trade and other receivables

	2022 £'000	2021 £'000
Accrued Income	3,370	2,150
Loan Capitalised Costs	143	155
Intercompany Debtors	13,358	2,392
Corporation Tax Receivable	627	-
Other Debtors	40	1,588
	17,537	**6,285**

16. Deferred tax asset

	2022 £'000	2021 £'000
At 1 January	261	289
Additional provision (debited)/credited during the year in the income statement	3,230	(28)
At 31 December	**3,491**	**261**

17. Loan facility

	2022 £'000	2021 £'000
Loan facility	113,680	103,801
	113,680	103,801

A £100m debt facility was entered in to at the start of 2020. During the year the facility was fully utilised.

18. Trade and other payables

	2022 £'000	2021 £'000
Intercompany Creditors	11,126	15,737
Accruals	1,294	1,032
Corporation Tax payable	-	1,326
Trade Creditors	1	25
VAT payable	46	57
Other Creditors	467	-
	12,934	**18,177**

19. Share capital

Authorised share capital	**2022 Number of shares**	2022 £'000	**2021 Number of shares**	20201 £'000
At 31 December: ordinary shares of £1 each	13	-	11	-

Issued share capital, fully paid	**Number of shares**	**Share Capital £'000**	**Share Premium £'000**
As at 1 January 2022	11	-	201,871
Issued shares during the year	2		110,000
As at 31 December 2022	**13**	**-**	**311,871**

20. Commitments

The Company's ambition is deliver and maintain 10,000 homes by 2027. It should be noted that the development risk is borne by the Company's sister companies, Legal & General Affordable Homes (Development) Limited, Legal & General Affordable Homes (Development 2) Limited and Legal and General Affordable Homes (Development 3) Limited. The Company has committed to purchasing 2,751 homes from its sister companies at a value of £449m.

21. Ultimate parent undertaking

The immediate parent company is Legal and 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.

22. 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.

23. Related party transactions

Transactions during the year related to fees under an Investment Management Agreement to sister company Legal & General Affordable Homes (Operations) Limited of £4.1m (2021: £1.9m), payments made to its development sister companies on handover of homes of £236.5m (2021: £186.7m) and the net amount under a contract for difference to Legal & General Affordable Homes (Development) Limited which is set out in note 4 to these accounts. The sister development company, Legal & General Affordable Homes (Development 3) Limited is a registered provider of social housing.

Other related party transactions 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 £0.04m (2021: £0.6m) was billed by Gowlings to the Company and the year end creditor owed to Gowlings at 31 December 2022 amounted to £nil (2021: £nil).

24. Post balance sheet events

Subsequent to the balance sheet date the Company transferred a further 368 rented properties to Legal & General Affordable Homes (AR) LLP for total consideration of £74m.

Registered Office:
One Coleman Street
London EC2R 5AA

Registered in England & Wales No. 11223470

Legal & General
AFFORDABLE HOMES