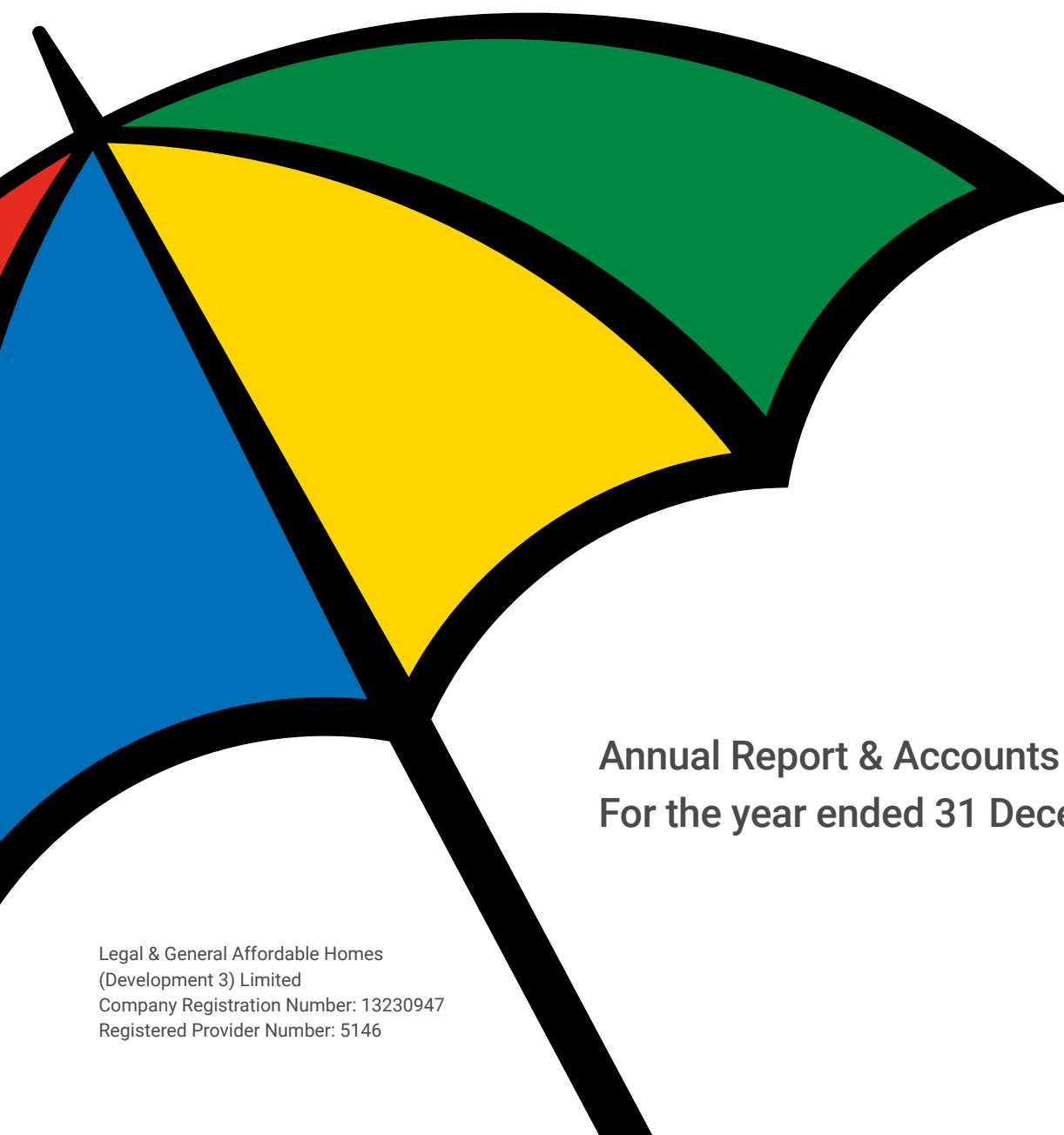




# Legal and General Affordable Homes (Development 3) Limited



Annual Report & Accounts  
For the year ended 31 December 2022

# 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

## Company Secretary

Legal & General Co Sec Limited

## 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

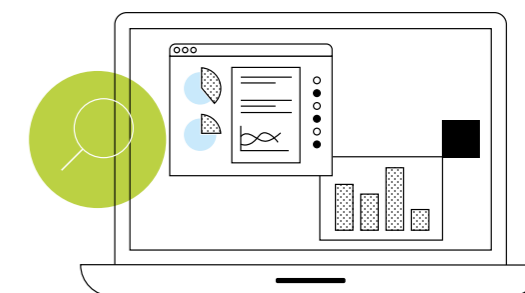
One Coleman Street  
London  
EC2R 5AA

## Registration Numbers

Company Registration Number: 13230947  
Registered Provider Number: 5146



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# Chairman's statement

## A passionate team combined with the backing of a trusted brand

"Legal and General Affordable Homes (Development 3) Ltd (the "Company") was established in 2021 as a member of the wider Legal & General Affordable Homes business and received confirmation of its for profit registered provider status in November 2021, enabling it to commence activity as a provider of social housing.

During 2022 the Company entered into agreements with housebuilders and also a joint venture to develop affordable homes. The Company's plan is to sell most of the homes it develops to one of our sister companies within Legal & General Affordable Homes (also for profit registered providers). As at 31 December 2022 the Company had sold 12 completed properties and owned 2 occupied shared ownership properties.

We aim to play our part in the Legal & General Affordable Homes business strategy and stated objective of delivering over 10,000 affordable homes by 2027, aspiring to take a leading role in raising service standards whilst increasing the long-term supply of affordable housing.



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



## 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.

Ian Graham  
Chairman  
21 June 2023

# Board Of Directors



## **Ian Graham | Chairman**

Appointed May 2021

Ian is Chair of Legal & General Affordable Homes Limited. Ian was a Partner of leading affordable housing law firm Trowers & Hamlin 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.



## **Ben Denton | Director**

Appointed May 2021

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



## **Karen Wilson | Independent Non Executive Director**

Appointed May 2021

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



## **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.



## **Sarah Melinek | Independent Non Executive Director**

Appointed May 2021

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



## **Karl Shaw | 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.

## **Simon Century | Director**

Appointed February 2021 and resigned February 2023

# Strategic Report

The directors present their Strategic report for Legal and General Affordable Homes (Development 3) Limited (“the Company”) for the year ended 31 December 2022.

## Principal activities

The Company is a Registered Provider of Social Housing for profit. The company is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales.

The principal activity of the Company is to undertake the development of affordable homes and is a sister company to Legal & General Affordable Homes Limited, a Registered Provider of Social Housing. The Company sources and develops affordable housing units to hold completed units in its own capacity as a Registered Provider of Social Housing and to sell completed units to Legal & General Affordable Homes Limited.

## Review of the business

The company commenced trading during the year. In the year ended 31 December 2022, the Company recognised income of £1.7m from the sale of 12 completed homes. The Company reported a loss of £0.5m for the financial year. As at 31 December 2022 total equity was £29.6m. The Company's financial position is in line with expectations and considered satisfactory.

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”).

## Future developments

It is not envisaged that the Company will initiate any plans to restructure its principal activities in the forthcoming year.

## Principal risks and uncertainties

The key business risks and uncertainties affecting the Company arise from the development of affordable housing including:

- Ability to source new housing opportunities
- Valuation of affordable homes and sales absorption rates
- Political changes to the operating environment
- Reputational damage from poor performance of the business
- The availability of sources of financing
- Counterparty default

## 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

2022 was marked by exceptional inflationary pressures 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 customers and the affordability of homes. The primary impact on the business has been through slower sales of shared ownership homes and downward property valuation movements.

The Company is comfortable that there are no significant risks to the business which would impact its ability to continue as a going concern.

## Financial key performance indicators

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

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

The 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 demonstrated female headcount being above the 50/50 target and an increase in minority ethnicity by 2.1% over the previous 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 Legal and General Affordable Homes (Development 3) Limited ("the Company") for the year ended 31 December 2022.

## Result for the year and dividend

The results of the Company are set out on page 20. The Directors do not recommend the payment of a dividend.

## Going concern

No material uncertainties that cast significant doubt on the ability of the Company to continue as a going concern have been identified by the Directors. The Company has the ability to drawdown on committed capital from its parent company.



## Value for Money Statement

### Introduction

The company and the wider Legal & General Affordable Homes Group's vision is for everyone to have a great quality, environmentally sustainable and affordable home from which they can build better futures. Central to this purpose is the delivery of great quality housing supported by great quality customer and property services thereby delivering high levels of customer satisfaction. At the year-ended 31 December 2022 the Company owned 2 properties being operated via its network of management providers.

In complying with the Value for Money Standard the Company 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. This is further exacerbated by the Company also operating as a developer of affordable homes and unlike traditional Registered Providers this is likely to be a significant driver of future operational performance. 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 on the sourcing, development and management of affordable housing properties throughout England. It aims to mitigate development risk by entering into fixed price contracts with completed homes being held for management or being onward sold to its sister company, Legal & General Affordable Homes Limited.

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 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

The Company received its Registered Provider status in November 2021 and commenced trading in 2022. As at 31 December 2022 the Company had contracted on five development schemes which will support it to deliver 435 new homes in future periods. It also completed the development and sale of 12 new homes to Legal & General Affordable Homes Limited during the year.

The Company acquired two shared ownership units from the sister company, Legal & General Affordable Homes



### Units under management

	2022 units	2021 units
Shared ownership	2	-
<b>Total units under management</b>	<b>2</b>	<b>-</b>

### 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	27 February 2021	15 February 2023
Ian Graham	13 May 2021	
Karen Wilson	13 May 2021	
Ben Denton	13 May 2021	
Sarah Melinek	13 May 2021	
Karl Shaw	17 June 2021	
Liewen Chan	16 February 2023	

### Matters covered in the Strategic report

Details of principal activities and future developments can be found in the Strategic Report and form part of this report by cross-reference.

(Development 2) Limited at the end of the year and held these homes for management.

The transfer timing and materiality of the Company's stock holding and management activities relative to its development activities had a significant impact on the reported metrics which use the end of year stock position and wider financial performance and 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 development costs
- Its financing costs
- Its property and customer management costs
- The fees paid to the Investment Manager

In respect of financing and development 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 and development contracts 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 the Investment Management Agreement. The fees for the Company were reviewed and independently benchmarked in 2021 which confirmed the fee as being fair and comparative to the market. This work was reported to the Board.

#### The Company's Additional Value For Money Targets

The Company 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 business were selected for this purpose.

However, having attempted to create a meaningful benchmark group it became evident upon testing comparative performance that the Company remains an almost unique business in the affordable housing sector and that benchmark comparisons yield limited value. This is due to the Company being very early in its growth phase with its affordable homes stock making an insignificant contribution to its overall financial performance which is primarily driven by development activity.

As a result, the attempts to form a benchmark group were halted 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: N/A

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. The Company acquired 2 new homes in November 2022, which makes up the entirety of its housing property assets at the end of the period. As the business had no 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.

#### Metric 2 - New supply delivered 2022: 100%

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 units which had been acquired in the year. The business also completed development of 12 units which were sold to a sister company. In order to ensure that the Legal & General Affordable Homes business does not report

new supply in both entities these homes have not been included in the above calculation.

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 2022: N/A

This metric assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance. During the year the Company drew down on its debt facility but this had been repaid by 31 December 2022. 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: -152.0%;

This metric measures the level of surplus compared to interest payable. The Company's performance against this metric is reflective of the Company being in its growth phase. The Company has put in place debt facilities that will support its origination of new development opportunities in future periods with performance against this metric expected to significantly improve as demonstrated in the setting of the 2023 target.

#### Metric 5 - Headline social housing cost per unit 2022: N/A

This metric assesses the cost per unit of operating properties under management. As the homes under management were only acquired by the Company in November and negligible costs incurred this metric does not allow for meaningful

conclusions to be drawn. An appropriate target has been set for 2023.

#### Metric 6a&b - Operating Margin 6a) 2022: 90% 6b) 2022: -12.8%

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 (both excluding revaluation gains/losses and grant income). As the company is expected to derive a smaller proportion of its profits from social housing lettings relative to development activity this metric will be significantly behind sector peers who maintain a large standing stock. This is expected to be the case for the foreseeable future.

#### Metric 7 - Return on capital employed 2022: -0.3%

This metric compares the operating surplus to total assets less current liabilities and is a measure to assess the efficient use of capital. Similar to other measures the ROCE for the Company is representative of it being in its growth phase which has seen the Company invest significantly into development schemes which will realise new homes and profits in future periods. This metric is expected to steadily increase as the business scales up.

#### Metric 8 - Net Promoter Score 2022: N/A

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. As the Company only had two customers it was not considered to be a large enough population from which to draw meaningful insight and the metric has therefore not been reported against.

2022 Sector Value for Money							
Metric	Description		Median Quartile*	Upper Quartile*	2022 Actual	2022 Target	2023 Target
<b>Mandatory value for money targets</b>							
1	Reinvestment	%	6.5	8.6	N/A	N/A	N/A
2	New supply delivered	%	1.4	2.1	100.0	N/A	0.0
3	Gearing	%	44.1	53.1	0.0	N/A	0.0
4	EBITDA MRI	%	146.0	198.0	-152.0	N/A	358.1
5	Headline social housing cost per unit	£000	4.2	5.2	N/A	N/A	1.2
6a	Operating Margin - social housing lettings	%	23.3	28.5	90.0	N/A	85.0
6b	Operating Margin - overall	%	20.5	25.4	-12.8	N/A	12.6
7	Return on capital employed	%	3.2	3.9	-0.3	N/A	5.7
8	Net Promoter Score		N/A	N/A	N/A	N/A	+50
<b>Additional value for money targets</b>							
9	More affordable housing	Units	N/A	N/A	2	N/A	N/A
10	Product quality	%	N/A	N/A	N/A	N/A	+50
11	Environmental sustainability	%	N/A	N/A	100.0	85.0	85.0

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

**Metric 9 - More affordable housing in 2022: 2 units**

This metric demonstrates the impact the Company is making to the supply of new homes. This is the Company's first period of trading and the Company has acquired 2 units as reported above and also sold 12 completed new homes to its sister company, Legal & General Affordable Homes Limited. To avoid both entities reporting the new supply sold units are excluded from this metric.

As the Company becomes established its development activity is expected to grow rapidly and whilst it may not significantly add to units under management it will play a key role in supporting the Legal & General Affordable Homes business to achieve its stated objective of having 10,000 homes under management by 2027 as well as being a top 10 provider of new affordable housing amongst Registered Providers. In 2023 the Company is expected to complete on the sale of 219 units to Legal & General Affordable Homes Limited.

**Metric 10 - Product quality 2022: N/A**

Product Quality is measured through the Net Promoter Score of new customers rating their home. Similar to Metric 8 given that the Company only had two customers it was not considered to be a large enough population from which to draw meaningful insight and the metric has therefore not been reported against.

**Metric 11 - Environmental sustainability 2022: 100**

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 100% at EPC B or better which is well above the performance of new homes in the wider English housing market which is delivering at 84%.

**Statement of Directors' responsibilities**

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 the Directors have prepared 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 profit or loss of the Company for that year. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently;



- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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 Director's report is approved, confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that ought to have been taken as a Director in order to be 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 and General Affordable Homes (Development 3) Limited

## Opinion

We have audited the financial statements of Legal and General Affordable Homes (Development 3) 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 pages 14 and 15, 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](http://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.

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

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## Income Statement

For the year ended 31 December 2022	Notes	2022 £'000	2021 £'000
Revenue		1,673	-
Cost of sales		(1,723)	-
<b>Gross (loss)/ profit</b>		<b>(50)</b>	-
Administrative expenses		(75)	-
Other gains and losses	5	56	-
<b>Operating loss before interest and tax</b>		<b>(70)</b>	-
Finance costs	7	(535)	-
Loss before tax		(605)	-
Tax (receivable)/ payable	10	114	-
<b>Loss for the year</b>		<b>(491)</b>	-

There were no gains or losses in the year other than those included in the above income statement. The notes on pages 24 to 31 form an integral part of these financial statements.

## Balance Sheet

For the year ended 31 December 2022	Notes	2022 £'000	2021 £'000
<b>Non-current Assets</b>			
Investment property	11	314	-
<b>Current assets</b>			
Trade and other receivables	12	4,759	-
Work in progress	13	33,265	-
Cash and cash equivalents		1,639	-
		<b>39,663</b>	-
<b>Total assets</b>		<b>39,977</b>	-
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	(2,386)	-
Deferred income		(7,981)	-
		<b>(10,368)</b>	-
<b>Total liabilities</b>		<b>(10,368)</b>	-
<b>Net assets</b>		<b>29,609</b>	-
<b>Equity</b>			
Share capital and premium	15	30,100	-
Retained earnings		(491)	-
<b>Total equity</b>		<b>29,609</b>	-

The notes on pages 24 to 31 form an integral part of these financial statements. The financial statements of Legal and General Affordable Homes (Development 3) Limited (registration number 13230947) were approved and authorised for issue by the Board of Directors 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	-	-	-	-
Loss for the year	-	-	(491)	(491)
Total comprehensive loss for the year	-	-	(491)	(491)
Shares issued	-	30,100	-	30,100
<b>As at 31 December 2022</b>	<b>-</b>	<b>30,100</b>	<b>(491)</b>	<b>29,609</b>

The notes on pages 24 to 31 form an integral part of these financial statements.



# Notes to Financial Statement

## 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 and General Affordable Homes (Development 3) Limited ("the Company") is a registered provider of social housing for profit. The financial statements of the Company 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(i). 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

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 to meet its liabilities as they fall due for that period.

The Directors of Legal & General Capital Investments Limited, who have an indirect shareholding in the Company, have confirmed their intention to provide the financial means that are sufficient to enable the Company to fulfil its present and future obligations should this be required. 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.

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. No depreciation is provided. Changes in fair value are 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 IAS 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.

### (d) Work in progress

Work in progress is stated at the lower of cost and net realisable value and comprises projects under development.

### (e) 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.

### (f) 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.

### (g) Revenue recognition

Revenue is stated net of Value Added Tax and represents social housing related income from lets and the sale of completed properties. Please refer to the table below for revenue recognition by source.

### (h) Current and deferred tax

The tax expense for the year 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.

Revenue source	Recognition, nature and timing
Rental income	Rental income is recognised in the Income Statement for the period that it relates to.
Sales income	Sales income is recognised in the Income Statement at the point of completion of sale to Legal & General Affordable Homes
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.

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 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.

#### (i) 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 the 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.

#### ii) Significant judgements:

##### Impairment

Determining whether inventories require any impairment requires judgement. As a result of the impairment reviews

conducted for the year no indicators of impairment have been identified and no provisions have been required.

#### Deferred 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.

#### 2. Segmental disclosure

The turnover and pre-tax profit is all attributable to the Company's activities in developing and owning affordable housing and arises wholly in the UK.



shown are CGI Dressed representations of actual homes at Edwalton Park.

#### 3. Revenue

	2022 £'000	2021 £'000
Sales income	985	-
Rental income	1	-
Grant income	687	-
	1,673	-

#### 4. Grants received

	2022 £'000	2021 £'000
Grant received recognised in the Income Statement	687	-
Grant received recognised on the Balance Sheet	7,981	-
	8,668	-

Grants on completed schemes are recognised in the Income Statement 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 gains and losses

	2022 £'000	2021 £'000
Gain on Investment Property	56	-
	56	-

#### 6. Audit fees

Administration expenses include audit fees of £13,188 (2021: £nil). During the year the company did not obtain any non-audit services from its Auditor.

#### 7. Finance Costs

	2022 £'000	2021 £'000
Loan facility interest	308	-
Amortisation of capitalised loan costs	228	-
	535	-

#### 8. Employees

The Company had no employees during the year



### 9. Directors' emoluments

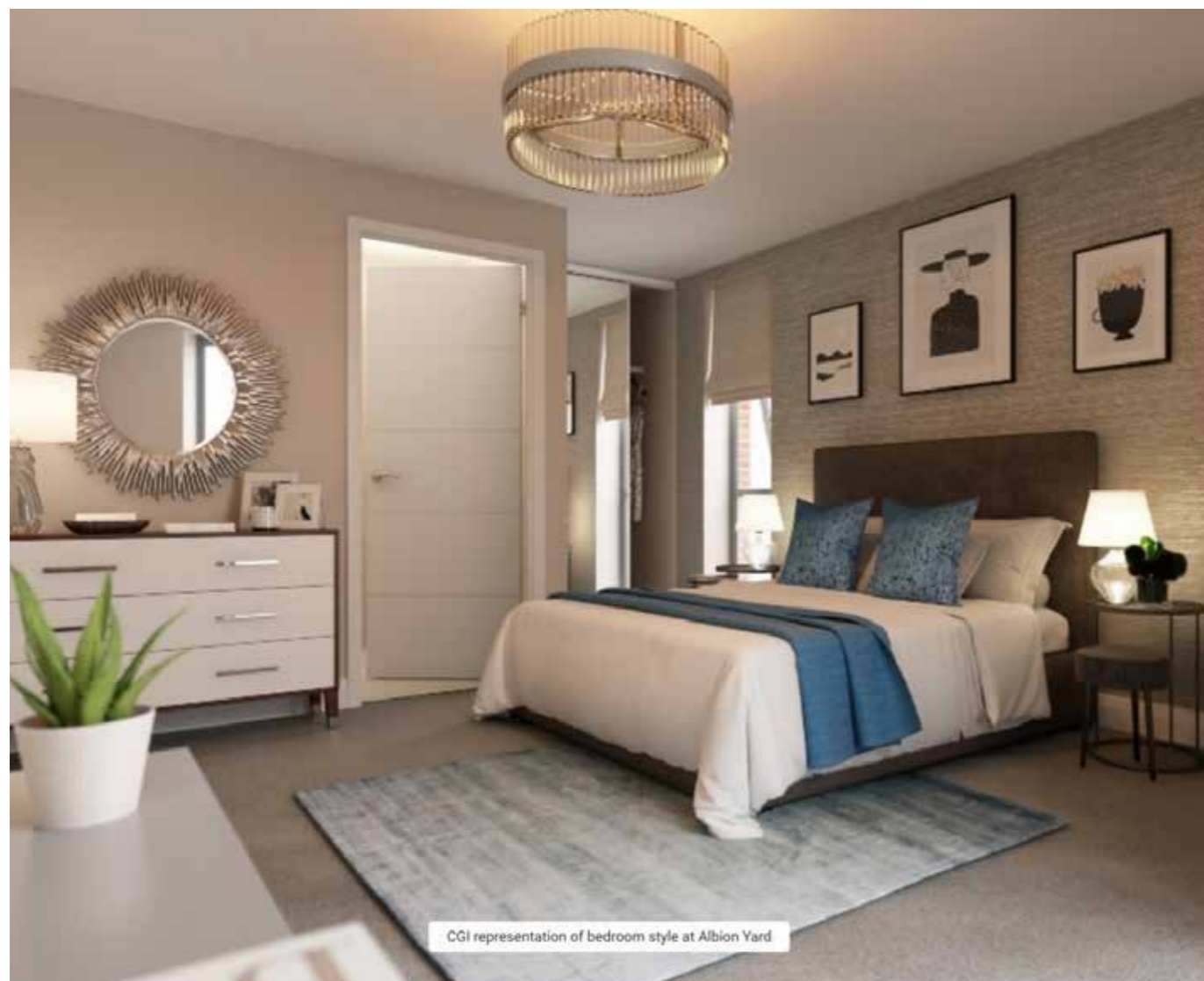
The executive directors are not paid to undertake their activities as directors of the Company, and the costs are not paid by the Company however the costs included below represent a fair allocation of their remuneration in relation to the work they undertake for the Company.

	2022 £'000	2021 £'000
Simon Century	5	5
Kerrigan Procter (resigned 17 June 2021)	-	2
Karl Shaw (appointed 17 June 2021)	5	3
Liewen Chan (appointed February 2023)	-	-
Ben Denton	5	5
	<b>15</b>	<b>15</b>

The payments to Non Executive directors are shown below.

	2022 £'000	2021 £'000
Ian Graham (Chairman)	9	6
Karen Wilson	7	4
Sarah Melinek	7	4
	<b>23</b>	<b>14</b>

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 17.



### 10. Tax

	2022 £'000	2021 £'000
<b>Corporation tax and RPDT</b>		
Current tax on profits for the year	(128)	-
<b>Total current tax</b>	<b>(128)</b>	-
<b>Deferred tax</b>		
Origination and reversal of temporary differences	14	-
<b>Total deferred tax</b>	<b>14</b>	-
<b>Tax credit on profit on ordinary activities</b>	<b>(114)</b>	-

#### Factors affecting current tax charge for the year:

The tax charge for the year can be reconciled to the profit per the Income Statement as follows:

	2022 £'000	2021 £'000
Profit on ordinary activities before tax	(605)	-
Tax calculated at the standard UK Corporation Tax rate of 19% (2021: 19%)	(115)	-
<i>Effects of</i>		
Residential Property Developer Tax	(3)	-
Difference arising from tax rate changes	3	-
<b>Total tax credit for the year</b>	<b>(114)</b>	-

#### Factors which may affect future tax charges

The 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 that is 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).

## 11. Investment Property

	2022 £'000	2021 £'000
<b>Valuation</b>		
At 1 January	-	-
Additions at cost	258	-
Gain/ (loss) on revaluation of investment property	56	-
At 31 December	<b>314</b>	-
<b>Investment Property by tenure:</b>		
Shared ownership	314	-
<b>At 31 December</b>	<b>314</b>	-

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.

## 12. Trade and other receivables

	2022 £'000	2021 £'000
Trade debtors	2,255	-
VAT receivable	1,188	-
Corporation tax receivable	128	-
Capitalised loan costs	1,188	-
	<b>4,759</b>	-

## 13. Work in progress

	2022 £'000	2021 £'000
Work in progress	33,265	-
	<b>33,265</b>	-

Work in progress relates to the amounts spent on current projects under development.

## 14. Trade and other payables

	2022 £'000	2021 £'000
Trade payables	926	-
Accruals	21	-
Deferred tax	14	-
Amounts owed to group undertakings	1,425	-
	<b>2,386</b>	-

## 15. Share capital

Authorised share capital	2022 Number of shares	2022 £	2021 Number of shares	2021 £
At 31 December: ordinary shares of £1 each	103	103	100	100

Issued share capital, fully paid	Number of shares	Share Capital £'000	Share Premium £'000
As at 1 January 2022	100	-	-
Issued shares during the year	3	-	30,100
<b>As at 31 December 2022</b>	<b>103</b>	<b>-</b>	<b>30,100</b>

## 16. Commitments

The number of incomplete development schemes committed to at the year end was 5 (435 homes). The Company has outstanding commitments of c£74m to complete these schemes.

## 17. Related Party Transactions

Transactions during the year related to fees under a Management Agreement to sister company Legal & General Affordable Homes (Operations) Limited of £0.9m, sales receipts of £1.7m on the sale of 12 completed homes to sister company Legal & General Affordable Homes Limited and £0.26m paid to another sister company Legal & General Affordable Homes (Development 2) Limited to acquire the residual interest in two shared ownership homes.

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 £0.11m was billed by Gowlings to the Company and the year end creditor owed to Gowlings at 31 December 2022 amounted to £nil.

## 18. Ultimate parent undertaking

The immediate parent company is Legal & General Homes Holdings 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, the Group, are available on the Group website, [www.legalandgeneralgroup.com](http://www.legalandgeneralgroup.com) or from the Company Secretary at the Registered Office, One Coleman Street, London, EC2R 5AA.

## 19. Post balance sheet events

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







**Legal &  
General**  
AFFORDABLE HOMES

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

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