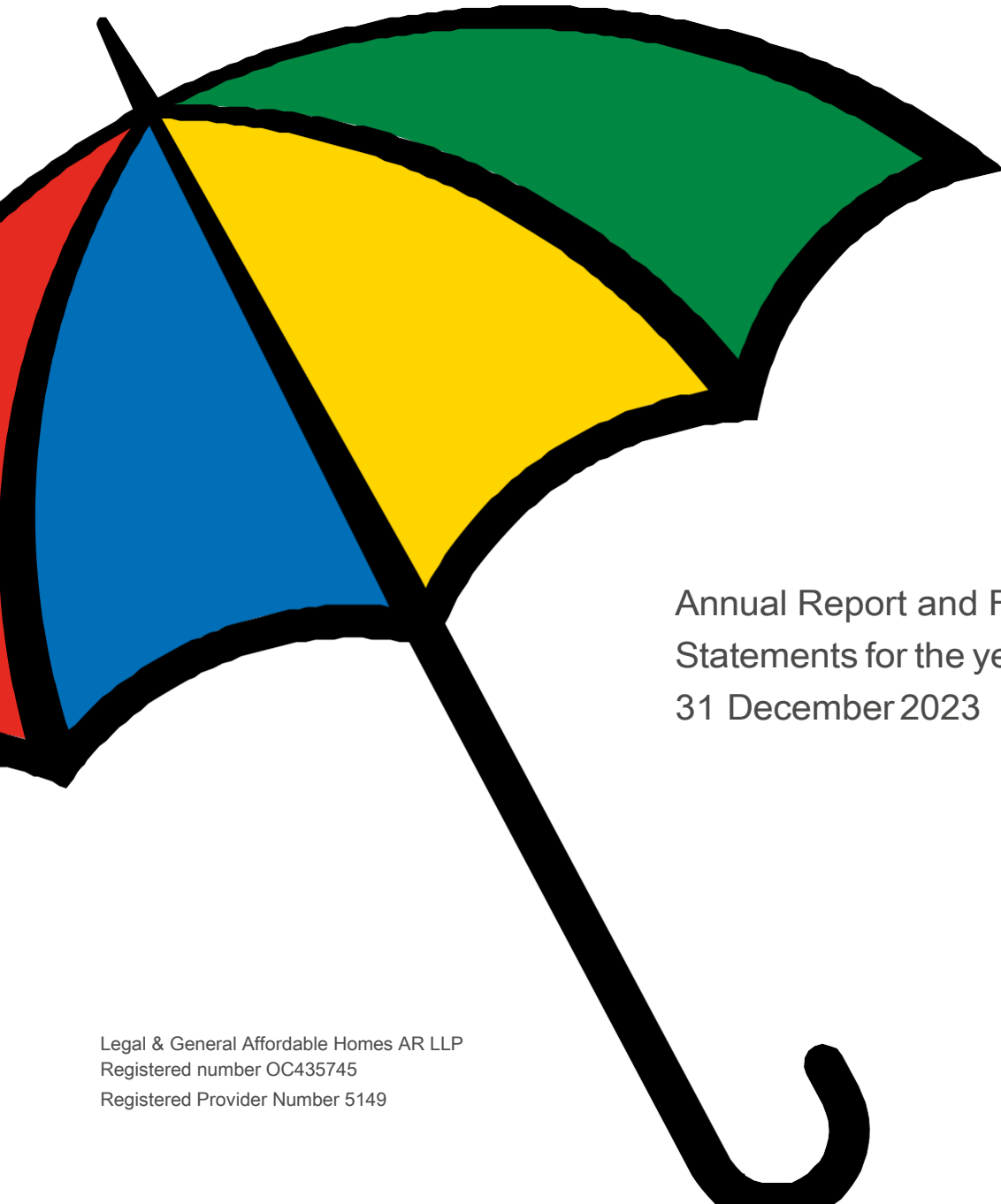




# Legal & General Affordable Homes (AR) LLP



Annual Report and Financial  
Statements for the year ended  
31 December 2023

## Board members and advisors at date of approval of the financial statements

### Board members

Ian Peters (Chair)  
Kevin Gould  
Sarah Melinek  
Kathryn Davis  
Ben Denton  
Karl Shaw  
Pete Gladwell

### Independent Statutory Auditor

KPMG LLP  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

### Banker

Barclays Bank PLC  
Churchill Place  
Canary Wharf  
London  
E14 5RB

### Legal Advisor

Trowers & Hamblins  
3 Bunhill Row  
London  
EC1Y 8YZ

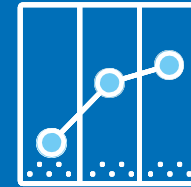
### Registered Office

One Coleman Street  
London  
EC2R 5AA

### Registration Numbers

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

## Highlights for the year ended 31 December 2023



### Operating profit\*

£7.8m

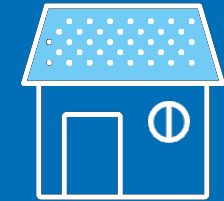
(2022: profit of £4.1m)  
\* Before interest and tax



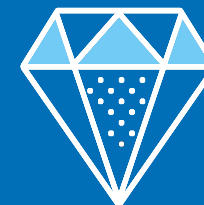
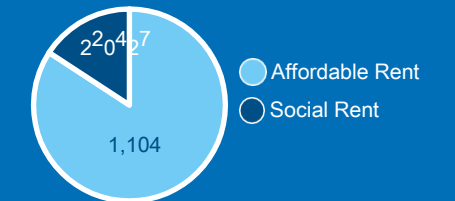
### Number of homes\*

1,306

(2022: 938)  
\*Units under management



### Homes by tenure



### Investment property

£246.7m

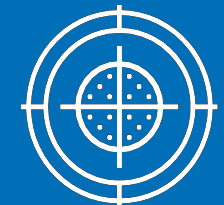
(2022: £172.1m)



### Secured homes pipeline\*

1,395

(2022: 1,395)  
\*As at 31 December 2023  
(including completed units)



### Net Promoter score

64

(2022: 59)

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# Chair's Statement

## Committed to deploying institutional capital to build communities

The past year has been a period of significant challenge for the social housing sector due to higher interest rates, the cost of living crisis, challenges to housing development economics and higher regulatory standards following unacceptable service levels elsewhere in the sector.

Despite these challenges the LLP acquired an additional 368 homes from its sister company, Legal & General Affordable Homes Limited taking the LLP to just over 1,300 homes. This was again achieved through long term funding arranged with Legal & General Assurance Society Limited.

We launched our new customer website and invited our first customers to register and use our new home management system - "My Brolly". Feedback from customers using My Brolly has been very positive and by the end of 2024 we hope to have invited most of our customers to register and manage every aspect of their home using My Brolly.

We want everyone to have a positive customer experience and with our Investment Manager have invested in a dedicated team to specifically address customer complaints, increased



the times we ask customers for feedback, introduced a new defect management service and prepared for the new regulatory consumer standards that came into effect from April 2024. We will continue to work on the improvement of our services throughout the customer journey, requesting the Investment Manager to make changes to our operations as required.



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

2023 saw a number of changes to our Board with the departure of Simon Century, Liewen Chan, Karen Wilson and finally, former Chair Ian Graham. I would like to thank all of the departing Board members for their work in creating a financially stable business and putting in place the strong foundations to allow us to deliver our growth plans.

We welcomed Pete Gladwell, Kevin Gould and Kathryn Davis to the Board and I look forward to working with them and the rest of the Board to play a leading role in raising service standards and increasing the long-term supply of affordable homes.

Ian Peters  
Chair  
24 June 2024



# Board Members

In accordance with an LLP Agreement dated 8 December 2021, the Members have appointed a Board (the “Board”) to operate the business of the LLP and have the power to make all decisions and take all actions concerning the LLP and its business.

The current members of the Board are as shown below:



## Ian Peters | Chair

Appointed January 2024

Ian Peters is Chair of Legal & General Affordable Homes. In his executive career he gained extensive management expertise in a range of energy and financial service positions. As Chief Executive of British Gas he initiated the roll out of the UK’s largest smart meter network and shaped the consumer facing “Connected Homes” technology including Hive. He held various positions at NatWest including Head of Retail Marketing and Sales.

Ian is also Chair of the UK Health Security Agency, a new government agency responsible for protecting the public from all health hazards including the pandemic, overseeing its creation and restructuring. He chairs a number of small, growth technology, sustainability, and social impact companies and he is a trustee of the Canal & River Trust. He was previously Chair at Bart’s Health NHS Trust as well as Vice Chair of the Peabody Trust where he led the merger of Family Mosaic with Peabody to create one of London’s largest housing associations.



## Kevin Gould | Chair of the Risk & Audit Committee

Appointed September 2023

Kevin is a chartered accountant with 30 years’ experience in financial services and consulting, focussing on governance, risk, and audit. He worked as Chief Internal Auditor at the International Bank of Qatar and later led Internal Audit’s strategic initiatives and support operations at the Royal Bank of Scotland. He now provides consulting and advisory services, primarily relating to sustainability and ESG risk, and is vice chair of the Independent Decision-Making Body of the Bar Standards Board.



## Sarah Melinek | Independent Non Executive Board Member

Appointed May 2021

Sarah is an Independent Non-Executive Director and Senior Independent Director of Legal & General Affordable Homes and joined the Board in November 2020.

Sarah has over 20 years’ experience in operational and customer focused roles across the telecommunications, utilities and financial services sectors for organisations serving millions of customers. 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.



## Kathryn Davis | Independent Non Executive Board Member

Appointed September 2023

Kathryn spent 26 years (17 of them as a corporate/commercial partner) with city law firm Slaughter and May. During her legal career she advised clients from a variety of sectors, primarily FTSE 100/250 companies, across a wide range of practice areas including public and private M&A, commercial contracts, debt financing, equity and debt capital markets, regulatory enquiries, insolvency situations and general corporate advice.

Kathryn is an external member of the University of Oxford’s Audit and Scrutiny Committee, where she is the lead member for Counter Fraud and Health & Safety. She is a non-executive director, Deputy Chair of Council and Chair of the Estates Committee at the Girls’ Day School Trust, a large educational charity and the UK’s leading family of 25 independent girls’ schools, including two academies.

Kathryn is a Visiting Senior Fellow in Practice at LSE Law School and also recruits and mentors trainee solicitors on a consultancy basis for innovative legal training provider, Accutrainee. Kathryn was formerly a non-executive director at G15 housing association Metropolitan Thames Valley where she was Chair of Treasury Committee and a member of Group Audit and Risk Committee, roles which she also fulfilled at one of its predecessor organisations, Thames Valley Housing.



## Ben Denton | Board Member

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, and 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.



## Karl Shaw | Board Member

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.



## Pete Gladwell | Board Member

Appointed July 2023

Pete joined Legal & General in 2007, launching a new generation of property funds focussed on liability matching and Defined Contributions pension schemes, and Legal & General’s partnerships with NEST and PGGM, which total over £5bn. In 2015, Pete moved to lead Legal & General’s investments with the Public Sector – including the Cabinet Office, Combined & Local Authorities, NHS, Housing Associations and Universities – which now total over £6bn.

Pete continues to lead on public sector investments, as part of a broader remit to identify and drive strategic investments and initiatives through which Legal & General can use its resources to benefit society. This includes Legal & General’s partnership with Sir Michael Marmot to address health inequality.

Pete holds an MA from Brasenose College, Oxford in Computation, the IMC, and is a Fellow of the Royal Society of the Arts and Honorary Professor at University College London.

**Ian Graham | Chair** | Appointed May 2021 and resigned December 2023

**Simon Century | Board Member** | Appointed February 2021 and resigned February 2023

**Karen Wilson | Independent Non Executive Board Member** | Appointed May 2021 and resigned September 2023

**Liewen Chan | Board Member** | Appointed February 2023 and resigned July 2023



# Strategic Report

## Principal activities

Legal & General Affordable Homes (AR) LLP (“the LLP”) is a Registered Provider of social housing for profit.

## Review of the Business

During the year the LLP took ownership of a further 368 homes. Revenue grew to £12.3m (2022: £4.2m) and the LLP reported profits of £2.9m (2022: 2.2m) for the year largely due to having had significantly more units under management over the duration of the year. The LLP was in a net asset position at 31 December 2023.

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

The LLP 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 LLP are:

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

## Statement of internal control

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

- The Risk and Audit Committee, which is a formal committee of the LLP Board.
- Risk Appetite Statements which set out the tolerance the business has for identified risks.
- The Legal & General Group internal audit function provides independent assurance on the effectiveness of business risk management and the overall operation of our risk framework.
- The BDO independent assurance programme, which provides independent assurance on the adequacy of internal control arrangements, including risk management and governance.
- The Investment Manager identifies and evaluates risks to which the LLP may be exposed so that they can be managed in line with risk policies.



- Regular reporting of ongoing and emerging risks to assess whether risk positions are within the limits set by the risk appetite.

## External Outlook

The UK economic outlook remains uncertain, with the potential for interest rates to remain at current levels for longer than anticipated by the markets, and longer than required to subdue inflation. This could lead to a sustained period of low investment and growth, reduced consumer spending and higher unemployment.

Residential property prices remain susceptible to reappraisal should the current economic outlook deteriorate, as well as from a range of geopolitical factors including the ongoing war in Ukraine and the conflict in the Middle East.

The primary impact on the business is likely to be through downward property valuation movements and keener pricing of new debt.

## Financial key performance indicators

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

## NHF Code of Governance

As at 31 December 2023, and for the whole of 2023, the LLP was fully compliant with the NHF Code of Governance 2020 with the exception of provision 4.5 as the LLP adopts the Legal & General Group Whistleblowing Policy. Although this does not include a route to contact the iNEDs on the board, it is a robust approach to whistleblowing, which is considered

an appropriate alternative for the LLP given its ownership by the Legal & General Group.

## Governance and Viability Standard

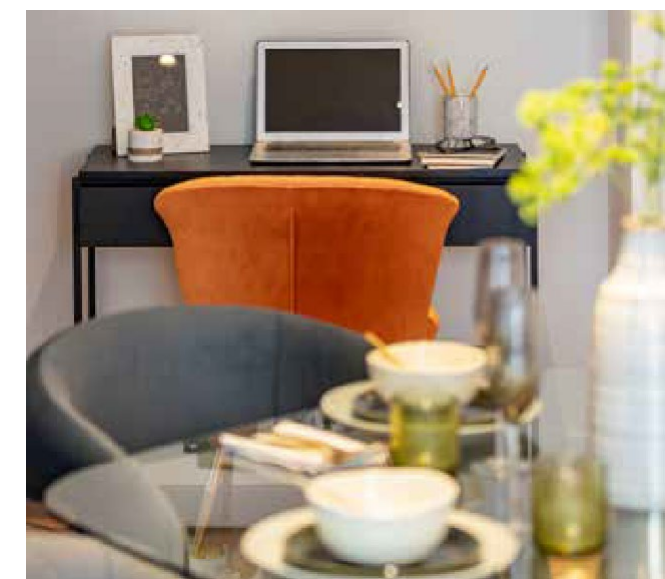
Each year the Regulator of Social Housing requires Registered Providers to assess their compliance with the governance and financial viability standard. The LLP has undertaken an annual review of compliance and the board is assured that the LLP is compliant with the regulatory framework including the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

## Equality and Diversity

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

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

The LLP employs no staff but its Investment Manager employs staff to deliver services to the LLP and therefore the Board will encourage and influence the actions of the Investment Manager to act in accordance with the equality, diversity and inclusion principles set out by the Board.



The Investment Manager reports key diversity metrics to the Board on a regular basis. The reporting provided to the Board for December 2023 demonstrated female headcount being above the 50/50 target and the proportion of employees from a minority ethnic background being in excess of 20%.

This report was approved by the Board on 30 May 2024 and signed by order of the Board

Ian Peters  
Board Member (Chair)



# Environmental, Social and Governance Statement

## Improving lives through inclusive capitalism

The Legal & General Group central ethos of inclusive capitalism is a recognition that the benefits of economic growth must be shared by all. For the Legal & General Affordable Homes businesses this means a commitment to driving positive change in affordable housing.

Our mission is to become the leading institutional affordable housing provider in the UK. The investments that we make to achieve this seek to deliver better outcomes for people and planet, and by enabling society's capital to fund great quality, sustainable and affordable homes from which our customers can build better futures, we aim to maximise benefit to society as a whole.

## Investing society's capital for society's benefit

To date Legal & General Affordable Homes has defined impact objectives rooted in this purpose, focussed on the following themes:

### 1. Supply of affordable homes

Nationally there remains a chronic shortage of affordable housing - we aim to contribute to the solution by investing in affordable housing in areas of housing need. Despite a challenging macro-economic backdrop, during the year the Legal & General Affordable Homes businesses proudly took ownership of over 1,300 new affordable homes; it expects this will be one of the largest increases in the country.

We measure affordability at a granular level and work hard to ensure customers can sustain their tenancies. Whilst there is no single metric which tells the whole picture the mean average rent being charged on our rented homes of 63% of market indicates that it is offering excellent value to its customers and the public purse.

### 2. Sustainable development

Well-designed homes and communities can be low-carbon and sustainable, while helping to protect and restore nature. However, there are challenges to overcome for this to become business-as-usual, which we and the wider construction industry are grappling with. Nevertheless the Legal & General Affordable Homes business remains committed to all new homes it acquires being capable of net zero carbon in operation from 2030. It continued to make progress towards this during the year - for example, in committing to its first net zero carbon scheme at Thundersley, Essex, where 90% of the homes will achieve net zero carbon in operation and all will exceed the Future Homes & Buildings Standard.

The business continues to work hard to enhance the energy efficiency of its new homes, engaging developer partners to

encourage the raising of standards as quickly as possible and implementing policies to deliver on Group level Science Based Target Initiative commitments such as phasing out gas boilers in newly contracted homes from 1 January 2025.

### 3. Quality customer service

We work with local authorities, housing associations and developers across the country to deliver affordable new homes. But for us, it is about far more than just houses, it is about providing sustainable new communities and making a real difference to our customers' lives. During the year we were pleased that our new customers gave us a Net Promoter Score of +64, exceeding a high target of +55.

However, we recognise that customers who have lived within their homes for longer are telling us that we can improve, and therefore during the year we took additional actions to improve customer experience, including the launch of our new home management system – "MyBroly". Customers who are registered can raise a repair, manage their rent account or ask us a question. During the next two years all our customers will be invited to register. To date, the feedback has been really positive.

We also recognise the pressure that the current cost of living crisis causes so during the year we established a hardship fund for customers, offering grants to those experiencing financial hardship due to illness or major life events.

### Assurance on progress

During the year the social impact consultancy, The Good Economy ("TGE"), published its second independent assessment of the progress the Legal & General Affordable Homes businesses have made towards their impact objectives [lgah-impact-report-2023.pdf](#) ([legalandgeneral.com](#)). The report drew both on Legal & General Affordable Homes data and benchmarking analysis compiled by TGE as well as interviews with management and staff, management provider partners, local authorities, land agents, developers and customers. We welcome the report findings which highlight both strengths and areas for improvement.

### Refining our approach to impact measurement

As detailed in its 2023 Social impact report ([legal-and-general\\_2023-social-impact-report.pdf](#) ([legalandgeneral.com](#))), during the year the Legal & General Group launched a place-based Social Impact Toolkit to align the impact measurement approach across its real estate investments. The foundation of the toolkit is a comprehensive framework based on three core themes: inclusive economy; health, wellbeing and quality of life; and nature and climate.

During 2024 the Legal & General Affordable Homes framework will evolve to align with the Group approach. Whilst it is not expected to lead to a material change in focus, adoption of the toolkit will set out how the business intends to deliver on the standardised Group level Social Impact Priorities from each of these social impact themes. The evolution of the Legal & General Affordable Homes framework will cover initial investment through the activities and outputs delivered, towards intended outcomes for people, places and the planet.

### Governance

The Legal & General Group Risk Committee ("GRC") oversees sustainability impact risks to ensure exposures are controlled in line with the Group's risk appetite and that management actions are also aligned, including the actions proposed and taken by the Legal & General Affordable Homes businesses.

For example, Legal & General Affordable Homes inputs to regular updates to the GRC on the risks associated with climate change and nature-loss, via a dedicated Legal & General Capital Sustainability team. The Committee reviews progress and ensures businesses develop appropriate processes to monitor and report exposures to climate risks.

The GRC is supported by a Group Climate Director with specific responsibility for coordinating the Group's response to climate change and incorporating nature and biodiversity risks into day-to-day operations. During the year the Group Climate Director was also appointed to the Board of the Investment Manager for the Legal & General Affordable Homes companies, Legal & General Affordable Homes (Operations) Limited.





# Members' Report

The Members are pleased to present their Report together with the audited financial statements of Legal & General Affordable Homes (AR) LLP (the "LLP") for the period ending 31 December 2023.



## Principal activities

The LLP is a Registered Provider of social housing for profit. The principal activity of the LLP during the year continued to be the provision of social housing through the renting of affordable rented and social rented properties.

## Results for the period and allocations to Members

The results of the LLP are set out on page 24.

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

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

All the Members subscribed to the LLP by way of an equity contribution of £100 initial capital.

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

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

## Going concern

No material uncertainties that cast significant doubt about the ability of the LLP to continue as a going concern have been identified by the Members.



## Units under management

	2023 units	2022 units
Affordable rent	1,104	790
Social rent	202	148
<b>Total units under management</b>	<b>1,306</b>	<b>938</b>

## Board Members

The Board members, 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	31 December 2023
Karen Wilson	13 May 2021	27 September 2023
Ben Denton	13 May 2021	
Sarah Melinek	13 May 2021	
Karl Shaw	17 June 2021	
Liewen Chan	16 February 2023	27 July 2023
Pete Gladwell	27 July 2023	
Kevin Gould	27 September 2023	
Kathryn Davis	27 September 2023	
Ian Peters	1 January 2024	



## Value for Money Statement

### Introduction

The Value for Money Standard is one of three economic standards that the Regulator of Social Housing expects Registered Providers to comply with. It looks at whether a Provider is making the best use of the resources that it has to meet its objectives.

In complying with the Value for Money Standard the Legal & General Affordable Homes business seeks to achieve economy, efficiency and effectiveness across all areas of activity. As the LLP is still in its early growth stage some of its value for money metrics will include outliers when benchmarked to the sector. As we grow, we expect it should become easier 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

Formed in 2021 to own and manage rented housing, at 31 December 2023 the LLP owned 1,306 properties, operated via its network of management providers.

The LLP focusses solely on the acquisition and management of affordable rented housing properties throughout England. It takes no development risk and typically acquires homes from its sister company, Legal & General Affordable Homes Limited.

The LLP is part of the family of Registered Providers that make up Legal & General Affordable Homes. The Legal & General Affordable Homes business currently operates through 12 separate entities, all part of Legal & General Group Plc, 5 of which are for-profit registered providers with the Regulator of Social Housing.

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

As part of its role, the Investment Manager oversees the outsourced management provider network that delivers services to customers and properties on the LLP's behalf.

### Activities undertaken in 2023

At the beginning of 2023, the LLP had 938 properties in operation. In May 2023 the business acquired a further 368 homes from its sister business, Legal & General Affordable Homes Limited. As a result at the end of the year the LLP held 1,306 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 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 (AR) LLP delivers Value for Money

The principle costs of the LLP are:

- Its financing costs
- Its property and customer management costs
- The fees paid to the Investment Manager

In respect of financing costs, the LLP 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 LLP 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 Legal & General 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 and now, five years on, we are in the process of renewing these contracts. With this network, the business remains keen to ensure that it secures quality of service at an efficient cost of management. This renewal exercise will result in the business preserving a network of high-quality management providers at competitive prices. The quality of service that the management providers

deliver is overseen by the Investment Manager through performance management agreements which require sector leading performance on service delivery and customer feedback metrics

Additional services provided to the LLP are undertaken by the Investment Manager, under an Investment Management Agreement.

### A Forward View of Value for Money Performance

The business has sought to establish a benchmark group of organisations in the sector to compare its value for money performance against. A cross section of Registered Providers who were most similar to the Legal & General Affordable Homes business were selected for this purpose.

However, having attempted to create a meaningful benchmark group it became evident upon testing comparative performance that the LLP has many differences to traditional

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

As a result, the Board agreed a further set of value for money metrics, in addition to the mandatory measures, which it began to monitor and report against from 2022. These voluntary measures demonstrate that the LLP is making a substantial impact on the supply of affordable homes, delivering good levels of product quality with good energy performance helping more people find an affordable home to rent.

### Value for Money Metrics

The LLP 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 LLP 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 LLP uses Net Promoter Scores as its core indicator of customer experience and has included it in the reporting for the financial year 2023.

### Metric 1 - Reinvestment 2023: 30.0%; Target: 37.6%

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 £74.7m to £246.7m. As the business had a comparatively small stock holding at the beginning of 2023, its performance is markedly different from the rest of the sector where businesses typically hold a large existing asset base. Actual reinvestment in 2023 was behind target due to a second planned portfolio acquisition from Legal & General Affordable Homes Limited being deferred to 2024.

### Metric 2 - New supply delivered 2023: 28.2%; Target: 32.8%

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 2023 the business owned and managed 1,306 units. This does not represent new supply as the business typically acquires homes from its sister company, Legal & General Affordable Homes Limited following practical completion and occupation. However, the acquisition of the properties by the LLP provides additional liquidity for Legal & General Affordable Homes Limited to originate the acquisition of new homes. The business focusses solely on delivering affordable rented housing and we have not acquired or delivered any non-social housing units in 2023 and therefore have not reported against part b of this metric.

### Metric 3 - Gearing 2023: 45.4%; Target: 50.6%

The LLP funded the acquisition of its 1,306 homes with contributions from its members. Legal & General Assurance Society Limited's contribution is in the form of six loan notes, three with 40 year terms bearing a fixed interest coupon and three with no maturity date or coupon. The gearing metric reported represents the amount of 40 year notes outstanding as a proportion of property value.

Metric	Description	2023 Sector Value for Money					
		Median Quartile*	Upper Quartile*	2023 Actual	2023 Target	2024 Target	
<b>Mandatory value for money targets</b>							
1	Reinvestment	%	6.7	9.4	30.0	37.6	11.7
2	New supply delivered	%	1.3	2.2	28.2	32.8	13.3
3	Gearing	%	45.3	53.7	45.4	50.6	45.8
4	EBITDA MRI	%	128.0	169.0	157.8	160.3	167.2
5	Headline social housing cost per unit	£000	4.6	5.9	2.9	1.9	2.5
6a	Operating Margin - social housing lettings	%	19.8	25.5	65.4	76.1	64.9
6b	Operating Margin - overall	%	18.2	23.0	63.3	74.1	60.0
7	Return on capital employed	%	2.8	3.6	3.1	3.5	3.5
<b>Additional value for money targets</b>							
8	Net promoter score		N/A	N/A	+64	+55	+58
9	More affordable housing	Units	N/A	N/A	N/A	N/A	N/A
10	Product quality	%	N/A	N/A	100.0	N/A	50
11	Environmental sustainability	%	N/A	N/A	99.0	85.0	85
12a	Truly affordable homes - market rent	%	N/A	N/A	63.0	<75	<75
12b	Truly affordable homes - local income	%	N/A	N/A	34.4	<35	<35
13	Efficient model of operation	%	N/A	N/A	70.4	73.0	73.0



**Metric 4 - Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) 2023: 157.8%; Target: 160.3%**

This metric measures the level of underlying operating surplus compared to interest payable on the 40 year notes described above. Performance is ahead of the sector median.

**Metric 5 - Headline social housing cost per unit 2023: £2,900; Target: £1,900**

This metric assesses the cost per unit of operating properties under management. The LLP'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 is anticipated that the LLP will have costs lower than the sector median for a number of years to come due to this feature of its portfolio. The cost per unit was behind target due to almost one third of the units of the LLP having transferred to the LLP earlier than anticipated in 2023 combined with the impact of cost pressures.

**Metric 6a & b - Operating Margin 6a) 2023: 65.4%; Target: 76.1% 6b) 2023: 63.3%; Target: 74.1%**

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). Whilst performance on both metrics is behind target it remains strong and is significantly ahead of the upper quartile for the sector.

**Metric 7 - Return on capital employed 2023: 3.1%; Target: 3.5%**

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 business 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 31 December 2023. This means the return is low compared to established peers who hold and maintain a large standing stock. Whilst the LLP's performance has been improving year on year it is anticipated that the LLP will perform below the sector upper quartile whilst it continues to grow and it establishes a stock holding commensurate with its peer group.

**Metric 8 - Net Promoter Score 2023: +64; Target: +55**

The Net Promoter Score applies to new customers and is calculated based on the question: "On a scale of 1-10, how likely is it that you would recommend us to a friend or colleague?" Based on the number a customer selects, they are categorised as promoters, passives or detractors. The score is the difference between promoters and detractors. The LLP has an independent organisation 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 customers reported such strong performance across the year on this important metric.

**Metric 9 - More affordable housing in 2023: N/A; Target: N/A**

As the business generally acquires properties following on from occupation it does not directly acquire new stock. However, the LLP's activity is significant in supporting its sister company, Legal & General Affordable Homes Limited from which it acquires homes by providing liquidity to allow it to deliver on its aim of being a top 10 provider of affordable housing amongst Registered Providers. Legal & General Affordable Homes Limited was able to achieve this ambitious target in 2023 through its acquisition of 1,304 homes.

**Metric 10 - Product quality 2023: 100%; Target: N/A**

Product Quality is measured through a Likert scale with new customers rating their home on a scale of 1 to 5 with 1 being Very Poor and 5 being Very Satisfied. Customer satisfaction amongst new customers has improved year upon year. For the year ended 31 December 2023 100% of new customers said they were either very satisfied or satisfied with the new home they have moved into. Notwithstanding the favourable scoring, we continue to work with our volunteer customer panel and suppliers to help shape and improve our product and service offerings.

**Metric 11 - Environmental sustainability 2023: 99%; 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 LLP's target is for 85% or more of units developed to have an EPC rating of B or better. The LLP is delivering 99% 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) 2023: 63%; Target: less than 75% 12b) 2023: 34.4%; Target: less than 35%**

This metric measures the affordability of our homes. Metric 11a looks at the average rent charged as a percentage of market rent whilst 11b captures the average rent charged as a percentage of gross local income. For 84% of the homes acquired by the LLP the rent charge cannot exceed 80% of market rent with the remaining 16% being social rent homes where rents are typically charged at 50% or less of market rent. With an average rent at 63% of market rent the LLP is offering excellent value to its customers.

This is further demonstrated by the rents charged by the LLP as a percentage of gross local income being ahead of target despite wider evidence of an increasing disparity of market rents to income levels in London and the South East of England.

**Metric 13 - Efficient model of operation 2023: 70.4%; Target: 73%**

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 although slightly behind 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.

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

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

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

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 the Members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that period.

In preparing these financial statements, the Members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the LLP's ability to continue as a going concern, disclosing as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006)

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

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

**Modern slavery**

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

**Statement of disclosure to the Auditor**

At the time of approval of this report:

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

Signed on behalf of the Members



**Ian Peters**  
Board Member (Chair)  
24 June 2024



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

## Opinion

We have audited the financial statements of Legal and General Affordable Homes (AR) LLP ("the LLP") for the year ended 31 December 2023 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 LLP as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

## Basis for opinion

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

## Going concern

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

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

- we consider that the 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 LLP's ability to continue as a going concern for the going concern period.
- However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the LLP will continue in operation.

## Fraud and breaches of laws and regulations – ability to detect *Identifying and responding to risks of material misstatement due to fraud*

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

- Enquiring of directors and inspection of policy documentation as to the LLP'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.

**We performed procedures including identifying journal entries based on risk criteria and comparing the identified entries to supporting documentation.**

## *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 LLP 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 LLP 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 LLP 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 LLP'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 chairman's statement and the members' report. 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 chairman's statement and the members' 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 LLP, or returns adequate for our audit have not been received from branches not visited by us; or

- the LLP 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 19, 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 LLP'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 LLP's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.



## Sarah Brown (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill, Snow Hill Queensway

Birmingham B4 6GH

Date: 28 June 2024



# Financial Statements

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# Income Statement

For the year ended 31 December 2023	Note	2023 £'000	2022 £'000
Turnover	3	12,324	4,165
Operating expenditure	4	(4,520)	(1,132)
Other gains/ (losses)	5	3	1,043
<b>Operating profit before interest and tax</b>		<b>7,807</b>	<b>4,076</b>
Finance costs		(4,946)	(1,837)
<b>Profit for the period before Members' remuneration and profit shares</b>		<b>2,860</b>	<b>2,239</b>
Automatic division of profit		(2,860)	(2,239)
<b>Result for the financial period available for discretionary division among Members</b>		<b>-</b>	<b>-</b>

The notes on pages 25 to 29 form an integral part of these financial statements.

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

# Balance Sheet

For the year ended 31 December 2023	Note	2023 £'000	2022 £'000
<b>Fixed Assets</b>			
Investment property	7	246,736	172,059
		<b>246,736</b>	<b>172,059</b>
<b>Current assets</b>			
Debtors	8	2,582	1,982
Cash at bank and in hand		4,774	1,395
		<b>7,356</b>	<b>3,377</b>
<b>Creditors: amounts falling due within one year</b>	9	<b>(2,309)</b>	<b>(1,501)</b>
<b>Net current assets</b>		<b>5,047</b>	<b>1,876</b>
<b>Creditors: amounts falling due after more than one year</b>	10	<b>(245,818)</b>	<b>(171,200)</b>
<b>Net assets attributable to Members</b>		<b>5,965</b>	<b>2,735</b>
<b>Represented by</b>			
Capital contributions from Limited Partners		1,251	881
Profit attributable to members		4,714	1,854
		<b>5,965</b>	<b>2,735</b>
<b>Total Members' Interests</b>			
Amounts due to Members		4,714	1,854
Capital contributions from Limited Partners		1,251	881
		<b>5,965</b>	<b>2,735</b>

The notes on pages 25 to 29 form an integral part of these financial statements.

The financial statements of Legal & General Affordable Homes (AR) LLP (registration number OC435745) were approved and authorised for issue by the Members and were signed on its behalf by:



Ian Peters  
Board Member (Chair)  
24 June 2024

# Notes to Financial Statement

## 1. Accounting policies

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

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

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

- Related party disclosures to disclose related party transactions entered into between two or more members of a group; and
- Cash Flow Statement and related notes.

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

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

### Key sources of estimation uncertainty

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

- Valuation of investment property. The investment property has been valued by an independent third party valuer, in accordance with the Royal Institute of Chartered Surveyors ("RICS") Valuation – Professional Standards ("The Red Book") and the International Valuation Standard and was arrived at by reference to market transactions for similar properties. Management also consider any

special assumptions that are relevant to the particular circumstances, which are then applied to the valuation.

### 1.1 Measurement convention

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

### 1.2 Going concern

After making enquiries, the Members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future. The LLP therefore continues to adopt the going concern basis in preparing its financial statements. The LLP has continued to model various scenarios around the impact of 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 Members have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the LLP will have sufficient funds to meet its liabilities as they fall due for that period.

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

### 1.3 Basic financial instruments

#### Trade and other debtors / creditors

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

#### Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are designated at initial recognition as a financial liability measured at fair value through profit or loss as doing so ensures that the measuring of assets and liabilities are undertaken on a consistent basis. Subsequent to initial recognition interest-bearing borrowings continue to be recognised at fair value through profit or loss.





#### Cash and cash equivalents

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

#### 1.4 Investment property

Under the Housing SORP guidance properties that are held for the provision of social housing must be treated as property, plant and equipment. The LLP 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. Changes in fair value are recognised in the Income Statement.

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

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

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

#### 1.5 Turnover

Revenue represents social housing related income from lets. Rental and service charge income is recognised in the Income Statement for the period that it relates to.

Rental and service charge income billing and collection is undertaken on behalf of the LLP by the Legal & General Affordable Homes network of management providers.

#### 1.6 Provisions

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

#### 1.7 Taxation

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

## 2. Segmental disclosure

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

## 3. Turnover

	2023 £'000	2022 £'000
Rent and service charge income	12,324	4,165
	12,324	4,165

## 4. Operating expenditure \*

	2023 £'000	2022 £'000
Direct costs	4,263	794
Administrative expenses	257	338
	4,520	1,132

\* The presentation of the prior period comparative information has been updated to provide greater clarity.

## 5. Other gains/ (losses)

	2023 £'000	2022 £'000
Investment Property revaluation gain/ (loss)	632	(3,311)
Loan Notes revaluation loss/ (gain)	(629)	4,354
	3	1,043

## 6. Audit fees

Administration expenses include audit fees of £32,528 (2022: £14,686). During the year the LLP did not obtain any non-audit services from its Auditor (2022: £nil).

## 7. Investment property

	2023 £'000	2022 £'000
<b>Valuation</b>		
At 1 January	172,059	76,590
Additions	74,045	98,780
Revaluation	632	(3,311)
<b>At 31 December</b>	<b>246,736</b>	<b>172,059</b>
<b>Investment Property by tenure:</b>		
Affordable rent	1,104	790
Social rent	202	148
<b>At 31 December</b>	<b>1,306</b>	<b>938</b>



## 7. Investment Property (continued)

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 operation of each property over the long term.

The main inputs and assumptions used relating to the valuation ranged as follows:

	2023 £'000	2022 £'000
HPI - house price index	-2.1% - 4.8%	-2.9% - 7.2%
CPI - consumer price index	1.6% - 6.7%	1.4% - 10.1%
RPI - retail price index	2.5% - 8.9%	2.4% - 12.6%
% of gross rent receivable	97.30%	97.30%

The LLP 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:

	2023 £'000	2022 £'000
Gross historic cost	249,866	175,821
	<b>249,866</b>	<b>175,821</b>

## 8. Debtors

	2023 £'000	2022 £'000
Prepayments and accrued income	2,120	1,280
Amounts owed by group undertakings	462	702
	<b>2,582</b>	<b>1,982</b>

## 9. Creditors: amounts falling due within one year

	2023 £'000	2022 £'000
Trade creditors	48	-
Accruals	1,677	293
Amounts owed to group undertakings	584	1,208
	<b>2,309</b>	<b>1,501</b>

## 10. Creditors: amounts falling due after more than one year

	2023 £'000	2022 £'000
Loan notes issued	245,818	171,200
	<b>245,818</b>	<b>171,200</b>

## 11. Capital Contribution

	2023 £'000	2022 £'000
Capital contribution from Members	1,251	881
	<b>1,251</b>	<b>881</b>

## 12. Employees

The LLP had no employees during the period.

## 13. Board members' emoluments

Certain Board Members are employees of Legal & General Group and are not paid to undertake their activities as Board Members of the LLP, and the costs are not paid by the LLP however the costs included below represent a fair allocation of their remuneration in relation to the work they undertake for the LLP.

	2023 £'000	2022 £'000
Simon Century (resigned 15 February 2023)	1	5
Karl Shaw	5	5
Liewen Chan (appointed 16 February 2023 and resigned 27 July 2023)	2	-
Ben Denton	5	5
Pete Gladwell (appointed 27 July 2023)	2	-
	<b>15</b>	<b>15</b>

The remuneration for the independent Non-Executive Board Members paid by the LLP in 2023 are shown below. During 2022 the LLP did not make any payments towards non executive Board Members remuneration and the remuneration shown below represents a fair allocation of their remuneration in relation to the work they undertook for the LLP.

	2023 £'000	2022 £'000
Ian Graham (Chair) (resigned 31 December 2023)	15	9
Karen Wilson (resigned 27 September 2023)	9	7
Sarah Melinek	11	7
Kathryn Davis (appointed 27 September 2023)	3	-
Kevin Gould (appointed 27 September 2023)	3	-
	<b>41</b>	<b>23</b>

## 14. Commitments

The Company has committed to purchasing homes at a value of £15.5m from its sister company, Legal & General Affordable Homes Limited. This will be achieved through long term funding arranged with Legal & General Assurance Society Limited.

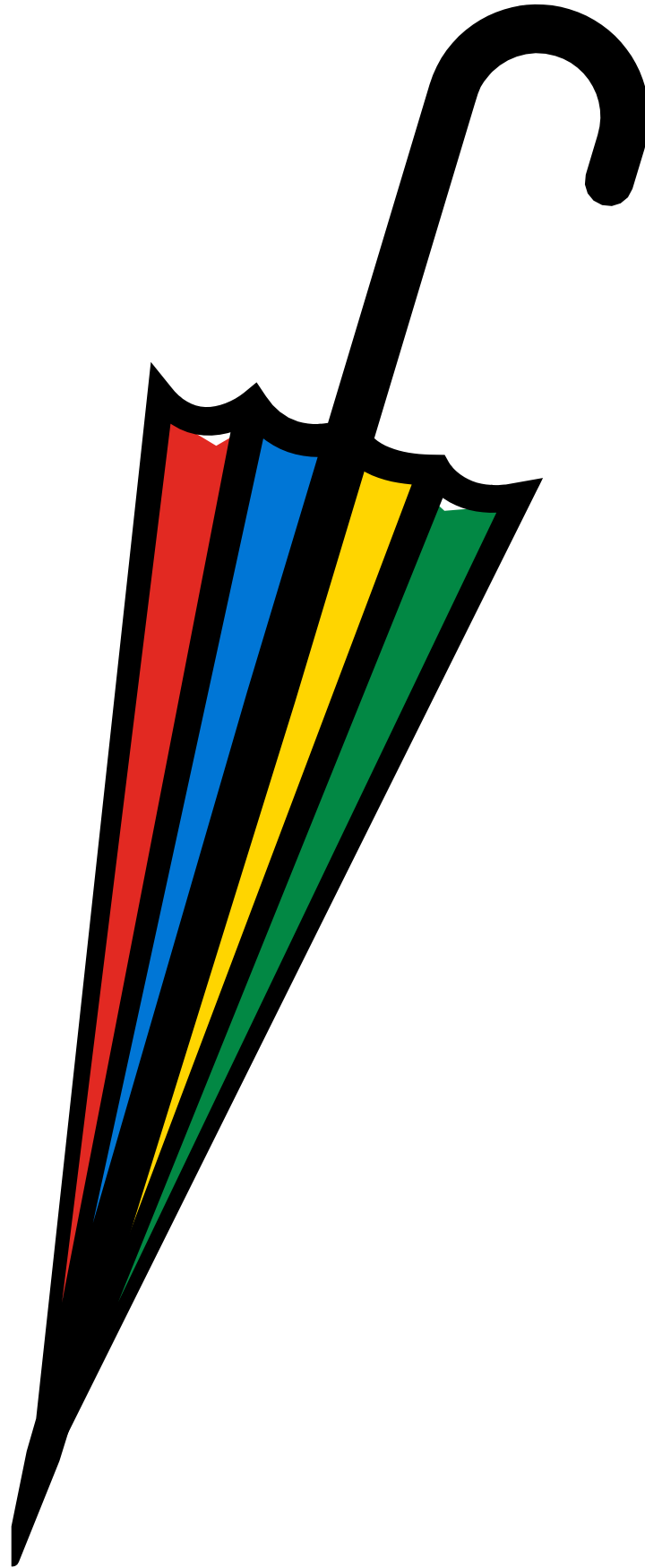
## 15. Related party transactions

During the year the LLP acquired 368 homes (2022: 527 homes) from its sister company, Legal & General Affordable Homes Limited for £74m (2022: £99m). The sister company, Legal & General Affordable Homes Limited is a Registered Provider of social housing.

## 16. Ultimate parent undertaking

The LLP's ultimate parent undertaking is Legal & General Group Plc, a company incorporated in England and Wales.

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



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

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

