



Legal and General Affordable Homes (Development 3) Limited

**Annual Report & Accounts
For the year ended 31 December 2023**

Directors and advisors at date of approval of the financial statements

Directors

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 & Hamlins
3 Bunhill Row
London
EC1Y 8YZ

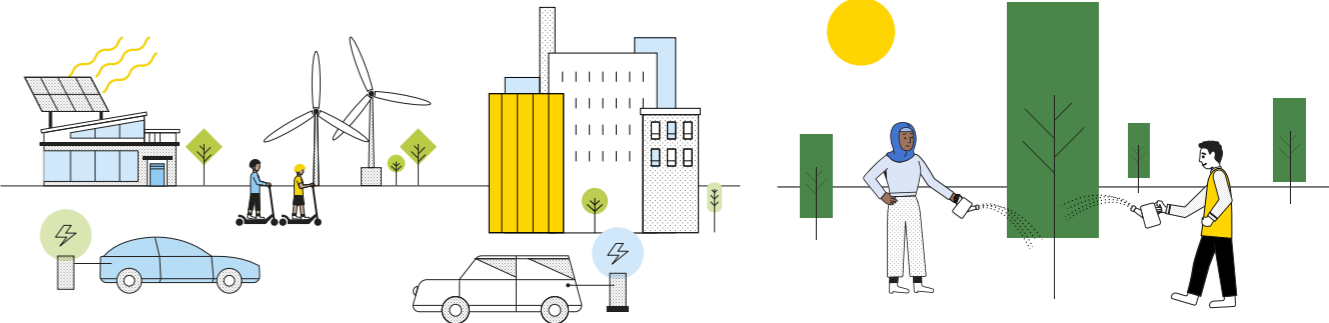
Registered Office

One Coleman Street
London
EC2R 5AA

Registration Numbers

Company Registration Number: 13230947
Registered Provider Number: 5146

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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 we developed and handed over 124 homes to Legal & General Affordable Homes Limited helping more people get onto the property ladder or find an affordable home to rent. We continue to pursue opportunities to develop our pipeline of activity and are well placed to deliver our growth plans.

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 Company's properties and customers are available in that report. The report can be viewed on the website: 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
21 June 2024

Board of Directors



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 Director

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 Director

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 | 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 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 | 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.



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 | Director | Appointed February 2021 and resigned February 2023

Liewen Chan | Director | Appointed February 2023 and resigned July 2023

Karen Wilson | Independent Non Executive Director | Appointed May 2021 and resigned September 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 2023.

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 it 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

During the year the Company recognised income of £37.4m (2022: £1.7m) from the sale of 124 completed homes (2022: 12 homes). The Company reported pre-tax profits of £2.4m for the financial year (2022: pre-tax loss of £0.6m). As at 31 December 2023 total equity was £31.4m (2022: £29.6m). The Company’s financial position is in line with expectations and considered satisfactory.

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.

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

The Company expects to sell completed properties to other Registered Providers in the future. There are no plans to restructure the Company’s 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 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 Company may be exposed so that they can be managed in line with risk policies.
- Regular reporting of ongoing and emerging risks to assess whether risk positions are within the limits set by the risk appetite.

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 slower sales of shared ownership homes and downward property valuation movements.

Financial key performance indicators

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

NHF Code of Governance

As at 31 December 2023, and for the whole of 2023, 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 2023 demonstrated female headcount being above the 50/50 target and minority ethnicity in excess of 20%.

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

Ian Peters
Director (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.

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.



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 2023.



Result for the year and dividend

The results of the Company are set out on page 22. 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 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 business is still in its early growth stage some of its value for money metrics will include outliers when benchmarked to the sector. As the business grows, 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 February 2021, 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 a sister Legal & General Affordable Homes company. At 31 December 2023 the Company owned 2 occupied properties.

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 Plc.

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

Activities undertaken in 2023

As at 31 December 2023 the Company had contracted on five development schemes which will support it to deliver 426 new homes in future periods. It also completed the development and sale of 124 new homes to Legal & General Affordable Homes Limited during the year.

Throughout the year the Company held 2 occupied homes under 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

Units under management

	2023 units	2022 units
Shared ownership	2	2
Total units under management	2	2

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	26 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	01 January 2024	

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.

performance and position in their computation. A similar impact is likely in 2024 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 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 Company 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 business are undertaken by the Investment Manager, under the Investment Management Agreement.

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 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 Company 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 Legal & General Affordable Homes businesses are 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 2023.

Metric 1 - Reinvestment 2023: N/A; Target: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 held 2 new homes throughout 2023, which makes up the entirety of its housing property assets at the end of the period. As the business' activity during 2023 was predominantly focussed on the development of new affordable housing for sale to its sister company, Legal & General Affordable Homes Limited and it did not acquire any additional properties to hold as investment property it lagged behind the sector performance on this metric. This is likely to continue to be the case in future years as the Company strives to become a leading developer of affordable homes.

Metric 2 - New supply delivered 2023: N/A; Target: N/A

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. As mentioned above the business owned and managed 2 units throughout the year. The business also completed development of 124 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 2023 and therefore have not reported against part b of this metric.

Metric 3 - Gearing 2023: N/A; Target N/A

This metric assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance. The Company did not rely on debt financing to acquire its investment properties and these were entirely funded from shareholder funds. The Company has not subsequently drawn any debt secured against these properties. As such this measure is not relevant to the Company.

Metric 4 - Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) 2023: -98.1%; Target: -190%

This metric measures the level of surplus (excluding grant income) compared to interest payable. The Company's performance against this metric is reflective of the Company being in its growth phase and due to its development activity being underpinned by grant income. The Company has put in place debt facilities that support its origination of new development opportunities with performance against this metric expected to track behind the sector for the foreseeable future due to the Company having minimal standing stock relative to sector peers with the vast majority of its operating profits being delivered through its development activities which are supported by grant funding.

Metric 5 - Headline social housing cost per unit 2023: £600; Target: £1,200

This metric assesses the cost per unit of operating properties under management. The Company's headline cost per unit benchmarks well to industry peers. As the Company's two property holdings are both Shared Ownership properties the headline cost is minimal. It is anticipated that the Company will have costs lower than the sector median for a number of years to come due to this feature of its portfolio.

Metric 6a&b - Operating Margin 6a) 2023: 86.2%; Target: 85%

6b) 2023: 12.8%; Target: 12.6%

This metric demonstrates the profitability of the operating assets. Metric 6a represents the operating margin on social housing only and 6b takes in to account all operating surplus for the year (both excluding revaluation gains/losses). Performance against metric 6a is significantly ahead of the sector due to the properties being new build houses. Performance against metric 6b is tracking behind the sector median due to the Company being in its growth phase but performance is expected to improve as the Company scales up its delivery of new homes and this is reflected in the 2024 target.

Metric 7 - Return on capital employed 2023: 8.4%; Target: 5.7%

This metric compares the operating surplus to total assets less current liabilities and is a measure to assess the efficient use of capital. Performance against this metric is significantly ahead of the sector largely due to the Company deriving the majority of its returns from development activity which generate higher returns. For most sector peers development activity comprises a much smaller proportion of total surplus.

Metric 8 - Net Promoter Score 2023: N/A; Target: N/A

Net Promoter Score is calculated based on the question: "On a scale of 1-10, how likely is it that you would recommend us to a friend or colleague?" Based on the 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.

2023 Sector VFM							
Metric	Description		Median Quartile*	Upper Quartile*	2023 Actual	2023 Target	2024 Target
Mandatory value for money targets							
1	Reinvestment	%	6.7	9.4	N/A	N/A	N/A
2	New supply delivered	%	1.3	2.2	N/A	N/A	N/A
3	Gearing	%	45.3	53.7	N/A	N/A	N/A
4	EBITDA MRI	%	128.0	169.0	-98.1	-190.0	-83.1
5	Headline social housing cost per unit	£000	4.6	5.9	0.6	1.2	0.6
6a	Operating Margin - social housing lettings	%	19.8	25.5	86.2	85.0	85.0
6b	Operating Margin - overall	%	18.2	23.0	12.8	12.6	16.4
7	Return on capital employed	%	2.8	3.6	8.4	5.7	17.2
Additional value for money targets							
8	Net Promoter Score		N/A	N/A	N/A	N/A	N/A
9	More affordable housing	Units	N/A	N/A	N/A	N/A	N/A
10	Product quality	%	N/A	N/A	N/A	N/A	N/A
11	Environmental sustainability	%	N/A	N/A	N/A	N/A	N/A
12	Efficient model of operation	%	N/A	N/A	90.0	N/A	80.0

* This is based on the 2023 VFM metric release published by the Regulator of Social Housing in February 2024

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

This metric demonstrates the impact the Company is making to the supply of new homes. The Company did not acquire any properties in the period to hold and manage. Although the Company sold 124 completed new homes to its sister company, Legal & General Affordable Homes Limited these homes have been excluded from this metric to avoid both entities reporting the new supply.

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. In 2024 the Company is expected to complete on the sale of 510 units to its sister Registered Providers.

Metric 10 - Product quality 2023: N/A; 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. As the Company did not acquire any new homes in the period the metric has not been reported against.

Metric 11 - Environmental sustainability 2023: N/A; Target: N/A

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 developed 124 homes in the year for sale to Legal & General Affordable Homes Limited. As these homes are reported by Legal & General Affordable Homes Limited in its metric these homes have not been reported here to avoid duplication across Legal & General Affordable Homes businesses. As the Company did not acquire any other properties in the period the metric has not been reported against.

Metric 12 - Efficient model of operation 2023: 90%; Target: N/A

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. Performance against this metric has been very strong largely due to the properties held by the Company being Shared Ownership houses.

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.

**Modern slavery**

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

Disclosure of information to the auditor

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

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 30 May 2024 and signed by order of the Board.

Ian Peters
Chair of the Board

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 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 Company 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 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 nature of 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 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

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.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the

Company, or returns adequate for our audit have not been received from branches not visited by us; or

- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 16, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



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

The background features several large, white, curved lines that intersect to form abstract, organic shapes. These lines originate from the top left and fan out towards the right, creating a sense of movement and depth. The overall aesthetic is clean and modern.

Financial Statements

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Income Statement

For the year ended 31 December 2023	Notes	2023 £'000	2022 £'000
Revenue	3	37,416	1,673
Cost of sales		(32,367)	(1,723)
Gross profit/(loss)		5,048	(51)
Administrative expenses		(211)	(75)
Other gains and losses	5	(152)	56
Operating profit/(loss)		4,685	(69)
Interest receivable		32	-
Finance costs	7	(2,354)	(535)
Profit/(loss) before tax		2,363	(604)
Tax receivable/ (payable)	10	(575)	114
Profit/ (loss) for the year		1,788	(490)

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 2023	Notes	2023 £'000	2022 £'000
Assets			
Non-current Assets			
Investment property	11	271	314
Current assets			
Trade and other receivables	12	19,311	4,759
Work in progress	13	48,476	33,265
Cash and cash equivalents		5,477	1,639
Financial assets	14	7,926	-
		81,190	39,663
Total assets		81,461	39,977
Liabilities			
Current liabilities			
Trade and other payables	15	(5,278)	(2,386)
Deferred income		(20,686)	(7,981)
		(25,964)	(10,367)
Net current assets		55,226	29,296
Non-current liabilities			
Borrowings		(24,100)	-
Total non-current liabilities		(24,100)	-
Net assets		31,397	29,610
Equity			
Share capital and premium	16	30,100	30,100
Retained earnings		1,297	(490)
Total equity		31,397	29,610

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 30 May 2024 and were signed on its behalf by:



Ian Peters
Director (Chair)

Statement of Changes in Equity

For the year ended 31 December 2023	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total £'000
As at 1 January 2023	-	30,100	(490)	29,610
Profit for the year	-	-	1,788	1,788
Total comprehensive profit for the year	-	-	1,788	1,788
Shares issued	-	-	-	-
As at 31 December 2023	-	30,100	1,297	31,397

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

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

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

- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment
 - (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)

The following paragraphs of IAS 1, 'Presentation of financial statements':

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

(b) Going Concern

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 is to earn profitable rents and/or capital appreciation and therefore the Company will hold its properties as Investment Property at fair value, with movements recognised through the profit and loss account.

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.

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 to.

(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 on 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.

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) Impairment

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.

Work in Progress

Work in progress is stated at the lower of cost and net realisable value. There is very limited risk of impairment being required as a result of the Company entering into forward sales agreements with development activity being carried out under largely fixed price arrangements.

Financial Asset

When completed shared ownership homes are handed over by the Company to its sister company Legal & General Affordable Homes Limited, it recognises the unsold first tranche element of the asset as a Financial Asset. The value of which is derived from the market value of the first tranche proportion. At the year end a review of the market value of the first tranche element is carried out with any adjustments resulting in a gain/ (loss) on the financial asset.



(j) Significant judgements:

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Investment Property

For investment property valuations management engaged the services of third party independent valuers and worked with them to refine assumptions throughout the valuation exercise. Management also reviewed the principal iterations of the valuation models prior to agreeing the fair value of investment properties presented in the financial statements.

Financial Assets

The Company estimates the proportion of shared ownership properties that will be sold as first tranche sales and classifies this as a Financial Asset. The assumptions on which the proportion has been based include, but are not limited to, the affordability of the Shared Ownership properties and the Company's general experience to date of first tranche shared ownership sales.

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.

3. Revenue

	2023 £'000	2022 £'000
Sales income	30,536	985
Grant income	6,872	687
Rental income	8	1
	37,416	1,673

4. Grants received

	2023 £'000	2022 £'000
Grant received recognised in the Income Statement	6,872	687
Grant received recognised on the Balance Sheet	19,577	7,981
	26,449	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

	2023 £'000	2022 £'000
(Loss)/ gain on Investment Property	(90)	56
(Loss)/ gain on Financial Asset	(62)	-
	(152)	56

6. Audit fees

Administration expenses include audit fees of £12,364 (2022: £13,188). During the year the company obtained £10,000 (2022: £nil) of non-audit services from its Auditor.

7. Finance Costs

	2023 £'000	2022 £'000
Loan facility interest	1,885	308
Amortisation of capitalised loan costs	469	227
	2,354	535

8. Employees

The Company had no employees during the year



9. Directors' emoluments

Certain Directors are employees of Legal & General Group and 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.

	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	-
	15	15

The payments to the Independent Non Executive directors are shown below.

	2023 £'000	2022 £'000
Ian Graham (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	-
	41	23

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 18.



10. Tax

	2023 £'000	2022 £'000
Corporation Tax and RPDT		
Current tax on profits for the year	578	(128)
Total current tax	578	(128)
Deferred tax		
Origination and reversal of temporary differences	(3)	14
Total deferred tax	(3)	14
Tax charge / (credit) on profit on ordinary activities	575	(114)

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:

	2023 £'000	2022 £'000
Profit on ordinary activities before tax	2,363	(605)
Tax calculated at the standard UK Corporation Tax rate of 23.5% (2022: 19%)	555	(115)
<i>Effects of</i>		
Residential Property Developer Tax	4	(3)
Adjustments in respect of prior year tax	15	-
Difference arising from tax rate changes	1	3
Total tax charge / (credit) for the year	575	(114)

Factors which may affect future tax charges

The Finance Act 2022 increased the rate of Corporation Tax from 19% to 25% from 1 April 2023. To calculate the current tax on profits, the rate of tax used is 23.5% (2022: 19.0%), which is the average rate of corporation tax applicable for the year. The future enacted tax rate of 25% has been used in the calculation of certain UK deferred tax assets and liabilities, as the rate of corporation tax that is expected to apply when all of those deferred tax balances are expected to reverse.

Residential Property Developer Tax has been applied to trading profits arising from UK residential property development activity at a rate of 4%.

The Company has no unprovided deferred tax assets or liabilities as at 31 December 2023 (2022: £nil).

11. Investment Property

	2023 £'000	2022 £'000
Valuation		
At 1 January	314	-
Additions at cost	47	258
(Loss)/ gain on revaluation of investment property	(90)	56
At 31 December	271	314
Investment Property by tenure:		
Shared ownership	271	314
At 31 December	271	314

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.

12. Trade and other receivables

	2023 £'000	2022 £'000
Trade debtors	-	2,255
VAT receivable	117	1,188
Corporation Tax receivable	-	128
Capitalised loan costs	719	1,188
Amounts owed by group undertakings	18,475	-
	19,311	4,759

13. Work in progress

	2023 £'000	2022 £'000
Work in progress	48,476	33,265
	48,476	33,265

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

14. Financial asset

When completed Shared Ownership units are sold by the Company to its sister company Legal & General Affordable Homes Limited it recognises the unsold first tranche element of the asset as a Financial Asset. The value of which is derived from the market value of the first tranche proportion. At the year end if the asset remains unsold it is revalued to fair value with any gain or loss being recognised in the income statement. At the year end the value of the Financial Asset amounted to £7.9m (2022: £nil) with a loss on the financial asset of £0.1m (2022: £nil).

15. Trade and other payables

	2023 £'000	2022 £'000
Trade payables	932	926
Accruals	551	21
Deferred tax	11	14
Amounts owed to group undertakings	2,676	1,425
Corporation Tax payable	578	-
Other creditors	530	-
	5,278	2,386

16. Share capital

Authorised share capital	2023 Number of shares	2023 £	2022 Number of shares	2022 £
At 31 December: ordinary shares of £1 each	103	103	103	103

Issued share capital, fully paid	Number of shares	Share Capital £'000	Share Premium £'000
As at 1 January 2023	103	-	30,100
Issued shares during the year	-	-	-
As at 31 December 2023	103	-	30,100

17. Commitments

The number of incomplete development schemes committed to at the balance sheet date was 5 (2022: 5) comprising 426 homes (2022: 435 homes). The Company has outstanding commitments of c£56m (2022: c£74m) to complete contracted development schemes.

18. Related party transactions

Transactions during the year related to fees under a Management Agreement to sister company Legal & General Affordable Homes (Operations) Limited of £1.74m (2022: £0.9m) and sales receipts of £30.5m (2022: £1.0m) on the sale of 124 (2022: 12) completed homes to sister company Legal & General Affordable Homes Limited. In 2022 the Company also paid £0.26m 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 £0.1m (2022: £0.11m) was billed by Gowlings to the Company and the year end creditor owed to Gowlings at 31 December 2023 amounted to £nil (2022: £nil).

19. 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 or from the Company Secretary at the Registered Office, One Coleman Street, London, EC2R 5AA.

20. 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.





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

Company Registration Number: 13230947
Registered Provider Number: 5146