

Company Registration No. 01067638

Dorrington Housing Limited

Annual Report and Financial Statements

for the year ended 31 December 2021



Dorrington Housing Limited

Annual Report and Financial Statements 31 December 2021

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Dorrington Housing Limited

Officers and professional advisers

Directors

F Cirillo
A R Giblin
M S Gorvy
S B Gorvy
R Harris
M B Jenkins
D J Salvesen
B O Thompson
P Yeates

Company Secretary

Hanover Management Services Limited

Registered Office

16 Hans Road
London
SW3 1RT

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Dorrington Housing Limited

Strategic report

The company is part of the Dorrrington Estates Limited group (“the group”) of companies, which is involved in residential and commercial property trading.

The company’s principal activity is property trading. Despite the second year of difficult economic conditions caused by COVID-19, the business showed strong resilience and performed robustly. The directors are not aware, at the date of this report, of any likely major changes in the company’s activities in the next year.

Business review and key performance indicators

The business has remained robust despite the uncertainty caused by Covid-19. The rental market showed low volatility and maintained a strong collection rates throughout the financial year. Buyer confidence has returned and there has been an increase in demand driving the number of transactions up. Our trading performance and our investment income remain strong and our interest cover remains comfortable and overall the business has produced good results.

Operating profit for the year was £15.2m compared with an operating profit of £5.5m in 2020. This significant variance is accounted for by a lower cost of sales of trading properties.

Profit for the year before taxation was £15.1m compared to profit of £5.1m in the previous year. The profit for the financial year was £12.2m (2020: profit of £4.1m).

The statutory shareholders’ funds for the financial year was £23.3m (2020: £18.1m). The directors’ valuation of the stock of trading and development properties at 31 December 2021 was £82.6m (2020: £92.9m). This exceeds the amount at which it is reflected in the financial statements by £51.9m (2020: £57.6m). Taking these valuations into account and before any adjustment for taxation, the adjusted shareholders’ funds at 31 December 2021 were £75.2m (2020: £75.7m).

Stocks decreased by 13.4% on the prior year, a decrease of £4.7m. This was due to a reduction in the stock value due to a sale of trading properties. Trade debtors remain the same and there has been no change in trade creditors. There have been no material bad debt issues experienced during the year end and the focus has been on cash collections due to COVID-19.

Principal risks and uncertainties

Liquidity risk

The company’s main financial objective is to create shareholder value through a diversified portfolio, maximising its returns against strict investment criteria. Liquidity and cash flow are managed through intercompany debt between the immediate parent company Dorrrington Estates and the company.

Property valuations

The cyclical nature of the property markets raises the risk of variations in the value of our portfolio. Residential valuations remained constant in 2021 and the outlook for residential sales is positive. We believe that the valuation risk is mitigated by our diverse, robust and defensive portfolio, located primarily in London and the South of England. We have a strong and sustainable income flow, with acceptable future expenditure commitments. We will continue to mitigate our exposure to market risk through a balanced approach to asset selection and cautious decision-making relating to revenue streams and capital growth.

Dorrington Housing Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

Interest rates

Derivative financial instruments are used by the company to manage exposure to fluctuations in interest rates, but are not employed for speculative purposes.

COVID-19

The COVID-19 crisis started in 2020 and has been a source of new risk for the company. Although we were out of lockdown at the start of the financial year, by the end of the first quarter we were in a second lockdown. The company responded swiftly and demonstrated strong resilience through the second year of the pandemic. By end of the financial year, as the lockdown restrictions were eased, the company and the Group were back to strong level of business activity.

Property trading

Detailed financial appraisals are conducted for all significant acquisitions and disposals. A full due diligence review is carried out prior to all asset acquisitions, including relevant corporate due diligence where assets are acquired through separate corporate entities.

Environmental and health and safety

The company recognises the importance of its environmental responsibilities and for health and safety in its business. Opportunities to improve our energy use efficiency are being investigated and changes will be implemented where appropriate. The company is committed to achieving high standards of health and safety through the use of external consultants.

Future developments

The company will continue to invest in residential when the right opportunities arise.

Approved by the Board of Directors and signed by order of the Board:



M B Jenkins
For and on behalf of
Hanover Management Services Limited
Company Secretary

29th June 2022

Dorrington Housing Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2021. This should be read in conjunction with the Strategic Report on page 2. Financial risk management and future developments are discussed within the strategic report.

Going concern

The directors have assessed the impact of the current economic uncertainty on all aspects of the business, focussing specifically on operations and cash flows of the company.

The company benefits from banking and treasury facilities with the group and has received a letter of support from its immediate parent company Dorington Estates limited and hence the assessment of the ability of the entity to continue as a going concern has been performed at a group level (including stress-testing of forecasts). This stress-testing included assessing the levels of cash and available finance within the group assuming a very significant reduction in turnover on the basis of reduced sales of trading stock, customer default or payment plans, reduced lettings and increased vacancies at break and expiry. This has been offset by a review and postponement of uncommitted capital expenditure where necessary. The directors have considered the ability and intent of the ultimate holding company to provide this support and are satisfied that this will remain available.

Based on reviewing these forecasts and sensitivities and having considered the support of the group the directors have concluded that the company is a going concern and accordingly have prepared the financial statements on this basis. Further details regarding the adoption of the going concern basis can be found in note 1 of the financial statements.

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Dividends

A dividend of £7m (£70,000 per ordinary share) was declared and paid during the year (2020: £5m, £50,000 per ordinary share).

Directors

All directors except for J P Kennedy, M B Jenkins, T Moross, A R Giblin, A J Leibowitz, S B Gorvy and B O Thompson served throughout the year and subsequently. J P Kennedy resigned on 22 February 2021, M B Jenkins was appointed on 22 February 2021, T Moross resigned on 1 April 2021, A R Giblin was appointed on 30 April 2021, A J Leibowitz resigned on 18 January 2022 and S B Gorvy and B O Thompson were appointed on 1 March 2022.

Dorrington Housing Limited

Directors' report (continued)

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

Cash flow risk

The nature of the company's operation means that its operating cashflows arise from diverse sources. Day to day cashflow fluctuations are monitored through financial modelling and daily monitoring.

Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables, and investments. The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful debts. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Deloitte LLP have expressed their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors
and signed by order of the Board:



M B Jenkins
For and on behalf of
Hanover Management Services Limited
Company Secretary

29th June 2022

Dorrington Housing Limited

Independent auditor's report to the members of Dorrington Housing Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Dorrington Housing Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 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.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Dorrington Housing Limited

Independent auditor's report to the members of Dorrington Housing Limited (continued)

Other information (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act 2006 and UK tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included health and safety regulations, general data protection regulation and the Landlord and Tenant Act.

Dorrington Housing Limited

Independent auditor's report to the members of Dorrington Housing Limited (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

Our significant risk in respect of fraud has been pinpointed to the valuation of trading properties at the year end. Trading properties are held at the lower of cost and realisable value. The process for valuing the properties is internal, therefore the risk has been pinpointed to the key assumptions used when determining the valuations.

- We obtained and documented an understanding of relevant controls in the valuation process and in particular the information provided to the valuers;
- We have challenged the key assumptions used by the valuation team, including those in respect of yields, discounts and expected rental values. In doing so, we have sought to benchmark against relative comparatives, evaluated contradictory evidence and obtained documentation and understanding in respect of key properties; and
- We tested the data provided to the internal valuer. This included obtaining an independent source of the tenants at the property and verifying that they were appropriately included in the data relied upon in the valuation.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Dorrington Housing Limited

Independent auditor's report to the members of Dorrington Housing Limited (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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. 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.

Andy Siddorns

Andy Siddorns FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

29th June 2022

Dorrington Housing Limited

Profit and loss account

For the Year ended 31 December 2021

	Notes	2021 £	2020 £
Turnover	1, 3	21,519,318	12,614,131
Cost of sales		(5,380,775)	(6,217,917)
Direct property expenses		(883,199)	(882,653)
Gross profit		15,255,344	5,513,561
Administrative expenses		(58,894)	(56,058)
Operating profit	4	15,196,450	5,457,503
Finance costs (net)	6	(119,537)	(389,207)
Profit before taxation		15,076,913	5,068,296
Tax on profit	7	(2,864,312)	(962,976)
Profit for the financial year		<u>12,212,601</u>	<u>4,105,320</u>

All activities derive from continuing operations in both the current and preceding year.

Statement of comprehensive income

For the Year ended 31 December 2021

	2021 £	2020 £
Profit for the financial year	<u>12,212,601</u>	<u>4,105,320</u>
Total comprehensive income for the year	<u>12,212,601</u>	<u>4,105,320</u>

Dorrington Housing Limited

Balance sheet

As at 31 December 2021

	Notes	2021 £	2020 £
Current assets			
Stocks	9	30,603,362	35,343,321
Debtors due within one year	10	<u>301,059</u>	<u>313,426</u>
		30,904,421	35,656,747
Creditors: amounts falling due within one year	11	<u>(247,654)</u>	<u>(199,791)</u>
Net current assets		<u>30,656,767</u>	<u>35,456,956</u>
Total assets less current liabilities		30,656,767	35,456,956
Creditors: amounts falling due after one year	12	(7,310,958)	(17,323,748)
Provisions for liabilities	13	<u>(1,820)</u>	<u>(1,820)</u>
Net assets		<u>23,343,989</u>	<u>18,131,388</u>
Capital and reserves			
Called up share capital	14	100	100
Profit and loss account	14	<u>23,343,889</u>	<u>18,131,288</u>
Shareholders' funds		<u>23,343,989</u>	<u>18,131,388</u>

The financial statements of Dorrrington Housing Limited, Company Registration No. 01067638 were approved and authorised for issue by the Board of Directors on 29th June 2022.

Signed on behalf of the Board of Directors:

Andrew Giblin

A R Giblin
Director

MB Jenkins

M B Jenkins
Director

Dorrington Housing Limited

Statement of changes in equity For the year ended 31 December 2021

	Notes	Called up Share Capital £	Profit and loss account £	Total £
At 1 January 2020		100	19,025,968	19,026,068
Total comprehensive income for the year		-	4,105,320	4,105,320
Total comprehensive income		-	4,105,320	4,105,320
Dividend paid	8	-	(5,000,000)	(5,000,000)
At 31 December 2020		100	18,131,288	18,131,388
Total comprehensive income for the year		-	12,212,601	12,212,601
Total comprehensive income		-	12,212,601	12,212,601
Dividend paid	8	-	(7,000,000)	(7,000,000)
At 31 December 2021		100	23,343,889	23,343,989

Dorrington Housing Limited

Notes to the financial statements For the year ended 31 December 2021

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

Statutory information

Dorrington Housing Limited 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 address of the registered office is given on page 1.

Accounting convention

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates. The financial statements are also presented in pounds sterling.

Dorrington Housing Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

Going concern

The directors have assessed the impact of the current economic uncertainty on all aspects of the business, focussing specifically on operations and cash flows of the company.

The company benefits from banking and treasury facilities with the group and has received a letter of support from its immediate parent company Dorington Estates Limited and hence the assessment of the ability of the entity to continue as a going concern has been performed at a group level (including stress-testing of forecasts).

This stress-testing included assessing the levels of cash and available finance within the group assuming a very significant reduction in turnover on the basis of reduced sales of trading stock, customer default or payment plans, reduced lettings and increased vacations at break and expiry. This has been offset by a review and postponement of uncommitted capital expenditure where necessary. The directors have considered the ability and intent of the ultimate holding company to provide this support and are satisfied that this will remain available.

Based on reviewing these forecasts and sensitivities and having considered the support of the group the directors have concluded that the company is a going concern and accordingly have prepared the financial statements on this basis.

Dorrington Housing Limited

Notes to the financial statements (continued) **For the year ended 31 December 2021**

1. Accounting policies (continued)

Turnover

Turnover excludes value added tax (where applicable), represents sales of trading properties and rents receivable.

Sales are invoiced when the services have been performed at the point of completion. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Stocks

Trading properties are valued at the lower of cost and net realisable value. Deficits against cost are charged to cost of sales in the profit and loss account. A disposal of stock is recognised on completion.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. An assessment is performed where one or more events occur that may indicate potential impairment. The recoverable amount of an asset is then assessed, based on the higher of its fair value less costs to sell and its value of use. If there is objective evidence of impairment, an impairment loss is recognised in profit and loss account.

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price, excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments are measured at amortised cost using the effective interest method. Debt instruments that are classified as payable or receivable within one year on initial recognition are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans are measured at cost (which may be £nil) less impairment.

Dorrington Housing Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

1. Accounting policies (continued)

Financial instruments (continued)

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property and investment property, measured using the revaluation model is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or statement of changes in equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the accounting period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Dorrington Housing Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Estimates

Property portfolio valuation

The valuation of the company's stocks is inherently subjective, held at cost of £30.6m (2020: £35.3m) as per note 9. The stocks are valued by the directors of the company who are members of the Royal Institution of Chartered Surveyors, as at each balance sheet date. An assessment is then performed in respect of the carrying value of the stocks, based on the value attributed. Assumptions are made with regards to sales value in an open market, external market conditions and potential future revenue streams or value in use. The directors believe the market value of work in progress held to be in excess of the book value and therefore no impairment is required.

Judgements

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Distinction between investment and trading property

On acquiring a property asset, the company considers the intention at the outset in order to classify the property as either an investment or as trading stock. Where the intention is to hold the property for its long-term rental yield and capital appreciation, the property is held as an investment property. Where the intention is to trade the property in the ordinary course of business, the property is held as trading stock. The directors continue to perform the assessment on an annual basis, especially where property is held over the long term.

3. Turnover

The analysis of turnover (all derived within the United Kingdom) is as follows:

	2021 £	2020 £
Property trading	18,685,798	9,982,806
Rental income	2,833,520	2,631,325
	<u>21,519,318</u>	<u>12,614,131</u>

The company had contracted with tenants for the following minimum lease payments:

	2021 £	2020 £
Within one year	1,966,902	2,095,949
Within two to five years	3,785,126	4,078,711
After five years	<u>788,568</u>	<u>849,731</u>

The company has entered into non –cancellable contractual commitments in respect of properties of £nil (2020: £nil). The company is additionally contractually obliged to carry out annual repairs and maintenance in respect of the property, which in the current year amounted to £152,834 (2020: £203,886).

Dorrington Housing Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

4. Operating profit

	2021 £	2020 £
Operating profit is after charging:		
Auditor's remuneration: fees paid to the company's auditor for the audit of the company's annual financial statements	10,200	9,000

There are no non audit fees included within the stated operating profit figure for the year (2020: £nil).

5. Information regarding directors and employees

None of the directors received any emoluments for their services to the company during the year (2020: £nil).
There were no other employees (2020: none).

6. Finance costs (net)

	2021 £	2020 £
Interest payable and similar expenses	123,467	389,242
Less: investment income	(3,930)	(35)
	<u>119,537</u>	<u>389,207</u>

Investment income

	2021 £	2020 £
Other interest	3,930	35

Interest payable and similar expenses

	2021 £	2020 £
Loans from immediate parent undertakings	123,467	389,242

7. Tax on profit

	2021 £	2020 £
UK corporation tax at 19% (2020: 19%)	2,864,613	962,976
Prior year adjustment	(301)	-
Total current tax	<u>2,864,312</u>	<u>962,976</u>

Dorrington Housing Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

7. Tax on profit (continued)

The effective rate of corporation tax for the year varies from the standard rate in the UK as applied to the company's pre-tax profit for the reasons analysed below.

	2021 £	2020 £
Profit before tax	15,076,913	5,068,296
Profit multiplied by corporation tax rate at 19% (2020: 19%)	2,864,613	962,976
Prior year adjustments	(301)	-
Total tax for the year	2,864,312	962,976

In the UK Finance Act 2020, enacted provisions to increase the main rate of UK corporation tax to 19% from 1 April 2020 were introduced. Accordingly, the deferred tax at 31 December 2021 was calculated at this rate.

In the Finance Act 2021, which was substantively enacted on 24 May 2021, included provisions to increase the rate further to 25% effective from 1 April 2023. This rate has been applied when calculating the deferred tax at the yearend given the expected timing of the unwinding of tax amounts.

There is no expiry date on timing differences, unused tax losses or tax credits.

There is no provided or unprovided deferred tax (2020: £nil).

8. Dividends paid

	2021 £	2020 £
Dividend at £70,000 per ordinary share (2020: £50,000 per share)	7,000,000	5,000,000

9. Stocks

	2021 £	2020 £
Trading properties	30,603,362	35,343,321

The directors' assessment of the fair value of the stock of trading and development properties at 31 December 2021 was £82,552,560 (2020: £92,900,000).

10. Debtors

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	173,386	164,104
Other debtors	52,937	68,797
Prepayments	74,736	80,525
	301,059	313,426

Dorrington Housing Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

11. Creditors: amounts falling due within one year

	2021 £	2020 £
Other creditors	58,529	24,266
Accruals	103,722	51,539
Deferred income	85,403	123,986
	<u>247,654</u>	<u>199,791</u>

12. Creditors: amounts falling due after one year

	2021 £	2020 £
Amount owed to immediate parent undertaking	<u>7,310,958</u>	<u>17,323,748</u>

The loan from the immediate parent undertaking is repayable after one year with no fixed repayment date. The loan is unsecured and interest is charged at an average commercial rate of 2.11% (2020: 2.23%).

13. Provisions for liabilities

	£
Deferred taxation on other timing differences:	
Balance at 1 January and 31 December 2021	<u>1,820</u>

14. Called up share capital

	2021 £	2020 £
Authorised, allotted, called up and fully paid:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

The profit and loss reserve represents cumulative profits, including unrealised profit on the remeasurement of investment properties, net of dividends paid and other adjustments.

15. Ultimate parent undertaking

The company's ultimate parent undertaking and controlling party is Quadriga International Limited, a company incorporated in the British Virgin Islands.

The company is a subsidiary of its immediate parent, Dorrington Estates Limited, and its intermediate parent undertakings, Dorrington Property Group Limited and Hanover Acceptances Limited, all companies being incorporated in Great Britain and registered in England and Wales. Hanover Acceptances Limited is the largest group for which consolidated financial statements are prepared and Dorrington Estates Limited is the smallest group for which consolidated financial statements are prepared.

Copies of the financial statements of Dorrington Estates Limited and of Hanover Acceptances Limited are available from the Company Secretary, 16 Hans Road, London SW3 1RT which is its registered address.

Dorrington Housing Limited

Notes to the financial statements (continued) **For the year ended 31 December 2021**

16. Related party transactions

The company has taken advantage of the exemption from the disclosure of related party transactions with entities that are part of the group in accordance with Paragraph 33.1A of Financial Reporting Standard 102.