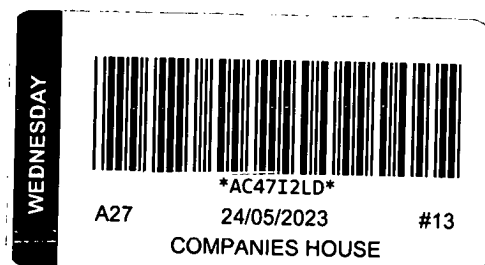


**Company Registration No. 01067638**

**Dorrington Housing Limited**

**Annual Report and Financial Statements**

**for the year ended 31 December 2022**



# **Dorrington Housing Limited**

## **Annual Report and Financial Statements 31 December 2022**

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

The company’s principal activity is property trading and property investment. The directors of the company performed a review of the classification of its properties during the year which resulted in a number of properties moving from trading properties to investment properties to trading properties. This has resulted in a restatement of the prior year balances as referenced in note 18.

The company’s main financial objective to create shareholder value. The cyclical nature of the property markets raises the risk of variations in the value of our portfolio and there is the risk of valuation corrections in future years.

### **Business review and key performance indicators**

The business remained robust throughout 2022 despite growing market uncertainty caused by high inflation and fluctuations in interest rates during the year. Our trading and residential leasing performance were strong through the year with low void rates. Net rents were impacted by inflation in property costs. Our investment income remain strong and our interest cover remains comfortable and overall the business has produced good results. 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.

Operating profit for the year was £1.7m compared with an operating profit of £15.3m in 2021. This significant variance is accounted for by the re-appropriation between investment property and stock and a lower cost of sales of trading properties.

Profit for the year before taxation was £1.1m compared to profit of £15.2m in the previous year. The profit for the financial year was £0.93m (2021: profit of £11.4m).

The statutory shareholders’ funds for the financial year was £30.8m (2021: £34.9m). The directors’ valuation of the stock of trading and development properties at 31 December 2022 was £80.2m (2021: £63.8m). This exceeds the amount at which it is reflected in the financial statements by £37.8m (2021: £36.5m). Taking these valuations into account and before any adjustment for taxation, the adjusted shareholders’ funds at 31 December 2022 were £68.6m (2021: £71.4m).

Stocks increased by 55% on the prior year, an increase of £15.1m. This was due to the purchase of the Dijon portfolio consisting of 52 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.

### **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 Dorington Estates and the company.

#### *Property valuations*

The cyclical nature of the property market raises the risk of variations in the value of our portfolio. Commercial values fell towards the end of the year, ending the year 1.6% down on the previous year after adjusting for capex and acquisitions. This was offset somewhat by a 0.7% increase in the value of the residential portfolio on the same basis. 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 not used by the company and are used by the Group to manage exposure to fluctuations in interest rates. Interest rates increased steadily through the year driven by global and domestic factors, and then rose sharply in the fourth quarter following a government budget announcement. The Group's hedging strategy helped to mitigate the impact of these changes. Interest rate management is carried out by means of a combination of interest rate swaps and fixed rate debt to provide a degree of certainty over future interest rate costs.

#### *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.

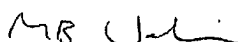
#### *Environmental and health and safety*

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

19<sup>th</sup> May 2023

# Dorrington Housing Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2022. This should be read in conjunction with the Strategic Report on page 2. 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, 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 ongoing availability of finance by modelling the impact on loan covenants of reduced income and significant decreases in valuations of properties. Even considering reasonably likely downside scenarios there are no covenant breaches forecast. The reverse stress test reflects the fact that trading sales and rental income would need to decline significantly, which has not been the group's experience to date.

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 for at least 12 months from the point of signing the financial statements 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 judgements 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 £5m (£50,000 per ordinary share) was declared and paid during the year (2021: £7m, £70,000 per ordinary share). No further dividends have been declared or paid up to the signing date.

**Directors** All directors except for A J Leibowitz, S B Gorvy and B O Thompson served throughout the year and subsequently. 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 cash flows arise from diverse sources. Day to day cash flow 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

19<sup>th</sup> May 2023

# **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 2022 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 18.

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 a 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](http://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 and the directors about their own identification and assessment of the risks of irregularities including those that are specific to the company's business sector.

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)**

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

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 procedures performed to address them are described below:

Our first 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.

Our second significant risk in respect of fraud has been pinpointed to the valuation of investment properties at the year end. The process for valuing the properties is internal, therefore the risk has been pinpointed to the key assumptions used when determining the valuations. The following procedures have been performed in respect of both the valuation of investment properties and net realisable value of trading properties.

- We obtained and tested an understanding of relevant controls in the valuation process; and
- 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.

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

19<sup>th</sup> May 2023

## Dorrington Housing Limited

### Profit and loss account For the Year ended 31 December 2022

	Notes	2022 £	2021 (restated note 18) £
<b>Turnover</b>	1, 3	4,084,834	21,519,318
Cost of sales		(808,533)	(5,380,775)
Direct property expenses		(1,150,071)	(883,199)
<b>Gross profit</b>		2,126,230	15,255,344
Administrative expenses		(19,243)	(58,894)
Unrealised (losses)/gains on revaluation of investment properties	4	(357,251)	139,877
<b>Operating profit</b>	4	1,749,736	15,336,327
Finance costs (net)	6	(626,122)	(119,537)
<b>Profit before taxation</b>		1,123,614	15,216,790
Tax on profit	7	(192,051)	(3,814,814)
<b>Profit for the financial year</b>		<u>931,563</u>	<u>11,401,976</u>

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

### Statement of comprehensive income For the Year ended 31 December 2022

	2022 £	2021 (restated note 18) £
Profit for the financial year	<u>931,563</u>	<u>11,401,976</u>
<b>Total comprehensive income for the year</b>	<u>931,563</u>	<u>11,401,976</u>

# Dorrington Housing Limited

## Balance sheet As at 31 December 2022

		2022	2021 (restated note 18)
	Notes	£	£
<b>Fixed assets</b>			
Investment properties	9	18,408,250	18,704,878
<b>Current assets</b>			
Stocks	10	42,377,944	27,297,239
Debtors due within one year	11	318,717	301,059
		42,696,661	27,598,298
<b>Creditors: amounts falling due within one year</b>	12	(164,607)	(247,654)
<b>Net current assets</b>		42,532,054	27,350,644
<b>Total assets less current liabilities</b>		60,940,304	46,055,522
<b>Creditors: amounts falling due after one year</b>	13	(26,353,490)	(7,310,958)
<b>Provisions for liabilities</b>	14	(3,762,196)	(3,851,509)
<b>Net assets</b>		30,824,618	34,893,055
<b>Capital and reserves</b>			
Called up share capital	15	100	100
Profit and loss account	15	30,824,518	34,892,955
<b>Shareholders' funds</b>		30,824,618	34,893,055

The financial statements of Dorrrington Housing Limited, Company Registration No. 01067638 were approved and authorised for issue by the Board of Directors on 19<sup>th</sup> May 2023.

Signed on behalf of the Board of Directors:

*Andrew Giblin*

A R Giblin  
Director

*M B Jenkins*

M B Jenkins  
Director

## Dorrington Housing Limited

### Statement of changes in equity For the year ended 31 December 2022

	Notes	Called up Share Capital £	Profit and loss account £	Total £
<b>At 1 January 2021</b>		100	18,131,288	18,131,388
Restatement to revaluation reserves	18	-	15,258,878	15,258,878
Restatement to deferred tax	18	-	(2,899,187)	(2,899,187)
<b>At 1 January 2021 (restated)</b>		100	30,490,979	30,491,079
Total comprehensive income for the year (restated)		-	11,401,976	11,401,976
<b>Total comprehensive income (restated)</b>		-	11,401,976	11,401,976
Dividend paid	8	-	(7,000,000)	(7,000,000)
<b>At 31 December 2021 (restated)</b>		100	34,892,955	34,893,055
Total comprehensive income for the year		-	931,563	931,563
<b>Total comprehensive income</b>		-	931,563	931,563
Dividend paid	8	-	(5,000,000)	(5,000,000)
<b>At 31 December 2022</b>		100	30,824,518	30,824,618

Included in profit and loss account is an unrealised profit of £11,281,128 (2021: profit £11,549,066 restated).

# **Dorrington Housing Limited**

## **Notes to the financial statements For the year ended 31 December 2022**

### **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 Dorrinton 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, 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 ongoing availability of finance by modelling the impact on loan covenants of reduced income and significant decreases in valuations of properties. Even considering reasonably likely downside scenarios there are no covenant breaches forecast. The reverse stress test reflects the fact that trading sales and rental income would need to decline significantly, which has not been the group's experience to date.

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 for at least 12 months from the point of signing the financial statements 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 2022**

### **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.

#### **Investment properties**

Investment properties are held for their long-term rental yield and capital appreciation and are measured at fair value annually with any upward or downward change in revaluation reserves recognised in the profit and loss account.

#### **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 2022**

### **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 2022

### 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 £42.4m (2021: £27.3m) as per note 10. In addition, the company's investment property are also inherently subjective, held at a fair value of £18.4m (2021: £18.7m) as per note 9.

The properties held as both stock and investment property 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. In respect of investment property, they are carried at fair value in line with the directors valuation. 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 will consider assumptions such as yields, discounts and expected rental values in doing so.

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 and that all investment properties are carried at fair value.

#### 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:

	2022 £	2021 £
Property trading	1,568,772	18,685,798
Rental income	<u>2,516,062</u>	<u>2,833,520</u>
	<u>4,084,834</u>	<u>21,519,318</u>

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

	2022 £	2021 £
Within one year	2,425,865	1,966,902
Within two to five years	5,008,798	3,785,126
After five years	<u>1,043,500</u>	<u>788,568</u>

The company has entered into non –cancellable contractual commitments in respect of properties of £nil (2021: £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 £422,684 (2021: £152,834).

# Dorrington Housing Limited

## Notes to the financial statements (continued) For the year ended 31 December 2022

### 4. Operating profit

	2022 £	2021 (restated note 18) £
Operating profit is after charging:		
Unrealised losses/(gains) on fair value movement of investment properties	357,251	(139,877)
Auditor's remuneration: fees paid to the company's auditor for the audit of the company's annual financial statements	<u>12,500</u>	<u>10,200</u>

There are no non audit fees included within the stated operating profit figure for the year (2021: £nil).

### 5. Information regarding directors and employees

None of the directors received any emoluments for their services to the company during the year (2021: £nil). There were no other employees (2021: none).

### 6. Finance costs (net)

	2022 £	2021 £
Interest payable and similar expenses	626,233	123,467
Less: investment income	<u>(111)</u>	<u>(3,930)</u>
	<u>626,122</u>	<u>119,537</u>

#### Investment income

	2022 £	2021 £
Other interest	<u>111</u>	<u>3,930</u>

#### Interest payable and similar expenses

	2022 £	2021 £
Loans from immediate parent undertakings	<u>626,233</u>	<u>123,467</u>

# Dorrington Housing Limited

## Notes to the financial statements (continued) For the year ended 31 December 2022

### 7. Tax on profit

		2022 £	2021 (restated note 18) £
<b>Current tax</b>			
United Kingdom corporation tax at 19% (2021: 19%)		281,364	2,864,613
Prior year adjustment		-	(301)
		<u>281,364</u>	<u>2,864,312</u>
<b>Deferred tax</b>			
Effect of movement in value of investment properties	18	(89,313)	950,502
<b>Total deferred tax (note 14)</b>		<u>(89,313)</u>	<u>950,502</u>
		<u>192,051</u>	<u>3,814,814</u>
<b>Total tax on profit</b>			

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 results for the reasons analysed below:

	2022 £	2021 £
Profit before tax	1,123,614	15,216,790
Profit multiplied by corporation tax rate at 19% (2021: 19%)	213,487	2,891,190
Effects of:		
Impact of allowances on the net revaluation of investment properties	(21,436)	923,624
<b>Total tax for the year</b>	<u>192,051</u>	<u>3,814,814</u>

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.

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 unprovided deferred tax (2021: £nil).

### 8. Dividends paid

	2022 £	2021 £
Dividend at £50,000 per ordinary share (2021: £70,000 per share)	<u>5,000,000</u>	<u>7,000,000</u>

# Dorrington Housing Limited

## Notes to the financial statements (continued) For the year ended 31 December 2022

### 9. Investment properties

	Note	Long leasehold properties £	Total £
<b>At valuation</b>			
At 1 January 2022		-	-
Restatement to stock	18	18,704,878	18,704,878
At 1 January 2022 (restated)		18,704,878	18,704,878
Additions		60,623	60,623
Net deficit on revaluation		(357,251)	(357,251)
At 31 December 2022		18,408,250	18,408,250

Freehold and long leasehold land and buildings were revalued to fair value by those directors of the company who are members of the Royal Institution of Chartered Surveyors, at £18,408,250 (2021: £18,704,878) as at 31 December 2022. The company's in-house team provided a vacant possession value, against which a discount is applied to establish the fair value.

The key assumptions are typically market related, such as yields and discount rates, and are based on their professional judgement and market observation. No contingent rents have been recognised as income in the current or prior year. The net proceeds on disposal of investment properties in the year were £nil (2021: £nil).

The net revaluation deficit of £357,251 (2021 surplus: £139,877 restated to note 18) has been recognised in the profit and loss account and is classified as unrealised and non-distributable. The carrying value under the historical cost convention of the land and buildings was £3,366,746 (2021: £3,306,123 restated to note 18).

Land and buildings with a carrying amount of £18,408,250 (2021: £18,704,878) have been pledged to secure borrowings of the Group.

### 10. Stocks

	2022 £	2021 (restated note 18) £
Trading properties	42,377,944	27,297,239

The directors' assessment of the fair value of the stock of trading and development properties at 31 December 2022 was £80,213,091 (2021: £63,847,690 restated).

### 11. Debtors

	2022 £	2021 £
<b>Amounts falling due within one year:</b>		
Trade debtors	208,681	173,386
Other debtors	51,806	52,937
Prepayments	58,230	74,736
	318,717	301,059

# Dorrington Housing Limited

## Notes to the financial statements (continued) For the year ended 31 December 2022

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

	2022 £	2021 £
Other creditors	31,984	58,529
Accruals	36,218	103,722
Deferred income	96,405	85,403
	<u>164,607</u>	<u>247,654</u>

### 13. Creditors: amounts falling due after one year

	2022 £	2021 £
Amount owed to immediate parent undertaking	<u>26,353,490</u>	<u>7,310,958</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 3.46% (2021: 2.11%).

### 14. Provisions for liabilities

Group	Note	2022 £	2021 (restated note 18) £
<b>Deferred taxation</b>			
Balance at 1 January	18	3,851,509	2,901,007
(Credited)/charged to profit and loss account		(89,313)	950,502
Balance at 31 December		<u>3,762,196</u>	<u>3,851,509</u>
Provision for the company's potential deferred tax liability comprises:			
Deferred tax arising on the revaluation of investment properties		3,760,376	3,849,689
Other timing differences		1,820	1,820
Balance at 31 December		<u>3,762,196</u>	<u>3,851,509</u>

A deferred tax rate of 25% has been applied for the financial year further to the enactment of the Finance Act 2021 on 24 May 2021.

### 15. Called up share capital

	2022 £	2021 £
<b>Authorised, allotted, called up and fully paid:</b>		
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.

## **Dorrington Housing Limited**

### **Notes to the financial statements (continued) For the year ended 31 December 2022**

#### **16. 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, Dorrrington Estates Limited, and its intermediate parent undertakings, Dorrrington 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 Dorrrington Estates Limited is the smallest group for which consolidated financial statements are prepared.

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

#### **17. 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.

#### **18. Prior period restatement**

The company holds a number of residential properties used in the normal course of business. Depending on the long-term intentions of the directors, considerations are made in respect of the nature of the property, and whether they should be held as trading properties or investment properties. A reassessment of the classification of the properties has been performed during the year, resulting in the determination that there is historical information to support the transfer of classification of a number of properties between inventory and investment property as a result either the incorrect initial classification on acquisition or due to a previous change in use in respect of the individual property. As a result of the considerations, the company had properties moving from trading properties to investment properties.

In the accounts, the profit and loss account balance at 1 January 2021 has been restated in the Statement of Changes in Equity by an increase of £12,359,691. This adjustment is the net result of recognising the previous fair value movements for those properties previously held as inventory at the earliest date presented in the financial statements.

The adjustment restates the position between inventory and investment property, including or excluding as appropriate the movement in fair value of the assets between the date of change of use and the balance date. As a result, the inventory balance as at 1<sup>st</sup> January 2021, should have been £32,054,202 compared to the balance previously recognised of £35,343,321, and investment property as at the same date should have been £18,547,997, compared to the balance previously recognised of £nil. The deferred tax balance associated to the investment property should have been £2,899,187 due to the overall fair value gain on amounts are recognised on investment property, compared to the balance previously recognised of £nil. As a result of these adjustments a decrease of £13,359,691 to the statement of changes in equity equating to the amounts that have been recognised. The adjustments to the opening position as at 1 January 2021 have a consequential impact on the closing position at 31 December 2021 and that presented in the comparatives of the financial statements. As a result of the reclassification, both closing balances and transactions through the prior period have been adjusted, in line with the table presented below.

At 31 December 2021, the investment property required was £18,704,878 with an associated decrease in the inventory balance of £3,306,123. The deferred tax balance associated to the investment property should have been £3,851,509 given the deferred tax arising on the property fair value overall gain.

## Dorrington Housing Limited

### Notes to the financial statements (continued) For the year ended 31 December 2022

#### 18. Prior period restatement (continued)

As a result of the changes above, the amounts recognised through the profit and loss account to 31 December 2021 were adjusted. The amounts relating to fair value gain on investment property of £139,877 should now be recognised, given the properties are now held at fair value under investment property. The associated deferred tax movement in the year of £950,502 was recognised as a result of the creation of associated deferred tax.

Due to the transactions that occurred during the year to 31 December 2021, the sales of properties are also considered. As such, with the properties moved to investment property, the company should recognise fair value gain on the disposal of investment property of £nil.

The movement to recognise through profit and loss account during the year to 31 December 2021 was (£810,625) and thus net assets attributable to company and reserves were adjusted by £11,549,066 to reflect the compounding amount across the year.

	2021 £	Prior year adjustment £	2021 restated £
Investment properties	-	18,704,878	18,704,878
Stocks	30,603,362	(3,306,123)	27,297,239
Deferred tax	(1,820)	(3,849,689)	(3,851,509)
Retained earnings (1 Jan 21)	(18,131,288)	(12,359,691)	(30,490,979)
Unrealised gains on revaluation of investment properties	-	139,877	139,877
Revenue	21,519,318	-	21,519,318
Cost of sales	(5,380,775)	-	(5,380,775)
Profit on disposal of investment property	-	-	-
Deferred tax (profit and loss)	-	(950,502)	(950,502)
Retained earnings (31 December 2021)	(23,343,889)	(11,549,066)	(34,892,955)