Your Lifespace Limited

Annual Report and Financial Statements
For the year ended 31 March 2020

Companies House No. 02998648

CONTENTS

BOARD AND ADVISERS

Board

Richard Cook	(Chair)
Mark Hattersley	
Robert Lane	(appointed 1 May 2019)
Michelle Reynolds	(resigned 1 May 2019)

Company Secretary

Louise Hyde

Registered Office

Level 6
6 More London Place
Tooley Street
London
SE1 2DA

Principal Solicitors

Allen & Overy LLP
One Bishops Square
London
E1 6AD

Auditors

KPMG LLP
15 Canada Square
London
E14 5GL

Bankers

NatWest Bank PLC
143 High Street
Bromley
Kent
BR1 1JH

STRATEGIC REPORT

Your Lifespace Limited ("YLS"), registered company no. 02998648, presents its annual report and audited financial statements for the year ended 31 March 2020.

Principal Activities

The company undertakes property development activity on behalf of Clarion Housing Group Limited ("Clarion Housing Group"). The company is a subsidiary of Latimer Developments Limited ("Latimer"), which is also a member of Clarion Housing Group.

As well as directly developing homes for outright sale on the open market the company has the following investments in other entities which undertake property development:

- A 99.9% share in Leamington Waterfront LLP ("Leamington"), a limited liability partnership incorporated in England and Wales, with Clarion Housing Group as the minority partner.
- A 50% share in two jointly controlled entities ("JCEs"): Circle Hill LLP ("Circle Hill", with Hill Residential Ltd) and Bonner Road LLP ("Bonner Road", with Crest Nicholson Operations Limited).

These activities generate profits which are reinvested in the provision of affordable housing, enabling the Clarion Housing Group to grow organically through the development of mixed tenure schemes.

Principal Risks and Uncertainties

- A significant fall in residential property values, particularly in London;
- Significant abortive costs incurred on a cancelled development; and
- Health & Safety non-compliance by a contractor leading to a major incident.

Section 172 statement

YLS is a subsidiary in the Clarion Housing Group. The company does not directly employ any staff but instead makes use of the employees of the Clarion Housing Group. Being part of the Clarion Housing Group – a registered provider of social housing regulated by the Regulator of Social Housing – the Group and its subsidiaries promote a culture of financial and social responsibility (see also the Strategic Report of Clarion Housing Group for more details of the purpose of the Group and its subsidiaries).

As an integrated part of the Clarion Housing Group, the Board believes governance of YLS is best achieved by delegation of its authority for the executive management of YLS to the relevant Executive Directors of the Group, subject to defined limits and monitoring by the board. YLS takes part in and benefit from the Group's corporate governance and systems of internal controls (see also page 7).

Long-term sustainability of the Group is one of the cornerstones in the regulation of the Group and is embedded in the Group's Long Range Plan that include the activity of YLS. The plan is revised annually. Distribution policy is based on Gift Aid in line with the Group's charitable purpose.

<u>How YLS, via the Clarion Housing Group operation, engages with some of the key stakeholders:</u>

Clarion Housing Group	Employees	Investors	Partners and suppliers
• Regular updates to Group Board • Development projects presented to Group Investment committee	• Employee forum • Employee satisfaction surveys • Union representatives	• Investor road shows • Quarterly investor updates • Half Year and Year-end results	• JV-Partnerships • Open tendering • JCT payment terms

STRATEGIC REPORT (CONTINUED)

Brexit

The Group has been managing potential risks arising from Brexit including supply chain concerns, exposure to market sales and managing risks around its funding requirements. The Group has relatively low commercial exposure and has some protection from down-turns because of the counter-cyclical nature of rented stock. During the year the Group also raised £500 million of new capital market funding, and secured an additional £200 million of revolving bank facilities, in order to maintain high levels of liquidity in excess of its medium-term cash flow implied requirements.

The Audit and Risk Committee has reviewed the Business's preparation for Brexit, including its regular stress-tests of the business plan. Those stress tests showed that the Group's strong financial position means it is well placed to withstand the shocks of any Brexit scenario.

Covid-19

In March 2020, major restrictions in activity were implemented by the British government in response to the Covid-19 crisis. The Group actively manages risks associated with downturns in income and many of the mitigations in place for Brexit are also being utilised for Covid-19. Operationally, the Group has been able to continue functioning due to modern working practices and, after an initial period of service disruption, is now focussed on returning to normal service levels and recovering backlogs.

The Group Executive and Group Board has reviewed updated business plans for the organisation after adjustment for the expected impacts of Covid-19 in terms of development activity and predicted cash flows. The financial position of the Group continues to be strong and the availability of high liquidity allows the Group to be confident of absorbing the shocks associated with lower economic activity.

Review of the Year

During the year the company sold 19 homes on the open market, all at Banbury Park, a mixed tenure development in Walthamstow, generating £7.5 million in sales revenue at a gross margin of 41% (2019: 55 properties, £23.7 million, 38%). Additionally, sales to other members of the Clarion Housing Group, or the company's JCEAs, totalled £1.2 million (2019: £nil). This sales and construction activity contributed to an operating profit of £3.3 million (2019: £9.1 million).

At the reporting date, the company has £28.8 million (2019: £25.6 million) of properties under construction, of which £28.7 million (2019: £24.5 million) relates to the development at the site of the former Somerfield depot in Rainham, East London. The company no longer holds any completed stock, following the sale of the last homes at Banbury Park (2019: £4.5 million).

Leamington recognised revenue of £1.0 million in the year (2019: £26.0 million) contributing to an operating loss of £1.4 million (2019: £2.8 million). YLS continues to lend £10.1 million to this LLP, and during the year Leamington's ability to repay this funding was reviewed and the loan was impaired by a further £5.8 million (2019: £nil).

In the previous year, the company received its final £1.2 million of dividends from Landericus Limited, and this subsidiary was liquidated in September 2019.

During the year, Circle Hill sold its final homes, generating sales of £3.3 million (2019: £12.9 million), and distributed £1.7 million of profits to the company (2019: £1.7 million). Meanwhile, Bonner Road continues to seek planning permission to redevelop the site of the London Chest Hospital, in Bethnal Green.

The company is liable for any tax due on its share of LLP profits, in addition to its own development profits. Due to losses shared by other Group members, and other tax adjustments, no Gift Aid has been recognised in either the current or prior year.

STRATEGIC REPORT (CONTINUED)

Latimer continues to provide a loan facility of £81.0 million, of which £37.2 million was drawn at the reporting date (2019: £44.2 million).

Richard Cook
Chair
8 July 2020

REPORT OF THE BOARD

The Group's System of Internal Controls Responsibility

The Board of Clarion Housing Group Limited is the ultimate governing body for the Group and is committed to the highest standards of business ethics and conduct, and seeks to maintain these standards across all of its operations.

The Board is responsible for ensuring that sound systems of internal control exist across the Group which focus on the significant risks that threaten the Group's ability to meet its objectives, and provide reasonable - but not absolute - assurance against material misstatement or loss.

The key means of identifying, evaluating and managing the systems of internal control are:

- Corporate governance arrangements;
- Written Group-wide financial regulations and delegated authorities, which were subject to review during the year;
- Policies and procedures for all key areas of the business. These are reviewed periodically to ensure their continued appropriateness;
- A Group-wide Internal Audit function, structured to deliver the Audit and Risk Committee's risk-based audit plan. As well as having an in-house team, the Group uses the services of professional firms of auditors and other specialists as necessary. All audit reports are reviewed by the Audit and Risk Committee, which also receives updates on the implementation of agreed external and internal audit recommendations. Detailed reports on the Group's and subsidiaries' activities are also presented to senior managers so that recommendations for strengthened controls and improvement can be implemented promptly;
- A Group-wide Health and Safety function;
- Management structures providing balance and focus within the Group;
- A Group-wide risk management process, which enables management to manage risk so that residual risk, after appropriate mitigation, can be absorbed without serious permanent damage to the Group or its subsidiaries. This includes a formal risk management approach to new business and major development initiatives and action plans to mitigate the worst effects of the risks. Risk management is considered at each Audit and Risk Committee meeting, through reviews of individual risk areas and/or risk maps, as well as considered regularly by the Board;
- The Group and its subsidiaries have annual budgets and long-term business plans. Throughout the year, Boards and managers regularly monitored performance against budgets, value for money and other quality indicators. An important tool in this process is the Group's Balanced Scorecard which identifies performance against key performance indicators, underpinned by supporting performance indicators and management information;
- Regulatory requirements and service objectives with managers ensuring that variances are investigated and acted upon;
- An anti-fraud and anti-bribery culture which is supported by a policy and procedure for dealing with suspected fraud, bribery and whistleblowing. The Group has participated in the 2018/19 National Fraud Initiative, sponsored by the Cabinet Office;
- All housing investment decisions and major commitments were subject to appraisal and approval by the Investment Committee and, when appropriate, the Group Executive Team and the relevant Board, in accordance with the Group's financial regulations; and
- A Group-wide treasury management function reporting at least three times a year to the Treasury Committee.

REPORT OF THE BOARD (CONTINUED)

We have kept our internal control framework under review as the current Covid-19 situation develops and adapted and strengthened controls as required.

The Group Chief Executive and executive directors of subsidiaries have reviewed the internal control and assurance arrangements by reference to checks on the above and a report has been made to the respective Boards on the effectiveness of the control systems for the year ended 31 March 2020 and up to the date of approval of the Annual Report and the Financial Statements. The Audit and Risk Committee and the Group Board have expressed their satisfaction with these arrangements.

Status

No weaknesses were found in internal controls which resulted in material losses, contingencies or uncertainties that require disclosure in the financial statements, for the year ended 31 March 2020 and up to the date of approval of the financial statements.

Going Concern

After reviewing the company's strategic business planning and control procedures, the Board has a reasonable expectation that it has adequate resources to continue operating for at least twelve months from the date of approval of the financial statements.

Directors

The Directors holding office during the year and at the date of this report are listed on page 3.

Directors' and Officers' Liability

Directors' and officers' liability insurance has been purchased by the Group during the year, and covers the company.

Charitable and Political Contributions

Apart from any Gift Aid payments to Clarion Housing Association Limited - which are treated as dividends under company law - the company made no charitable contributions during the year (2019: £nil) and no political contributions (2019: £nil).

Disclosure of Information to Auditor

The Board members who held office at the date of approval of this Report of the Board confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each Board member has taken all the steps that they ought to have taken as a Board member to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

REPORT OF THE BOARD (CONTINUED)

Auditor

KPMG LLP have expressed their willingness to continue in office as the Group's auditor. Accordingly, a resolution to reappoint them as auditor will be proposed at the forthcoming Board Meeting.

Richard Cook
Chair
8 July 2020

STATEMENT OF BOARD'S RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE REPORT OF THE BOARD AND THE FINANCIAL STATEMENTS

The Board is responsible for preparing the Strategic Report, the Report of the Board and the financial statements in accordance with applicable law and regulations.

Company law requires the Board to prepare financial statements for each financial year. Under that law the Board has elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the Board must not approve the financial statements unless it is 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 Board is required to:

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

The Board is 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 the Board to ensure that the financial statements comply with the Companies Act 2006. The Board is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YOUR LIFESPACE LIMITED

Opinion

We have audited the financial statements of Your Lifespace Limited ("the company") for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board's conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YOUR LIFESPACE LIMITED (CONTINUED)

Strategic report and the report of the Board

The Board is responsible for the strategic report and the report of the Board. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the report of the Board and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the report of the Board;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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 these respects.

Board's responsibilities

As explained more fully in its statement set out on page 10, the Board is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YOUR LIFESPACE LIMITED (CONTINUED)

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Fleur Nieboer

Fleur Nieboer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL

15 July 2020

Your Lifespace Limited

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Notes	**2020** **£'000**	2019 £'000
Turnover	1	**8,934**	23,704
Cost of sales	1	**(5,580)**	(14,558)
Gross profit		**3,354**	9,146
Administrative expenses		**(12)**	(32)
Operating profit		**3,342**	9,114
Impairment of amounts due from Group undertakings	13	**(5,842)**	-
Distributions from subsidiaries	11	**-**	1,210
Distributions from JCEAs	10	**1,670**	1,658
Loss on revaluation of investment properties	9	**(960)**	(225)
Interest receivable	5	**1,740**	2,379
Interest payable and financing costs	6	**(2,466)**	(3,444)
(Loss)/profit on ordinary activities before taxation	7	**(2,516)**	10,692
Tax charge on profit/loss on ordinary activities	8	**(1,140)**	(101)
(Loss)/profit for the year		**(3,656)**	10,591

All operations are continuing.

Your Lifespace Limited

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Notes	**2020** **£'000**	2019 £'000
Fixed assets			
Investment properties	9	**2,750**	3,710
Investments in JCEAs	10	**34,372**	33,140
Other fixed asset investments	11	**-**	-
		37,122	36,850
Current assets			
Stock	12	**28,835**	30,096
Debtors: amounts falling due within one year	13	**1,919**	3,881
Debtors: amounts falling due after more than one year	13	**92**	6,810
Cash and cash equivalents		**1**	-
		30,847	40,787
Current liabilities			
Creditors: amounts falling due within one year	14	**(1,621)**	(552)
Net current assets		**29,226**	40,235
Creditors: amounts falling due after more than one year	15	**(37,246)**	(44,246)
Provisions for liabilities and charges	8	**-**	(81)
Net assets		**29,102**	32,758
Capital and reserves			
Share capital	17	**-**	-
Profit and loss account		**29,102**	32,758
Equity shareholder's funds		**29,102**	32,758

The financial statements were approved by the Board and were signed on their behalf by:

R. J. Cook

Richard Cook
Chair
8 July 2020

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Share capital £'000	Profit and loss account £'000	Total equity £'000
At 1 April 2018	-	22,167	22,167
Profit for the year	-	10,591	10,591
At 31 March 2019	-	32,758	32,758
Loss for the year	-	(3,656)	(3,656)
At 31 March 2020	**-**	**29,102**	**29,102**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. Accounting policies

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including FRS 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (March 2018) ("FRS 102") and the Companies Act 2006.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to Your Lifespace Limited's ("the company") financial statements.

Basis of preparation

The financial statements are prepared on an accruals basis and under the historical cost convention with the exception of investment properties which are held at their fair value.

Going concern

On the basis of its assessment of the company's financial position and resources, the Board believes that the company is well placed to manage its business risks. Therefore the company's Board has a reasonable expectation that the company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. Thus it continues to adopt the going concern basis in preparing the annual financial statements.

The worldwide pandemic due to Covid-19 has presented challenges for the company. The Board has considered the impact of the pandemic on the company and actions have been put in place to manage these risks and the Board consider these risks to be sufficiently mitigated.

The company is part of the group's cash-pooling arrangement and so has the ability to raise cash for shortfalls related to Covid-19 or other temporary trading gaps, thus enabling it to access adequate resources.

The company has provided confirmations of support to its subsidiary, Leamington Waterfront LLP, and to its JCEA, Bonner Road LLP. These confirmations of support are for at least twelve months after their financial statements for the year ended 31 March 2020 are signed.

Basis of consolidation

The company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare group financial statements as its results are included within the consolidated financial statements of its ultimate parent undertaking.

Jointly controlled entities and associates ("JCEAs") are separate legal entities. For JCEs, the company shares control with other parties and strategic financial and operating decisions require unanimous consent. For associates, the company has the right to participate in these decisions, but its consent is ultimately not required.

Disclosure exemptions

The company has taken advantage of the exemptions in FRS 102 in respect of the following disclosures:

a. the requirement to present a statement of cash flows and related notes; and

b. financial instrument disclosures, including: categories of financial instruments; items of income, expense, gains or losses in respect of financial instruments; and, exposure to, and management of, financial risks.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

1. Accounting policies (continued)

Value Added Tax

The company is registered for VAT, under its own registration, and recovers most of the VAT it incurs. Therefore all expenditure is shown exclusive of recoverable VAT.

Turnover

Sales of properties are recognised on legal completion.

Cost of sales

Cost of sales comprises the cost of stock sold, as well as most marketing costs incurred in the year.

Impairment

Stock is stated at the lower of cost and estimated sales proceeds less selling costs and remaining construction costs.

Loss allowances for trade and loan debtors (including loans made to JCEAs) are always measured at an amount equal to lifetime expected credit losses ("ECL").

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

For other assets an impairment review is undertaken when there is an indication that an asset may be impaired. Impairment is recognised when it is assessed that the carrying amount of that asset (or the cash generating unit, including goodwill, it belongs to) is higher than the recoverable amount, which is the higher of fair value less costs to sell and value in use. Where this is the case the higher of these two values is taken to be the new book value, and the difference is the impairment loss.

After an impairment loss has been recognised, the recoverable amount of an asset or cash-generating unit may increase because of changes in: economic conditions; the circumstances that previously caused the impairment; or, the expected use of the asset(s). As a result, the carrying amount is adjusted to the lower of the new recoverable amount and the carrying amount that would have been determined had the original impairment not occurred, with the exception that the impairment of goodwill is not reversed.

Impairment relating to stock is included in cost of sales; impairment relating to JCEAs is shown as a separate line item after operating result; and impairment relating to other assets is included in operating costs.

1. Accounting policies (continued)

Interest receivable, interest payable and financing costs

Interest receivable is only recognised to the extent that it is probable that it will be recoverable when due.

Interest payable is recognised over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount.

Transaction costs relating to the refinancing of existing debt are expensed as incurred unless there is a substantial modification of the terms.

When stock is under active construction, interest payable is capitalised using the weighted average interest rate of the company's borrowings.

Corporation tax and Gift Aid

The company is liable to corporation tax, and the charge is based on the profit for the year taking into account differences between certain items for taxation and accounting purposes.

A Gift Aid donation to a charitable member of the Group, in relation to the year's profits, is recognised as a liability at the reporting date as a result of a shareholder-approved Companies Act 2006 s288 written resolution. Payment will be made within nine months of the reporting date and the amount may differ as the corporation tax computation for the year is finalised.

Deferred tax is provided for in full on differences between the treatment of certain items for taxation and accounting purposes, unless the company is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future. Deferred tax is calculated using the tax rates and laws which have been enacted (given Royal Assent) or substantively enacted (passed by the House of Commons, or under the Provisional Collection of Taxes Act 1968) by the reporting date and are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax charge(/credit) is presented either in the Income Statement, Other Comprehensive Income or equity depending on the transaction that resulted in the tax charge(/credit).

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax assets and liabilities are offset only where allowed by FRS 102, and likewise they are not discounted.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

1. Accounting policies (continued)

Investment properties and stock

The company generates revenue from properties in a number of ways, and the accounting treatment of the costs incurred varies accordingly:

a. Non-residential properties such as retail units or offices, which are sometimes built as part of a residential development, are treated as investment properties if they are held for rental, or as stock if they are developed for sale on a long lease (i.e. a premium is paid on completion, followed by a nominal rent).

b. The company also develops housing properties for open market sale and these are shown as stock.

In all cases, properties are initially stated at their directly attributable cost: this includes the cost of land, construction works and professional fees, as well as capitalised staff costs for those employees attributable to the development activity and interest. No staff or interest costs are capitalised on land banks.

Investment properties are adjusted to fair value at each reporting date. Further expenditure relating to these properties, even if capital in nature, is expensed.

Investment in JCEAs

Investments in JCEAs comprise equity and loans, initially stated at cost and amortised cost respectively. These are presented together as the loans are considered to be long-term interests.

1. Accounting policies (continued)

Financial instruments

The company applies the recognition and measurement provisions of IFRS 9 Financial Instruments, as allowed by FRS 102.

All investments, short-term deposits and loans held by the company are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price.

On initial recognition, a financial asset is classified as measured at either amortised cost, fair value through other comprehensive income ("FVOCI") debt investment, FVOCI equity investment or fair value through profit and loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

i. it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

ii. its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

i. it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

ii. its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Where loans and other financial instruments are redeemed during the year, a redemption penalty is recognised in the Income Statement of the year in which the redemption takes place, where applicable.

Other debtors and creditors are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction and does not qualify for treatment as a concessionary loan, in which case the present value of the future receipts discounted at a market rate of interest is used.

Cash and cash equivalents include cash balances and call deposits, as well as short-term investments with an original maturity of three months or shorter. It also includes those overdrafts which are repayable on demand and form an integral part of the company's cash management strategy.

1. Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the contracted rate of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the reporting date and the gains or losses on translation are included in the Income Statement.

2. Significant judgements and accounting estimates

Significant judgements

With the exception of those relating to accounting estimates and uncertainty, no significant judgements have been made in applying the company's accounting policies.

Accounting estimates

The nature of estimation means that actual outcomes could differ from the estimates made. The following accounting estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities - and therefore the income and expenses recognised - within the next financial year:

1 The recoverable amount of investments in JCEAs and subsidiaries.

No indicators of impairment have been identified in relation to the company's investment in JCEAs, and they continue to be stated at their initial value.

The company continues to fully impair its equity investment in, and partially impair its loan to, Leamington Waterfront LLP - see notes 11 and 13 respectively. Both impairments have been reviewed as at 31 March 2020 following receipt of the LLP's updated business plan.

2 The recoverable amount of stock.

Construction costs, including costs to complete for properties in the course of construction, have been compared to property valuations.

3. Directors' remuneration

Richard Cook, Mark Hattersley, Rob Lane and Michelle Reynolds are, or were, employees of Clarion Housing Association Limited and are, or were, representatives of that entity. Their remuneration is disclosed there as appropriate.

The directors are considered the key management personnel for the purposes of FRS 102.

4. Employees

The company does not directly employ any staff but instead makes use of the employees of Clarion Housing Association Limited, who then includes a proportion of the cost of these employees in the management recharge to the company. The management recharge this year included staff costs of £45,000 (2019: £112,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

5. Interest receivable

	2020 £'000	2019 £'000
Interest receivable from Group undertakings	**457**	1,199
Interest receivable from JCEAs	**1,283**	1,180
	1,740	2,379

6. Interest payable and financing costs

	2020 £'000	2019 £'000
Interest payable to Group undertakings	**2,466**	3,437
Other charges	**-**	7
	2,466	3,444

7. Profit/loss on ordinary activities before taxation

	2020 £'000	2019 £'000
Profit/loss on ordinary activities before taxation is stated after charging:		
Impairment of amounts due from Group undertakings (see note 13)	**5,842**	-

	2020 £'000	2019 £'000
<u>Auditor's remuneration (exclusive of VAT)</u>		
- for statutory audit services	**10**	5
- for other services	**-**	-
	10	5

Amounts receivable by the company's auditors and their associates in respect of non-audit services, where procured on a Group-wide basis, are not included above. Instead the information is disclosed on a consolidated basis in the Group financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

8. Taxation

Analysis of charge in period	2020 £'000	2019 £'000
Current tax:		
Current tax on income for the period	1,400	-
Adjustment in respect of prior periods	(87)	20
	1,313	20
Deferred tax:		
Origination and reversal of timing differences	(183)	81
Change in tax rate	10	-
	(173)	81
	1,140	101
Recognised in profit and loss	1,140	101

The company's tax charge for the period is greater than 19% (2019: less than 19%), the rate of corporation tax in the UK. The differences are explained below:

Reconciliation of tax recognised in profit and loss	2020 £'000	2019 £'000
(Loss)/profit on ordinary activities before taxation	(2,516)	10,692
Tax at 19% (2019: 19%)	(478)	2,031
Effects of:		
Expenses not deductible for tax purposes	1,110	45
EU State Aid	1,400	-
Adjustment in respect of prior periods	(87)	20
Utilisation of tax losses	(39)	(44)
Investment properties timing difference	-	81
Distributions from LLPs not taxable	(317)	(545)
Tax due on share of LLPs' profits	34	178
Share of LLP net interest payable	(330)	(368)
Group relief received	(163)	(1,297)
Remeasurement of deferred tax due to change in UK tax rate	10	-
	1,140	101

The impairment of the loan to Leamington Waterfront LLP during the current year is not deductible for tax purposes.

The company has provided £1,400,000 for corporation tax following the EU Commission's final decision that certain aspects of the UK's Controlled Foreign Company rules give rise to unlawful State Aid. A review to determine the extent to which the company is affected by the decision is still ongoing

The company is a member of three LLPs and is liable for corporation tax on its share of the profits recognised by the LLPs in the year (not based on distributions paid).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

8. Taxation (continued)

Maintaining the rate of UK corporation tax at 19% from 1 April 2020 was substantively enacted by the reporting date.

Deferred tax asset/(liability)	2020 £m	2019 £m
Unrealised gains/losses on revaluation of investment properties	**92**	(81)

Deferred tax has been recognised for the difference between the fair value and the historic cost of the company's investment properties as the disposal of these properties will give rise to a tax charge based on the historic cost. The amount of deferred tax which will reverse in the following year depends on the future movement in the valuation and the properties disposed, neither for which a reliable estimate can be made.

9. Investment properties

	Non-residential properties £'000
At 1 April 2019	**3,710**
Revaluation	**(960)**
At 31 March 2020	**2,750**

	2020 £'000
Historical cost net book value	**3,233**

Investment properties were valued as at 31 March 2020 by Savills, Chartered Surveyors. This valuation was prepared in accordance with the RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2020 together, where applicable, with the UK National Supplement effective 14 January 2019, together (the "Red Book"), and in particular in accordance with the requirements of VPS 3 entitled Valuation reports.

In accordance with these standards, the valuer has declared a 'material valuation uncertainty' in their valuation report due to the uncertainties in markets caused by Covid-19. The values in their report have been used to inform the measurement of property assets at valuation in these financial statements. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

10. JCEAs

Cost	Investment in JCEAs £'000
At 1 April 2019	33,140
Net lending	1,229
Increase in accrued interest	3
At 31 March 2020	**34,372**

Included in the above are loans from the company totalling £34,369,000 (2019: £33,140,000).

Jointly controlled entity or associate	Country of incorporation	Principal Activity	Class and % of shares held
Bonner Road LLP	United Kingdom	Development	Ordinary, 50%
Circle Hill LLP	United Kingdom	Development	Ordinary, 50%

Jointly controlled entity or associate	Net assets/ (liabilities) at 31 March 2020 £'000	Profit/(loss) for the year ended 31 March 2020 £'000
Bonner Road LLP	**(10,256)**	**(2,660)**
Circle Hill LLP	**-**	**358**

During the year, the company made £744,000 of sales to its JCEAs (2019: £nil), and at the reporting date this amount is included in debtors.

11. Other fixed asset investments

	2020 £'000	2019 £'000
Leamington Waterfront LLP	**-**	-

The company's £5,642,000 (2019: £5,642,000) equity investment in this LLP is fully impaired because of uncertainty over the LLP's ability to continue to meet its obligations as they fall due. The company has also funded the LLP through a loan (see note 13).

12. Stock

	2020 £'000	2019 £'000
Properties in the course of construction	**28,835**	25,600
Completed properties	**-**	4,496
	28,835	30,096

13. Debtors

	2020	2019
Amounts falling due within one year	**£'000**	£'000
Amounts due from Group undertakings: loans	**973**	1,408
Prepayments and accrued income	**893**	814
Amounts due from Group undertakings: trading	**-**	1,269
Other debtors	**53**	390
	1,919	3,881

Amounts falling due after more than one year		
Deferred tax assets (see note 8)	**92**	-
Amounts due from Group undertakings: loans	**-**	6,810
	92	6,810

Amounts due from Group undertakings: loans' relate to amounts lent to Leamington Waterfront LLP, repayable in March 2021. During the year, the LLP's ability to repay this funding was reviewed and the loan was impaired by a further £5,842,000 (2019: £nil).

14. Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Amounts due to Group undertakings: cash pooling	**199**	-
Trade creditors	**-**	186
Other accruals and deferred income	**360**	118
Corporation tax	**913**	-
Other taxation and social security	**128**	82
Amounts due to Group undertakings: trading	**11**	149
Other creditors	**10**	17
	1,621	552

15. Creditors: amounts falling due after more than one year

	2020	2019
	£'000	£'000
Amounts due to Group undertakings: loans	**37,246**	44,246

	2020	2019
Loans are repayable, otherwise than by instalments as follows:	**£'000**	£'000
Between two and five years	**37,246**	44,246

The company has a £81 million facility with its parent, Latimer Developments Limited. Loans are repayable in September 2023. Interest is charged at LIBOR plus 5.5%.

Loans are secured by a floating charge over all of the company's assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

16. Capital commitments

	2020 £'000	2019 £'000
Authorised by the Board but not contracted for	**206,466**	131,860

These commitments to future capital expenditure relate to the construction of housing properties. No further contracts have been let during the year and the schemes authorised by the Board will be delivered by the parent company, Latimer Developments Limited.

17. Share capital

	2020 £	2019 £
Allotted, called up and fully paid:		
Ordinary shares of £1 each	**100**	100

18. Related party disclosures

The company has taken advantage of the exemption in FRS 102 to not disclose transactions with other wholly owned members of the Clarion Housing Group.

Debtor and creditor balances with other members of the Group are either debt subject to a market rate of interest or trading balances which are non-interest bearing and are due to be settled within one year of their recognition.

The Group has a cash pooling arrangement whereby cash held by subsidiaries is pooled into the ultimate parent's bank accounts. As a result the Group's subsidiaries generally hold very little cash and instead have an interest-bearing intercompany balance with the ultimate parent.

Apart from any disclosures made in relation to the company's JCEAs, no other related party transactions require disclosure.

19. Immediate and ultimate parent undertaking

The company is a subsidiary undertaking of Latimer Developments Limited and its ultimate parent undertaking is Clarion Housing Group Limited, a registered society under the Co-operative and Community Benefit Societies Act 2014 and which is regulated by the Regulator of Social Housing.

Clarion Housing Group Limited's registered office is Level 6, 6 More London Place, Tooley Street, London, SE1 2DA. Group accounts have been prepared by Clarion Housing Group Limited and are available from www.clarionhg.com.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

20. Subsidiary undertakings

Name	Legislative Provisions	Proportion of voting rights of ordinary share capital held	Nature of business
Leamington Waterfront LLP	Limited Liability Partnership	100%	Property development

The registered office of this subsidiary is Level 6, 6 More London Place, Tooley Street, London, SE1 2DA.