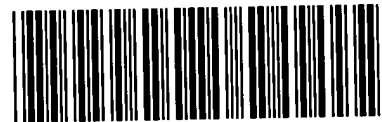


**Your Lifespace Limited**

**Annual Report and Financial Statements  
For the year ended 31 March 2022**

**Companies House No. 02998648**

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**BOARD AND ADVISERS**

**Board**

Richard Cook (Chair)  
Mark Hattersley  
Robert Lane

**Company Secretary**

Louise Hyde

**Registered Office**

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

**Auditors**

KPMG LLP  
15 Canada Square  
London  
E14 5GL

## **REPORT OF THE BOARD**

Your Lifespace Limited ("YLS"), registered company no. 02998648, presents its annual report and audited financial statements for the year ended 31 March 2022.

### **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 the 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; in May 2022, their 50% share was acquired by Latimer).

Profits generated from these activities are reinvested in the provision of affordable housing, enabling the Clarion Housing Group to grow organically through the development of mixed tenure schemes.

### **Review of the Year**

During the year the company's development projects continued to be entirely in the construction phase and no sales were made. Thus, turnover was limited to £0.1 million of rental income (2021: £0.1 million) and the company made a small operating profit of £0.1 million (2021: operating loss of £0.1 million).

Investment properties were revalued at the end of the year, their value unchanged at £1.2 million (2021: £0.3 million reduction in value).

At the reporting date, the company had £34.7 million (2021: £34.3 million) of properties under construction, all of which (2021: £ 33.2 million) related to development at the site of the former Somerfield depot in Rainham, East London.

Leamington recognised revenue of £0.1 million in the year (2021: £0.5 million). YLS is lending £9.7 million to this LLP (2021: £10.1 million), and during the year Leamington's ability to repay this funding was again reviewed and impairment on the loan was reversed by £0.2 million (2021: £0.7 million impairment charge) to a net recoverable amount of £nil (2021: £0.3 million).

Circle Hill was dormant during the year, having already sold its final homes. Bonner Road's planning permission to redevelop the site of the London Chest Hospital, Bethnal Green, was withdrawn in May 2021 following a judicial review. The company has since revisited the proposed development including the sales mix and saleable values. This revised plan has been used to complete an impairment review in order to ascertain the recoverability of YLS' loan to the JCEA. This review indicated an impairment of £6.6 million. Additionally, from 1 October 2021 the company has not recognised any of the £0.6 million of interest receivable on the loan to the JCEA.

The company is liable for any tax due on its share of LLP profits, in addition to its own development profits. Due to losses being made by both YLS and its LLPs, no Gift Aid donation has been recognised in either the current or prior year. These additional losses, as well as the increase in the UK tax rate to 25% being enacted, have increased the company's deferred tax asset to £2.3 million (2021: £1.2 million).

## **REPORT OF THE BOARD (CONTINUED)**

Additionally, in July 2021 HMRC informed the company that it had been declared as non-beneficiary for State Aid purposes, and the £1.4 million that the company had provided for settling this potential tax liability was released in the prior year as an adjusting event after the reporting date.

Latimer continues to provide a loan facility of £81.0 million, of which £45.1 million was drawn at the reporting date (2021: £43.0 million), resulting in interest payable of £2.5 million (2021: £2.3 million). None of the current year's interest has been capitalised against the company's development activity (2021: £1.7 million).

On 18 June 2022, Clarion Housing Group was subject to a cyber attack, which is still being investigated at the time of signing these subsidiary accounts. Whilst this impacts across the Group and its subsidiaries, there is no indication from the investigations being undertaken and commissioned by management that there has been any impact on these financial statements for the year ended 31 March 2022.

### **Board Statement on the Effectiveness of the System of Internal Control for the Period Ending 31 March 2022**

#### **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 has overall responsibility for establishing and maintaining a sound system of internal control and risk management across the Group. Our internal control systems are designed to focus on the significant risks to which the Group is exposed – those which threaten the Group's ability to meet its objectives. The Board recognises that the controls provide reasonable - but not absolute - assurance against material misstatement or loss.

The Board performs a review of the effectiveness of Clarion's risk management and internal control systems at least annually.

#### **Control framework elements**

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

- Corporate governance arrangements;
- Management structures providing balance and focus within the Group;
- Adoption of the principles of the NHF Code of Governance 2020, which the Group is currently working towards compliance with;
- A Group-wide risk management process, which enables threats to be managed 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, with periodic reviews of individual risk areas and/or risk registers, as well as considered regularly by the Board;
- A Group-wide Internal Audit function, structured to provide independent and objective assurance to the Audit and Risk Committee and the Board through the delivery of a risk based Internal Audit plan. In addition to the in-house team, the Group partners with EY and uses the services of other specialists as necessary. Regular reporting is delivered to the Audit and Risk Committee highlighting progress on the delivery of the plan and the outcomes of internal audit activities. Audit recommendations are tracked and followed up, so that recommendations for strengthened controls and improvement can be implemented promptly;

## **REPORT OF THE BOARD (CONTINUED)**

- Policies and procedures for all key areas of the business, which are reviewed periodically to ensure their continued appropriateness;
- A Group-wide Health and Safety function which provides technical guidance, support and strategy for ongoing assurance of Clarion's safety practices;
- 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;
- Written Group-wide financial standards framework and delegated authorities. The internal financial standards were subject to update during the year and are reported to the Group Executive and Board on a minimum quarterly basis, in line with the full year budget and forecast updates;
- A process to ensure all housing investment decisions and major commitments are 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;
- A Group-wide treasury management function reporting at least three times a year to the Treasury Committee;
- Annual budgets and long-term business plans for the Group and its subsidiaries prepared and regularly monitored by Boards and managers. 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. The measures are reviewed by the Group Executive Team on a monthly basis and are reported up through the governance structure, through to the Board, as appropriate; and
- Annual internal controls assessment of how well systems of governance, internal control and risk management practices are operating across Clarion.

### **Continuous improvement**

We continually keep our internal control framework under review. To further strengthen assurance and controls, second line risk activities are being enhanced to support Clarion in its ongoing maintenance and assessment of internal control, risk management and governance systems and processes.

### **Review and status**

The Board has considered a range of evidence, including the outcomes of externally led assessments.

The Audit and Risk Committee have reviewed the Chief Executive's annual review of the effectiveness of Clarion's risk management and internal control systems for the year ended 31 March 2022. A report has been made to the respective Boards on the effectiveness of the control systems in place and they would be made aware of any changes needed to ensure the ongoing effectiveness of controls and assurance arrangements. The Audit and Risk Committee and the Group Board have expressed their satisfaction with these arrangements.

No significant 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 2022 and up to the date of approval of the financial statements.

## **REPORT OF THE BOARD (CONTINUED)**

### **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 (2021: £nil) and no political contributions (2021: £nil).

### **Disclosure of Information to Auditor**

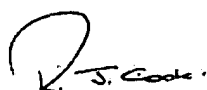
The Board members who held office at the date of approval of this Report of the Board confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each Board member has taken all the steps that they ought to have taken as a Board member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

### **Auditor**

The Group's statutory audit contract was put out to tender during 2022, with the new auditor appointed in time to audit the annual report and financial statements for the year ended 31 March 2023.

KPMG LLP, the Group's current auditors, have been successful in their tender. Accordingly, a resolution to reappoint them as auditor will be proposed at the forthcoming Board meeting.

This report has been prepared in accordance with the small companies regime.



Richard Cook  
Chair  
8 July 2022

## **STATEMENT OF BOARD'S RESPONSIBILITIES IN RESPECT OF THE REPORT OF THE BOARD AND THE FINANCIAL STATEMENTS**

The Board is responsible for preparing 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 Section 1A of 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 LISPSPACE LIMITED**

### **Opinion**

We have audited the financial statements of Your Litespace Limited ("the company") for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, 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 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards applicable to smaller entities, including Section 1A of 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 has prepared the financial statements on the going concern basis as it does not intend to liquidate the company or to cease its operations, and as it has concluded that the company's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the 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.

Our conclusions based on this work:

- we consider that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Board's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

### **Fraud and breaches of laws and regulations – ability to detect**

#### *Identifying and responding to risks of material misstatement due to fraud*

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

- Enquiring of the Board, the Audit and Risk Committee, internal audit as to whether they have knowledge of any actual, suspected or alleged fraud.

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

- Reading Board and Audit and Risk committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. On this audit we do not believe there is a fraud risk related to revenue recognition. Income for the entity was immaterial for the financial year.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual account combinations and other unusual journal characteristics.
- Assessing significant accounting estimates for bias.

*Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Board (as required by auditing standards).

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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

### **Report of the Board**

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

Our responsibility is to read 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 Report of the Board;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has 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; or
- the Board was not entitled to prepare the financial statements in accordance with the small companies regime, take advantage of the small companies exemption in preparing the Report of the Board, or take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

### **Board's responsibilities**

As explained more fully in its statement set out on page 8, 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](http://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

28 July 2022

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022**


	Notes	<b>2022</b> <b>£'000</b>	2021 £'000
Turnover		<b>87</b>	115
Cost of sales		<b>(14)</b>	-
<b>Gross profit</b>		<b>73</b>	115
Administrative credit/(expenses)		<b>54</b>	(236)
<b>Operating profit/(loss)</b>		<b>127</b>	(121)
Reversal of impairment/(impairment) of amounts due from Group undertakings	13	<b>178</b>	(745)
Impairment of amounts due from JCEAs	10	<b>(6,563)</b>	-
Loss on revaluation of investment properties	9	-	(300)
Interest receivable	5	<b>1,071</b>	1,651
Interest payable and financing costs	6	<b>(2,543)</b>	(616)
<b>Loss on ordinary activities before taxation</b>	7	<b>(7,730)</b>	(131)
Tax credit on loss on ordinary activities	8	<b>1,137</b>	2,495
<b>(Loss)/profit for the year</b>		<b>(6,593)</b>	2,364

All operations are continuing.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

	Notes	2022 £'000	2021 £'000
<b>Fixed assets</b>			
Investment properties	9	1,200	1,200
Investments in JCEAs	10	30,130	35,786
Other fixed asset investments	11	-	-
		<u>31,330</u>	<u>36,986</u>
<b>Current assets</b>			
Stock	12	34,685	34,303
Debtors: amounts falling due within one year	13	697	1,017
Debtors: amounts falling due after one year	13	5,205	4,289
		<u>40,587</u>	<u>39,609</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	14	(88)	(253)
		<u>40,499</u>	<u>39,356</u>
<b>Net current assets</b>			
			39,356
<b>Creditors: amounts falling due after one year</b>	15	(46,235)	(44,155)
		<u>25,594</u>	<u>32,187</u>
<b>Net assets</b>			
<b>Capital and reserves</b>			
Share capital	18	-	-
Profit and loss account		25,594	32,187
<b>Equity shareholder's funds</b>		<u>25,594</u>	<u>32,187</u>

The financial statements have been prepared in accordance with the small companies regime, and were approved by the Board and were signed on their behalf by:



Richard Cook  
Chair  
8 July 2022

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022**

	<b>Share capital £'000</b>	<b>Profit and loss account £'000</b>	<b>Total equity £'000</b>
At 1 April 2020	-	29,823	29,823
Profit for the year	-	2,364	2,364
At 31 March 2021	-	32,187	32,187
Loss for the year	-	(6,593)	(6,593)
<b>At 31 March 2022</b>	<b>-</b>	<b>25,594</b>	<b>25,594</b>

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022**

### **1. Accounting policies**

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Section 1A of FRS 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (January 2022) ("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**

The financial statements have been prepared on a going concern basis which the Board considers to be appropriate for the following reasons. The Board have prepared a medium-term financial plan, including forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides, including changes arising from the Covid-19 pandemic, the company will have sufficient funds, to meet its liabilities as they fall due for that period. The Board therefore continue 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 and other cost pressures 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 2022 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.



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)**

### **1. Accounting policies (continued)**

#### **Disclosure exemptions**

The company has taken advantage of the exemptions in Section 1A of 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.

#### **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.

#### **Leased assets**

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". A fixed asset is recognised while the future instalments due under the lease, net of interest payable, are included within creditors. Rentals payable are apportioned between the finance element, which is included in interest payable, and the capital element which reduces the outstanding creditor. This treatment likewise applies to sale and leaseback transactions where the company sells an asset but then enters into a lease under which it retains substantially all the risks and rewards of ownership of said asset.

Likewise, where the company enters into a lease which substantially transfers to a third party all the risks and rewards of ownership of an asset (or the company's interest in an asset, where the company itself leases the asset from another third party), this is accounted for as a finance lease debtor. Future instalments receivable under the lease, net of interest receivable, are included within debtors. Rentals receivable are apportioned between the finance element, which is included in interest receivable and the capital element which reduces the outstanding debtor.

All other leases are accounted for as operating leases. The total rental payable is recognised on a straight-line basis over the lease term, with the exception that for some leases which commenced prior to transition to FRS 102 the lease incentives are recognised over the period ending on the first review date.

#### **Turnover**

Sales of properties is recognised on legal completion.

Rent and service charge income is recognised on an accruals basis.

#### **Cost of sales**

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

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)**

### **1. Accounting policies (continued)**

#### **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.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)**

### **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 taxable profits, will probably be made within nine months of the reporting date. Gift Aid will be accounted for in the year of payment unless a shareholder-approved Companies Act 2006 s288 written resolution is made prior to the reporting date, in which case it will be recognised as a liability at the reporting date.

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 2022 (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. Freeholds where ground rent is payable by the leaseholder, and which the company is not required to account for as a finance lease debtor, are treated as investment properties.
- c. 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.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)**

### **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.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)**

### **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.**

As per note 10 an impairment review was carried out in relation to the company's investment in Bonner Road LLP.

The most significant assumptions are as follows:

- Sales prices: reducing the sales prices by 5% would reduce recoverability by £6,700,000;
- Discount rate: increasing the discount rate by 0.5% would reduce recoverability by £1,200,000; and
- Inflation: decreasing the expected inflation by 0.5% would reduce recoverability by £1,100,000.

The company continues to fully impair its equity investment in, and now also fully impairs its loan to, Leamington Waterfront LLP - see notes 11 and 13 respectively. Both impairments have been reviewed as at 31 March 2022 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 and Rob Lane are employees of Clarion Housing Association Limited and are 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 Latimer Developments Limited, who in turn recharges its subsidiaries. The management recharge this year included staff costs of £2,000 (2021: £105,000).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

## 5. Interest receivable

	2022 £'000	2021 £'000
Interest receivable from finance leases	102	101
Interest receivable from Group undertakings	414	431
Interest receivable from JCEAs	555	1,119
	<u>1,071</u>	<u>1,651</u>

## 6. Interest payable and financing costs

	2022 £'000	2021 £'000
Interest payable on finance leases	61	61
Interest payable to Group undertakings	2,482	2,277
	<u>2,543</u>	<u>2,338</u>
Interest payable capitalised	-	(1,722)
	<u>2,543</u>	<u>616</u>

During the year, no interest was eligible for capitalisation (2021: the company's weighted average interest rate for general borrowings was 5.56%).

## 7. Loss on ordinary activities before taxation

	2022 £'000	2021 £'000
<u>Auditor's remuneration (exclusive of VAT)</u>		
- for statutory audit services	11	11
- for other services	-	-
	<u>11</u>	<u>11</u>

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 2022 (CONTINUED)

## 8. Taxation

	2022 £'000	2021 £'000
<b>Analysis of credit in period</b>		
<u>Current tax:</u>		
Current tax on income for the period	-	-
Adjustment in respect of prior periods	-	(1,400)
	<u>-</u>	<u>(1,400)</u>
<u>Deferred tax:</u>		
Origination and reversal of timing differences	(579)	(1,095)
Change in tax rate	(558)	-
	<u>(1,137)</u>	<u>(1,095)</u>
	<u>(1,137)</u>	<u>(2,495)</u>
Recognised in profit and loss	<u>(1,137)</u>	<u>(2,495)</u>

The company's tax credit for the period is less than 19% (2021: greater than 19%), the rate of corporation tax in the UK. The differences are explained below:

	2022 £'000	2021 £'000
<b>Reconciliation of tax recognised in profit and loss</b>		
Loss on ordinary activities before taxation	<u>(7,730)</u>	<u>(131)</u>
<b>Tax at 19% (2021: 19%)</b>	<b>(1,469)</b>	<b>(25)</b>
<u>Effects of:</u>		
Expenses not deductible for tax purposes	590	141
Deferred tax asset now recognised on prior year losses	-	(915)
EU State Aid	-	(1,400)
Deferred tax on share of LLP's losses	(294)	(478)
Deferred tax on share of revaluation of LLP's investment properties	-	182
Group relief surrendered	594	-
Remeasurement of deferred tax due to change in UK tax rate	(558)	-
	<u>(1,137)</u>	<u>(2,495)</u>

The impairments of the loans to Bonner Road LLP and Leamington Waterfront LLP are partly not deductible for tax purposes.

In the prior year, the company released a £1,400,000 provision for corporation tax after it was informed by HMRC that it had been declared as non-beneficiary for State Aid purposes.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

## 8. Taxation (continued)

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).

Increasing the main rate of UK corporation tax to 25% from 1 April 2023 was substantively enacted in May 2021.

	2022 £'000	2021 £'000
<b>Deferred tax asset/(liability)</b>		
Unrealised losses/(profits) on revaluation of investment properties	(42)	(31)
Unused tax losses	2,368	1,220
<b>Net deferred tax asset</b>	<b>2,326</b>	<b>1,189</b>

Deferred tax has been recognised for the difference between the fair value and the historic cost of the investment properties owned by the company and the LLPs it is a member of, 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.

Deferred tax assets relating to unused losses are likewise calculated using 25% and shown as falling due after more than one year, as the timing of future profits is uncertain.

## 9. Investment properties

	Non-residential properties £'000
<b>At 1 April 2021 and at 31 March 2022</b>	<b>1,200</b>
	<b>2022 £'000</b>
Historical cost net book value	<b>1,994</b>

Investment properties were valued as at 31 March 2022 by Savills, Chartered Surveyors. This valuation was prepared in accordance with 'RICS Valuation – Global Standards' (effective from 31 January 2022), which incorporates the International Valuation Standards, alongside, where applicable, 'RICS Valuation - Global Standards 2017: UK National Supplement' (effective from 14 January 2019).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

## 10. JCEAs

Cost	Investment in JCEAs £'000
At 1 April 2021	35,786
Net lending	1,489
Impairment (see note 2)	(7,145)
<b>At 31 March 2022</b>	<b>30,130</b>

Included in the above are loans from the company totalling £37,275,000 (2021: £35,684,000), which are impaired by £7,145,000 (2021: £nil)

Following a judicial review, Bonner Road LLP's planning permission to redevelop the site of the London Chest Hospital, Bethnal Green, was withdrawn in May 2021. The company has since revisited the proposed development including the sales mix and saleable values. This revised plan has been used to complete an impairment review in order to ascertain the recoverability of YLS' loan to the JCEA. This review indicated an impairment of £6,563,000. The significant estimates underlying this review are disclosed in note 2. Additionally, from 1 October 2021 the company has not recognised any of the £582,000 of interest receivable on the loan to the JCEA.

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 liabilities at 31 March 2022 £'000	Loss for the year ended 31 March 2022 £'000
Bonner Road LLP	(14,865)	(2,324)
Circle Hill LLP	-	-

The above figures may be provisional and differ to those which are ultimately reported by the JCEAs in their own financial statements.

## 11. Other fixed asset investments

	2022 £'000	2021 £'000
Leamington Waterfront LLP	-	-

The company's £5,642,000 (2021: £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).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

## 12. Stock

	2022 £'000	2021 £'000
Properties in the course of construction	<u>34,685</u>	<u>34,303</u>

## 13. Debtors

	2022 £'000	2021 £'000
<b>Amounts falling due within one year</b>		
Amounts due from Group undertakings: loans and cash pooling	152	46
Prepayments and accrued income	17	19
Amounts due from Group undertakings: trading	-	378
VAT debtor	2	-
Other debtors	526	574
	<u>697</u>	<u>1,017</u>

## Amounts falling due after one year

Finance lease debtors	1,924	1,907
Amounts due from Group undertakings: finance lease debtors	955	934
Deferred tax assets (see note 8)	2,326	1,189
Amounts due from Group undertakings: loans	-	259
	<u>5,205</u>	<u>4,289</u>

£nil of 'Amounts due from Group undertakings: loans' due after more than one year (2021: £259,000) relate to amounts lent to Leamington Waterfront LLP. During the year, the LLP's ability to repay this funding was reviewed and the loan impairment was reversed by £178,000 (2021: £745,000 impairment charge). The facility expires in March 2026.

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

	2022 £'000	2021 £'000
Amounts due to Group undertakings: interest	8	7
Other accruals and deferred income	78	79
VAT creditor	-	38
Amounts due to Group undertakings: trading	2	129
	<u>88</u>	<u>253</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

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

	2022 £'000	2021 £'000
Obligations under finance leases	1,160	1,160
Amounts due to Group undertakings: loans	45,075	42,995
	<u>46,235</u>	<u>44,155</u>

	2022 £'000	2021 £'000
Loans are repayable, otherwise than by instalments as follows:		
Between one and two years	45,075	-
Between two and five years	-	42,995
	<u>45,075</u>	<u>42,995</u>

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

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

## 16. Capital commitments

	2022 £'000	2021 £'000
Authorised by the Board but not contracted for	<u>182,854</u>	<u>183,236</u>

These commitments to future capital expenditure relate to the construction of housing properties. No further contracts have been let during the year.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

## 17. Commitments under leases

Total future minimum lease payments under non-cancellable finance leases are due as follows:

	2022 £'000	2021 £'000
Within the next year	62	62
Between one and five years' time	246	246
Later than five years' time	8,087	8,149
	<u>8,395</u>	<u>8,457</u>

The latter reconciles to the amounts included in creditors for "obligations under finance leases" as follows:

	2022 £'000	2021 £'000
Obligations under finance leases (amounts falling due after one year)	1,160	1,160
Interest payable to be recognised in future periods	7,235	7,297
	<u>8,395</u>	<u>8,457</u>

Total future minimum lease payments receivable under non-cancellable finance leases are as follows:

	2022 £'000	2021 £'000
Within the next year	116	116
Between one and five years' time	462	462
Later than five years' time	49,205	49,350
	<u>49,783</u>	<u>49,928</u>

The latter reconciles to the amounts shown as "finance lease debtors" as follows:

	2022 £'000	2021 £'000
Finance lease debtors (amounts falling due after one year)	2,879	2,841
Interest receivable to be recognised in future periods	46,904	47,087
	<u>49,783</u>	<u>49,928</u>

The present value of total future minimum lease payments receivable under non-cancellable finance leases is as follows:

	2022 £'000	2021 £'000
Within the next year	110	110
Between one and five years' time	385	385
Later than five years' time	2,384	2,346
	<u>2,879</u>	<u>2,841</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

## 18. Share capital

	2022 £	2021 £
<b>Allotted, called up and fully paid:</b>		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>

## 19. Related party disclosures

The company has taken advantage of the exemption in Section 1A of 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.

## 20. 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](http://www.clarionhg.com).

## 21. Subsidiary undertakings

Name	Legislative Provisions	Proportion of voting rights of ordinary share capital held	Nature of business
Leamington Waterfront LLP	Limited Liability Partnership	99.9%	Property development

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