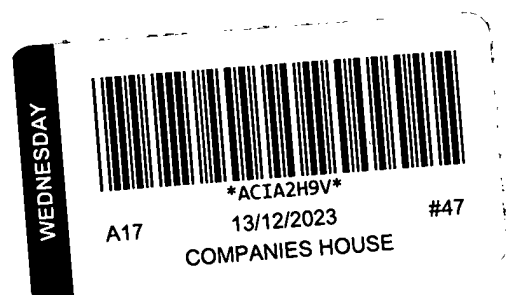


Company Registration Number: 06195779

**Sovereign Housing Design and Build Limited
Annual Report and Financial Statements
For the year ended 31 March 2023**



Directors

Stephen Aleppo
Stephen Trenwith
Luke Bingham
Patrick Wallace
James Gibson

Resigned 25 August 2022
Resigned 1 December 2022

Appointed 8 September 2022
Appointed 16 February 2023

Company Secretary

Charlotte Ferris

Registered Office

Sovereign House
Basing View
Basingstoke
Hampshire
RG21 4FA

Auditor

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Principal Solicitor

Trowers & Hamlins LLP
3 Bunhill Row
London
EC1Y 8YZ

Principal Banker

National Westminster Bank plc
Abbey Gardens
4 Abbey Street
Reading
RG1 3BA

Strategic Report

Principal Activities and Business Performance

Sovereign Housing Design and Build Limited (the "Company") has been established by Sovereign Housing Association (the "Parent Undertaking") and its subsidiaries (the "Group") in order to provide design and build services as a one-stop package. This service is currently aimed at Group members and is being provided to facilitate housing development work in an efficient manner to be carried out in furtherance of the charitable aims of the members of the Group.

The Company achieved a profit before tax of £1,462k (2022: £1350k) in the year which is to be distributed as gift aid to the Parent Undertaking. Gift aid of £1,462k (2022: £1350k) is committed at the year end and will be paid prior to 31 December 2023. At the end of the year there is £322m (2022: £389m) contracted and committed expenditure for future developments.

Turnover has increased by 15% to £163,029k (2022: £141,734k). There is a strong pipeline of future works. The Company continues to deliver quality design and build services to the Parent Undertaking and remains in a strong position to continue to provide such services. The Company manages its cash position tightly by reviewing forecasts in order to ensure liabilities can be met.

Principal Risks

The principal risks facing the Company are driven by external economic conditions. The level of development undertaken by the Company can be dependent on conditions in the wider economy influencing the attractiveness of housing construction at a particular point in time. The development program within the Group is forward looking and planned over a number of years.

Going Concern

The Company has net assets of £40k as at 31 March 2023 (2022: £40k). As a result of its enquiries into the future trading of the Company, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of 12 months after the date on which the Report and Financial Statements are signed. The Company has ongoing committed work for the Group that ensures its future trading. For this reason, it continues to adopt the going concern basis in the Financial Statements. The Directors are confident that the current contracted spend will allow the Company's performance to remain strong.



.....
Patrick Wallace
Director

Directors' Report

The board of directors (the "Board") is pleased to present the report and audited financial statements for the year ended 31 March 2023. This report gives an overview of the financial affairs the Company during the year to 31 March 2023.

The Directors are listed on page 1.

Principal Activities

The Company provides design and build services under contract to other members of the Group.

Proposed Dividend

The Directors do not recommend the payment of a dividend (2022: £nil).

Gift Aid

Gift aid of £1,462k (2022: £1,350k) is committed at the year end and will be paid prior to 31 December 2023.

Employees

The Company has no employees (2022: nil).

Political and Charitable Contributions

The Company made no donations for political or charitable purposes other than Gift Aid when committed to the Parent Undertaking (2022: £nil).

Annual General Meeting

Pursuant to the provisions of the Companies Act 2006, no annual general meeting of members is required in 2023.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Statement of Directors' Responsibilities for the Strategic Report and the Directors' Report and Financial Statements

The directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have 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 directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Disclosure of Information to Auditor

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

- a) so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- b) each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Internal Control Assurance Statement

The Directors have overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The Directors recognise that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable, but not absolute, assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial information and the safeguarding of the Company's assets and interests.

In meeting their responsibilities, the Directors have adopted a risk-based approach to internal controls which are embedded within the normal management and governance process.

The Directors' Report was approved on 30 June 2023 and signed on its behalf by:

BY ORDER OF THE BOARD



Charlotte Ferris
Company Secretary

Independent Auditor's Report to the Members of Sovereign Housing Design and Build Limited

Opinion

We have audited the financial statements of Sovereign Housing Design & Build Limited ("the company") for the year ended 31 March 2023 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 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its profit 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 directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

- Enquiring of the Board, the group audit and risk committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud,

including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.

- Reading Board, group audit and risk committee, investment committee, remuneration committee, property services committee, treasury committee, resident and board committee and major projects committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Obtaining a copy of the Group's fraud register.

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

As required by auditing standards, and taking into account possible pressures to meet external stakeholder expectations we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that income from property sales and non-social housing income is recorded in the wrong period and the risk that Company management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries and other adjustments to based on risk criteria and comparing the identified entries to supporting documentation. These included unusual or unexpected account combinations with revenue and unusual or unexpected account combinations with cash.
- 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 directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

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

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.

Strategic Report and Directors' report

The directors are responsible for the strategic report and the directors' report. 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 directors' report 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 directors' report;
- 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; or

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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



Mark Dawson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

11 December 2023

Statement of Comprehensive Income
For the Year Ended 31 March 2023

	Note	2023 £'000	2022 £'000
Turnover	3	163,029	141,734
Operating expenses	3	(161,567)	(140,384)
Profit on ordinary activities before taxation	4	1,462	1,350
Tax on profit	5	-	-
Profit for the year		1,462	1,350

The notes on pages 13 to 18 form part of the financial statements.

Statement of Financial Position
As at 31 March 2023

	Note	2023 £000	2022 £000
Current assets			
Debtors	7	19,069	19,519
Cash at bank and in hand	8	4,570	4,670
		<u>23,639</u>	<u>24,189</u>
Creditors: amounts falling due within one year	9	(23,599)	(24,149)
Net current assets		40	40
Net assets		<u>40</u>	<u>40</u>
Capital and reserves			
Called up share capital	10	-	-
Profit and loss account		40	40
Equity shareholders' funds		<u>40</u>	<u>40</u>

The notes on pages 13 to 18 form part of the financial statements.

These financial statements were approved by the Board on 30 June 2023 and were signed on its behalf by:



.....
Patrick Wallace
Director

Company registration no. 06195779

Statement of Changes in Equity

Statement of Changes in Equity
As at 31 March 2023

	Share capital £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 April 2021	-	40	40
Total comprehensive income for the year			
Profit for the year	-	1,350	1,350
<i>Effect of Gift Aid:</i>			
Gift Aid payment	-	(1,350)	(1,350)
Balance at 31 March 2022	-	40	40
Total comprehensive income for the year			
Profit for the year	-	1,462	1,462
<i>Effect of Gift Aid:</i>			
Gift Aid payment	-	(1,462)	(1,462)
Balance at 31 March 2023	-	40	40

The notes on pages 13 to 18 form part of the financial statements.

Notes

For the Year Ended 31 March 2023

(Forming part of the financial statements)

1. Legal Status

Sovereign Housing Design and Build Limited (the "Company") is a private limited company limited by shares and incorporated and domiciled in England.

2. Principal Accounting Policies

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102").

The Company's ultimate parent undertaking, Sovereign Housing Association Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Sovereign Housing Association are available to the public and may be obtained from the address given in note 12. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the Cash Flow Statement and related notes and disclosures of transactions with key management personnel and related parties.

The Directors have not made any judgements in application of these accounting policies that have significant effect on the financial statements with a significant risk of material adjustments in the next year.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The financial statements are presented in pounds sterling and rounded to the nearest £1,000.

(a) Basis of accounting

The financial statements are prepared on the historical cost basis.

The directors, after reviewing the company's budgets for 2023/24 and the group's medium term financial position as detailed in the 30-year business plan, are of the opinion that, taking account of severe but plausible downsides, the company will have sufficient funds to meet its liabilities as they fall due for a period of 12 months from the date of approval of the financial statements. The directors therefore continue to adopt the going concern basis in preparing the annual financial statements.

(b) Turnover

Turnover of design and build services to the Parent Undertaking is recognised on an accruals basis and is exempt of VAT. Revenue is recognised at defined stages of scheme completion and determined by professional valuations of works completed.

(c) Expenses

Expenses are accounted for on an accruals basis and included in the year to which they relate.

(d) Taxation

Corporation tax is provided on the Company's taxable profits at the current rate.

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Where possible, profit is gift aided to the Parent Undertaking, a charitable organisation, prior to the calculation of a tax charge.

(e) Deferred Tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exception:

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable surplus from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or subsequently enacted at the balance sheet date.

(f) Basic Financial Instruments

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents comprise cash balances and instant access deposits.

(g) Gift Aid Payment Presented Within the Statement of Changes in Equity

Gift Aid payment is recognised at the year end to the extent that it has been paid prior to the year end, there is a deed of covenant prior to the year-end or a Companies Act s288 written resolution has been approved by the shareholder in the year to pay the taxable profit for the year to its parent by a certain payment date.

3. Turnover and Operating Costs

Turnover consists entirely of income from Group undertakings for the provision of design and build services as part of the Group's activities in the provision of social housing.

Operating costs include external costs incurred in the provision of design and build services, legal fees for standard contracts and charges from Group undertakings' overhead for services provided by the Parent Undertaking's staff to the Company.

	2023 £'000	2022 £'000
Income from Group undertakings	<u>163,029</u>	<u>141,734</u>
Expenditure:		
Management fee to Group undertakings	43	43
Other	161,524	140,341
	<u>161,567</u>	<u>140,384</u>

4. Profit on Ordinary Activities Before Taxation

	2023 £'000	2022 £'000
Profit on ordinary activities before taxation is stated after charging:		
Auditor's remuneration		
- in their capacity as auditor	6	6
- in respect of tax advice	3	2
	<u> </u>	<u> </u>

5. Taxation

	2023 £'000	2022 £'000
Current tax on income for the period	-	-
Total current tax	<u>-</u>	<u>-</u>
Reconciliation of effective tax rate:		
Profit before taxation	<u>1,462</u>	<u>1,350</u>
Tax using the UK corporation tax rate of 19% (2022: 19%)	278	257
Effect of current year Gift Aid to be paid by 31 December (included in the statement of changes in equity)	(278)	(257)
Total tax expense included in profit and loss	<u>-</u>	<u>-</u>

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020. In the Budget on 3 March 2021, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge.

6. Staff Numbers and Costs

No emoluments were paid to the directors who served during the current or prior year. These costs were borne by Sovereign Housing Association Limited. Remuneration costs of £2k (2022: £2k) relating to these services were recharged in the year.

The Company had no employees during the year (2022: nil). Work is performed on the Company's behalf by employees of the parent undertaking and the cost of these services is charged to the Company by the parent undertaking. Staff costs of £41k (2022: £41k) were recharged from Sovereign Housing Association.

7. Debtors

	2023 £'000	2022 £'000
Amount due from other Group Undertakings	12,491	19,367
Other debtors	6,578	152
	<u>19,069</u>	<u>19,519</u>

Amounts due from group undertakings are trading balances repayable on demand and non-interest bearing.

8. Cash at Bank and in Hand

	2023	2022
	£'000	£'000
Cash at bank	4,570	4,670
	4,570	4,670

9. Creditors – Amounts falling due within one year

	2023	2022
	£'000	£'000
Due to Group undertakings	5,066	289
Trade creditors	3,665	5,071
Other creditors	4,459	4,621
Accruals	10,409	14,168
	23,599	24,149

10. Capital and Reserves

	2023	2022
	£	£
Allotted, issued and fully paid		
At 1 April	100	100
At 31 March	100	100
Authorised		
100 ordinary shares at £1 each	100	100

Each share has equal voting rights.

11. Related Party Transactions

As the Company is a wholly owned subsidiary of Sovereign Housing Association Limited, the Company has taken advantage of the exemption contained in FRS 102 Section 33 and has therefore not disclosed transactions or balances with other wholly owned subsidiaries which form part of the Group. There are no other related party transactions to report.

12. Parent Undertaking

The Company's ultimate Parent Undertaking is Sovereign Housing Association Limited, which is registered in England in the United Kingdom under the Co-operative and Community Benefit Societies Act 2014. The results of the Company are consolidated with those of the Parent Undertaking and its subsidiaries and the consolidated financial statements are contained in the financial statements for the Parent Undertaking which are available from the Parent Undertaking's registered office at Sovereign House, Basing View, Basingstoke, Hampshire RG21 4FA.

13. Estimates and Judgements

Debtors

Debtor balances are reviewed, and a provision applied if it is believed there is a risk to recoverability. Management do not believe there is such a risk arising from amounts due to the Company.