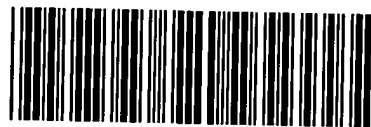


Broomleigh Regeneration Limited

**Annual Report and Financial Statements
For the year ended 31 March 2023**

Companies House No. 06494492

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GENERAL CORPORATE INFORMATION

Board

Mark Hattersley	Chair
Richard Cook	
Michelle Reynolds	

Company Secretary

Louise Hyde

Registered Office

Level 6
6 More London Place
London
SE1 2DA

Auditors

KPMG LLP
Suite 23, BLOCK
Royal William Yard
Plymouth
PL1 3RP

REPORT OF THE BOARD

Broomleigh Regeneration Limited ("BRL"), registered company no. 06494492, presents its annual report and audited financial statements for the year ended 31 March 2023.

Principal Activities

The company owns a residential freehold in Orpington, Greater London, on which it earns ground rent income.

The company is also a member of Ramsden Regeneration LLP ("Ramsden"), a joint venture involved in the development of residential accommodation at a site in Orpington, Kent. The other member is Linden Limited.

Review of the Year

Turnover of £17,000 relates to ground rent income (2022: £17,000). The value of the freehold has reduced to £400,000 as interest rate rises have increased the yields that investors expect from such property investments (2022: no change).

Ramsden sold its final units in 2013 and did not recognise any income or costs in either the current or prior year. No distributions were paid to BRL during the current or prior year. As at 31 March 2023, Ramsden has net assets of £6,000.

The company pays donations to charitable Group members under the Gift Aid arrangements of HMRC. As the required shareholder resolutions are intentionally not passed prior to the end of the year, the £16,000 of Gift Aid the company will probably pay by 31 December 2023, in relation to the profits for the year ended 31 March 2023, has not yet been recognised. The £16,000 which was recognised in the Statement of Changes in Equity this year is the result of paying over the profits for the year ended 31 March 2022 (2022: £16,000 Gift Aid recognised as a result of paying over the profits for the year ended 31 March 2021).

Additionally, the revaluation of the freehold gives rise to deferred tax, with a £44,000 credit this year due to the revaluation loss (2022: £35,000 charge due to the change in the future tax rate from 19% to 25%).

On 18 June 2022, Clarion Housing Group was subject to a cyber security incident. We rapidly engaged the services of our cyber security partner and other external experts to help bring our systems back in a safe and secure way. Restoration of our systems concluded during the financial year. A forensic investigation into the incident has been completed and the Group is in the process of implementing its recommendations.

This incident did not have any impact on the financial or operational performance reported in this set of financial statements.

Board statement on the effectiveness of the system of internal control for the period ending 31 March 2023

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.

REPORT OF THE BOARD (CONTINUED)

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 routinely self-examines performance against;
- 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. 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;
- 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; and
- 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.

REPORT OF THE BOARD (CONTINUED)

Continuous improvement

We continually keep our internal control framework under review. Further work is being undertaken to identify, prioritise and make key enhancements to service delivery and make positive impacts for both customers and colleagues. Furthermore, we have an ongoing programme of work to heighten our cyber resilience and 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 2023. 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 2023 and up to the date of approval of the financial statements.

Going Concern

The Board, after reviewing the company's budget for 2023/24, as well as forecasts of the Clarion Housing Group's medium-term financial position (as detailed in its 4-year business plan), are of the opinion that, taking account of severe but plausible downsides including the cost of living crisis, 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 Board therefore continues to adopt the going concern basis in preparing the annual financial statements.

Current high inflation and the cost of living crisis, as well as the long-term impact from Covid-19, have presented challenges for the company. The Board has considered their impact on the company and actions have been put in place to manage these risks and the Board considers 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.

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 the Gift Aid payments to its charitable parent - which are treated as dividends under company law - the company made no charitable contributions during the year (2022: £nil) and no political contributions (2022: £nil).

REPORT OF THE BOARD (CONTINUED)

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

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.

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



Mark Hattersley
Chair
8 August 2023

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;
- 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 BROOMLEIGH REGENERATION LIMITED

Opinion

We have audited the financial statements of Broomleigh Regeneration 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 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 2023 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; and
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BROOMLEIGH REGENERATION LIMITED (CONTINUED)

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 and internal audit as to the company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- reading Board and Group Audit and Risk Committee minutes; and
- 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. On this audit we do not believe there is a fraud risk related to revenue recognition due to the nature of the company's material income streams where income is recognised in line with contractual rental agreements.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and performed procedures to identify journal entries and other adjustments based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts involving revenue and cash.

Identifying and responding to risks of material misstatement related to 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), and discussed with the Board 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.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery and certain aspects of company legislation recognising the financial nature of the company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Board and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BROOMLEIGH REGENERATION LIMITED (CONTINUED)

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 fraud 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.

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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BROOMLEIGH REGENERATION LIMITED (CONTINUED)

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.



Victoria Sewell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Suite 23, BLOCK
Royal William Yard
Plymouth
PL1 3RP

7 September 2023

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £'000	2022 £'000
Turnover		17	17
Operating costs		<u>(1)</u>	<u>(1)</u>
Operating profit		16	16
Loss on revaluation of investment properties	7	(175)	-
(Loss)/profit on ordinary activities before taxation	5	<u>(159)</u>	<u>16</u>
Tax credit/(charge) on profit/loss on ordinary activities	6	44	(35)
Loss for the year		<u><u>(115)</u></u>	<u><u>(19)</u></u>

All operations are continuing.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

	Notes	2023 £'000	2022 £'000
Tangible fixed assets			
Investment properties	7	400	575
Investments in JCEs	8	-	-
		<u>400</u>	<u>575</u>
Current assets			
Debtors: amounts falling due within one year	9	23	23
Current liabilities			
Creditors: amounts falling due within one year	10	(3)	(3)
		<u>20</u>	<u>20</u>
Net current assets			
Provisions for liabilities and charges	11	(100)	(144)
		<u>320</u>	<u>451</u>
Net assets			
Capital and reserves			
Share capital	12	-	-
Profit and loss account		320	451
Equity shareholder's funds		<u>320</u>	<u>451</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:



Mark Hattersley
Chair
8 August 2023

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2023

	Share capital £'000	Profit and loss account £'000	Total equity £'000
At 1 April 2021	-	486	486
Loss for the year ending 31 March 2022	-	(19)	(19)
<u>Contributions by and distributions to owners</u>			
Gift Aid payment to parent Association	-	(16)	(16)
At 31 March 2022	-	451	451
Loss for the year ending 31 March 2023	-	(115)	(115)
<u>Contributions by and distributions to owners</u>			
Gift Aid payment to charitable Group member	-	(16)	(16)
At 31 March 2023	-	320	320

£16,000 of Gift Aid was paid in respect of the prior year but not recognised as a liability in that year (2022: £16,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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 Broomleigh Regeneration 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 Board, after reviewing the company's budget for 2023/24, as well as forecasts of the Clarion Housing Group's medium-term financial position (as detailed in its 4-year business plan), are of the opinion that, taking account of severe but plausible downsides including the cost of living crisis, 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 Board therefore continues to adopt the going concern basis in preparing the annual financial statements.

Current high inflation and the cost of living crisis, as well as the long-term impact from Covid-19, have presented challenges for the company. The Board has considered their impact on the company and actions have been put in place to manage these risks and the Board considers 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.

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.

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's VAT affairs are dealt with under a Group registration in the name of Clarion Housing Group Limited. Turnover and other income are shown net of any VAT charged. As most of the Group's income comes from renting out residential property, which is exempt from VAT, the Group only recovers a small proportion of the input VAT it incurs, and the company's expenditure is shown inclusive of irrecoverable VAT.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (CONTINUED)

1. Accounting policies (continued)

Turnover

Ground rent is recognised on an accruals basis.

Impairment

Debtors are assessed for recoverability at each reporting date.

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.

Impairment is included in operating costs.

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 2023 (CONTINUED)

1. Accounting policies (continued)

Investment properties

Properties, including freeholds, which are held to earn rental income and/or for capital appreciation are treated as investment properties. This includes freeholds where ground rent is payable by the leaseholder, provided that the company substantially retains the risks and rewards of ownership of (or interest in) the freehold.

They are initially stated at their directly attributable cost: this includes the cost of land, construction works and professional fees.

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

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.

Where contractual cash flows meet the recognition requirements of IFRS 9, investments, short-term deposits and loans are subsequently measured at amortised cost, unless the difference between the historical cost and amortised cost basis is deemed immaterial. Amortised cost is calculated using the effective interest method which applies a rate of interest that exactly discounts estimated future cash payments or receipts (including any associated premium, discount or transaction costs) through the expected life of the financial instruments to the net carrying amount of the financial asset or liability. The current rate of SONIA at the reporting date is used and assumed to be constant for the life of the loan. Loans and investments that are payable or receivable in one year are not discounted.

Where contractual cash flows do not meet the recognition requirements of IFRS 9, loans, investments and short-term deposits are subsequently measured at fair value with gains or losses taken to the Income Statement.

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 2023 (CONTINUED)

1. Accounting policies (continued)

Provisions and contingent liabilities

A provision is recognised where a present obligation has arisen as a result of a past event for which settlement is probable and can be reliably estimated. The amount recognised is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate, and the subsequent unwinding of the discount is recognised as a finance cost.

A contingent liability, where settlement is not probable and/or can't be reliably estimated, is not recognised unless it is identified as part of a business combination.

2. Significant judgements and accounting estimates

Significant judgements

As well as those relating to accounting estimates and uncertainty, the following significant judgement has been made in applying the company's accounting policies:

1 Treatment of freehold asset and related leases

The company owns a freehold for which there are a number of long-term leaseholders who pay ground rent to the company. The leases granted by the company are treated as operating leases, and the freehold is accounted for as an investment property, as: title to the land does not pass to the leaseholders at the end of the lease term; the leases granted are not considered to be for a major part of the economic life of the land asset; there are no purchase options available at the end of the lease; and the leased asset is not specialised in nature.

The original cost of this freehold cannot be measured reliably, as the company acquired the land primarily for the purpose of constructing stock for sale on a leasehold basis, and so incidentally retains ownership of the freehold. As a result, the full cost of the land was allocated to stock (and subsequently recognised as cost of sales) and the cost of the freehold is deemed to be £nil.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (CONTINUED)

2. Significant judgements and accounting estimates (continued)

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 valuation of investment properties.

Investment properties were valued as at 31 March 2023 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).

The most significant assumption is the 6.50% capitalisation rate which has been applied to the annual ground rent income, based on the valuer's knowledge of the investment market for ground rents. A 0.25% movement in this rate, in either direction, would adjust the valuation by around £15,000 in either direction, or around 4%.

2 The tax rate used for deferred tax assets/liabilities.

Deferred tax has been calculated using 25%, the UK corporation tax rate from 1 April 2023.

3. 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. Due to minimal activity, there was no management recharge in either the current or prior year.

4. Key management personnel

Key management personnel is defined as the members of the Board.

Mark Hattersley, Richard Cook and Michelle Reynolds did not specifically receive remuneration in respect of their services to the company during the year (2022: £nil). They are employees of Clarion Housing Association Limited and are remunerated by that entity (see note 3).

5. Profit/loss on ordinary activities before taxation

Auditors' remuneration was expensed in the accounts of Clarion Housing Group Limited and no audit or non-audit fees were recharged to the company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (CONTINUED)

6. Taxation

	2023 £'000	2022 £'000
Analysis of (credit)/charge in period		
<u>Current tax:</u>		
Current tax on income for the period	-	-
<u>Deferred tax:</u>		
Reversal of timing differences	(33)	-
Change in tax rate	(11)	35
	<u>(44)</u>	<u>35</u>
	<u>(44)</u>	<u>35</u>
Recognised in profit and loss	<u>(44)</u>	<u>35</u>

The company's tax charge/(credit) for the period is less than 19% (2022: greater than 19%), the rate of corporation tax in the UK. The differences are explained below:

	2023 £'000	2022 £'000
Reconciliation of tax recognised in profit and loss		
(Loss)/profit on ordinary activities before taxation	<u>(159)</u>	<u>16</u>
Tax at 19% (2022: 19%)	<u>(30)</u>	<u>3</u>
<u>Effects of:</u>		
Adjustment in respect of Gift Aid expected to be paid	(3)	(3)
Remeasurement of deferred tax due to change in UK tax rate	(11)	35
	<u>(44)</u>	<u>35</u>

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

Tax legislation allows Gift Aid payments made up to nine months after the year end to be deductible for tax in the current period. The £3,000 current tax liability relating to the current year's profits is expected to be eliminated through a £16,000 Gift Aid payment out of distributable reserves, to be paid by 31 December 2023.

	2023 £'000	2022 £'000
Deferred tax liability		
Unrealised gains on revaluation of investment properties	<u>100</u>	<u>144</u>

A deferred tax liability 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 timing of any disposals, neither for which a reliable estimate can be made.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (CONTINUED)

7. Investment properties

	Freehold £'000
At 1 April 2022	575
Revaluation	(175)
At 31 March 2023	400
	2023 £'000
Historical cost net book value	-

The leases issued in relation to this freehold are non-cancellable and the future minimum lease payments receivable for ground rent is as follows:

	2023 £'000	2022 £'000
Within the next year	17	17
Between one and five years' time	68	68
Later than five years' time	13,013	13,030
	13,098	13,115

8. Investments in JCEs

Jointly controlled entity	Country of incorporation	Principal Activity	Class and % of shares held
Ramsden Regeneration LLP	United Kingdom	Development	Ordinary, 50% (£1)
		Net assets at 31 March 2023 £'000	Profit for the year ended 31 March 2023 £'000
Jointly controlled entity			
Ramsden Regeneration LLP		6	-

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

During the year the company did not receive any distributions from Ramsden Regeneration LLP (2022: £nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (CONTINUED)

9. Debtors

	2023 £'000	2022 £'000
Amounts falling due within one year		
Amounts due from Group undertakings: cash pooling	16	23
Prepayments and accrued income	7	-
	<u>23</u>	<u>23</u>

10. Creditors: amounts falling due within one year

	2023 £'000	2022 £'000
Accruals and deferred income	<u>3</u>	<u>3</u>

11. Provisions for liabilities and charges

	Deferred tax liability £'000
At 1 April 2022	144
Unused amounts reversed	(44)
At 31 March 2023	<u><u>100</u></u>

See note 6 for an explanation of the deferred tax provision.

12. Called up share capital

	2023 £	2022 £
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>1</u>	<u>1</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (CONTINUED)

13. 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.

14. Immediate and ultimate parent undertaking

The company is a subsidiary undertaking of Clarion Housing Association Limited and its ultimate parent undertaking is Clarion Housing Group Limited. Both are registered societies under the Co-operative and Community Benefit Societies Act 2014 and are 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 the ultimate parent undertaking and are available from www.clarionhg.com.