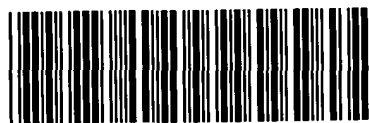


**Company Registration Number: 07233624**

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

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29/12/2023

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COMPANIES HOUSE

**Directors**

Stephen Aleppo	Resigned 25 August 2022
Stephen Trenwith	Resigned 1 December 2022
Luke Bingham	
Patrick Wallace	Appointed 8 September 2022
James Gibson	Appointed 16 February 2023

**Company Secretary**

Charlotte Ferris

**Registered Office**

Sovereign House  
Basing View  
Basingstoke  
Hampshire  
RG21 4FA

**Auditor**

**KPMG LLP**

Gateway House  
Tollgate  
Chandlers Ford  
SO53 3TG

**Solicitor**

**Trowers & Hamlins LLP**

3 Bunhill Row  
London  
EC1Y 8YZ

**Banking**

**National Westminster Bank Plc**

Abbey Gardens  
4 Abbey Street  
Reading  
RG1 3BA

## **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 of Sovereign Housing Developments Limited (the "Company") during the year to 31 March 2023.

The directors are listed on page 1.

## **Principal Activities**

The Company is a wholly owned subsidiary of Sovereign Housing Association Limited (the "Association" or the "Parent Undertaking"). The principal activity of the Company is receipt of rental income from a block of serviced apartments and development of residential dwellings for retention as social housing use within the Group and private sale.

## **Performance During the Year**

The Company made a loss before tax of £4,157k in the year (2022: profit £1,492k) due to the recognition of fair value movement in investment properties and operational expenditure for new investments for which we expect to a positive return in future years. The Directors consider the underlying operational performance of the Company for the year ended 31 March 2023 to be satisfactory. During the year, the Company has purchased land and begun construction of both affordable and private sale properties. It is expected to see the benefits of sales of completed units in the next financial year.

## **Proposed Dividend**

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

## **Gift Aid**

Gift aid of £nil is committed at the year end (2022: £197k)

## **Going Concern**

As a result of its enquiries the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. Loans from the Parent Undertaking are repayable on demand. The Company is in receipt of a letter of support stating these loans will not be recalled for a period of at least 12 months from the date of approval of these financial statements. For this reason, it continues to adopt the going concern basis in the Financial Statements.

## **Employees**

Sovereign Housing Developments Limited has no employees (2022: nil).

## **Political and Charitable Contributions**

The Company made no donations for political or charitable purposes (2022: £nil).

## **Annual General Meeting**

Pursuant to the provisions of the Companies Act 2006, no Annual General Meeting 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 in respect of the Directors' Report and Financial Statements**

The directors are responsible for preparing the Annual 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 they ought to have taken in their duty as a director in order to make themselves 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 Developments Limited

### Opinion

We have audited the financial statements of Sovereign Housing Developments 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 loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Going concern

The 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, and the risk of bias in accounting estimates and judgements such as valuation of investment properties.

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.

**Director's report**

The directors are responsible for the directors' report. 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 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 directors' report;
- 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 directors were 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.

**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**

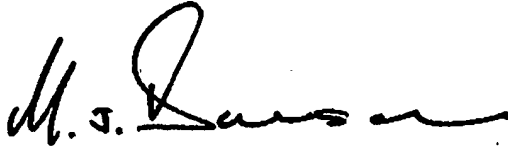
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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](http://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.

A handwritten signature in black ink, appearing to read 'M. S. Dawson', with a stylized flourish at the end.

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

29 December 2023

## Statement of Comprehensive Income

### For the Year Ended 31 March 2023

	Note	2023 £'000	2022 £'000
Turnover	3	3,548	5,862
Cost of sales	3	(2,425)	(5,188)
Operating expenses	3	(683)	(118)
<b>Operating profit</b>	3	<b>440</b>	<b>556</b>
Interest payable and similar expenses	5	(1,097)	(359)
Movement in fair value of investment properties	9	(3,500)	1,295
<b>Profit / (Loss) before taxation</b>		<b>(4,157)</b>	<b>1,492</b>
Tax on profit	6	-	-
<b>Profit / (Loss) for the year</b>		<b>(4,157)</b>	<b>1,492</b>

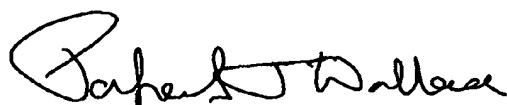
The notes on pages 13 to 21 form part of the financial statements.

**Statement of Financial Position****As at 31 March 2023**

	Note	2023 £'000	2022 £'000
<b>Fixed assets</b>			
Investment properties	9	<u>29,666</u>	<u>14,500</u>
		<b>29,666</b>	<b>14,500</b>
<b>Current assets</b>			
Stocks	10	<b>37,302</b>	17,638
Debtors (including £nil (2022: £nil) due after more than one year)	11	<b>1,415</b>	317
Cash at bank and in hand	12	<u><b>640</b></u>	<u>76</u>
		<b>39,357</b>	<b>18,031</b>
Creditors: amounts falling due within one year	13	<b>(2,352)</b>	(1,303)
<b>Net Current Assets</b>		<u><b>37,005</b></u>	<u>16,728</u>
<b>Total assets less current liabilities</b>		<u><b>66,671</b></u>	<u>31,228</u>
Creditors: amounts falling due after more than one year	14	<b>(59,266)</b>	(19,765)
Provisions for liabilities	15	<b>-</b>	-
<b>Net assets</b>		<u><b>7,405</b></u>	<u>11,463</u>
<b>Capital and reserves</b>			
Called up share capital	16	<b>-</b>	-
Profit and loss account		<b>7,405</b>	11,463
<b>Equity shareholder's funds</b>		<u><b>7,405</b></u>	<u>11,463</u>

The notes on pages 13 to 21 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

## Statement of Changes in Equity

As at 31 March 2023

2020

2020 total 13 billion 100 million

(statement is in million)

Profit and loss account 10,168

Share capital 3,000

Total equity 13,168

Balance at 31 March 2021 10,168

Profit for the year to 31 March 2022 3,000

Total comprehensive income for the year 13,168

2020 total 13 billion 100 million

Balance at 31 March 2022 13,168

Profit for the year to 31 March 2023 1,492

Total comprehensive income for the year 14,660

Effect of Gift Aid 1,492

Gift aid payment for the year 1,492

Gift aid payment in respect of prior years 1,492

Gift aid payment for the year 1,492

Current tax credit for the year 1,492

Gift aid payment for the year 1,492

Gift aid payment in respect of prior years 1,492

Balance at 31 March 2023 14,660

Profit for the year to 31 March 2024 1,492

Total comprehensive income for the year 16,152

Effect of Gift Aid 1,492

Gift aid payment for the year 1,492

Gift aid payment in respect of prior years 1,492

Current tax credit for the year 1,492

Gift aid payment for the year 1,492

Gift aid payment in respect of prior years 1,492

Balance at 31 March 2024 16,152

Profit for the year to 31 March 2025 1,492

Total comprehensive income for the year 17,644

Effect of Gift Aid 1,492

Gift aid payment for the year 1,492

Gift aid payment in respect of prior years 1,492

Current tax credit for the year 1,492

Gift aid payment for the year 1,492

Gift aid payment in respect of prior years 1,492

Balance at 31 March 2025 17,644

Profit for the year to 31 March 2026 1,492

Total comprehensive income for the year 19,136

Effect of Gift Aid 1,492

Gift aid payment for the year 1,492

Gift aid payment in respect of prior years 1,492

Current tax credit for the year 1,492

Gift aid payment for the year 1,492

Gift aid payment in respect of prior years 1,492

Balance at 31 March 2026 19,136

Profit for the year to 31 March 2027 1,492

Total comprehensive income for the year 20,628

Effect of Gift Aid 1,492

Gift aid payment for the year 1,492

Gift aid payment in respect of prior years 1,492

Current tax credit for the year 1,492

Gift aid payment for the year 1,492

Gift aid payment in respect of prior years 1,492

Balance at 31 March 2027 20,628

Profit for the year to 31 March 2028 1,492

Total comprehensive income for the year 22,120

Effect of Gift Aid 1,492

Gift aid payment for the year 1,492

Gift aid payment in respect of prior years 1,492

Current tax credit for the year 1,492

Gift aid payment for the year 1,492

Gift aid payment in respect of prior years 1,492

Balance at 31 March 2028 22,120

Profit for the year to 31 March 2029 1,492

Total comprehensive income for the year 23,612

Effect of Gift Aid 1,492

Gift aid payment for the year 1,492

Gift aid payment in respect of prior years 1,492

Current tax credit for the year 1,492

Gift aid payment for the year 1,492

Gift aid payment in respect of prior years 1,492

## Notes

### For the Year Ended 31 March 2023

*(Forming part of the financial statements)*

#### 1. Legal Status

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

#### 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 19. 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 Statement of Cash Flows and related notes, disclosures of transactions with key management personnel and related party transactions with wholly owned group entities.

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

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

##### (a) Basis of preparation

The financial statements are prepared on the historical cost basis, apart from investment properties which are measured at fair value.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are directly related to the overall position of Sovereign Housing Association Limited and its subsidiaries (the "Group"). Details of this Group wide position are described in the consolidated financial statements of Sovereign Housing Association Limited, available to the public from the address in note 19.

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the Company's ultimate parent company, Sovereign Housing Association Limited, not seeking repayment of the amounts currently due to the Group, which at 31 March 2023 amounted to £60,185k (2022: £20,911k). Sovereign Housing Association Limited has indicated that it does not intend to seek repayment of these amounts for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### **(b) Turnover**

Turnover comprises rental income net of VAT and is recognised on an accruals basis.

#### **(c) Interest Income and Expenses**

Income and expenses from investments is included in the income and expenditure account on an accruals basis.

#### **(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 profit 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 periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**(f) Investment Properties**

Investment properties are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost and include incremental interest due. Subsequent to initial recognition, any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise. No depreciation is provided in respect of investment properties applying the fair value model.

**(g) Stock**

Properties under construction and properties completed that have not been sold at 31 March are held as stock. Stock is held at the lower of cost and net realisable value and subject to an annual review of impairment indicators. Interest is capitalised at the weighted average cost of capital to the Company.

**(h) Basic Financial Instruments****(c) Trade and other receivables**

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.

**(i) 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.

**(j) Provisions**

Provisions are included when there is a probable, but uncertain, economic obligation. Any provisions included are expected to cover the future liability and are recognised within the Statement of Financial Position.

Deferred tax is recognised in respect of all timing differences that will 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 taxable profit from which the future reversal of the timing differences can be deducted.

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



**3. Turnover, Operating Expenses and Operating Profit by Class of Business**

	Turnover £'000	Cost of sales £'000	Operating expenses £'000	2023 Operating profit £'000	2022 Operating profit £'000
<b>Income and expenditure from housing lettings:</b>					
Housing accommodation	1,038	-	(658)	380	529
	1,038	-	(658)	380	529
<b>Other income and expenditure:</b>					
Recharges from Group Undertakings	-	-	(25)	(25)	(25)
<b>Development for sale</b>					
Outright sales	2,510	(2,425)	-	85	52
	2,510	(2,425)	(25)	60	27
<b>Total</b>	<b>3,548</b>	<b>(2,425)</b>	<b>(683)</b>	<b>440</b>	<b>556</b>

#### 4. Operating Profit

	2023 £'000	2022 £'000
Operating profit is stated after charging:		
Auditor remuneration		
- in their capacity as auditors	5	5
	<u>5</u>	<u>5</u>

#### 5. Interest Payable and Similar Expenses

	2023 £'000	2022 £'000
In respect of loans:		
Loan interest to Parent Undertaking	2,097	940
	<u>2,097</u>	<u>940</u>
Less interest capitalised	(1,001)	(581)
	<u>1,097</u>	<u>359</u>

#### 6. Taxation

	2023 £'000	2022 £'000
Current tax on income for the year	-	-
Adjustments in respect of prior periods	-	-
Total current tax	<u>-</u>	<u>-</u>
Reconciliation of effective tax rate:		
Profit for the year	(4,157)	1,492
Increase in fair value of investment properties	3,500	(1,295)
Profit/(Loss) before taxation	<u>(657)</u>	<u>197</u>
Tax using the UK corporation tax rate of 19% (2022: 19%)	-	37
Effect of Gift Aid to be paid by 31 December	-	(37)
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.

## 7. Directors

No emoluments were paid to the directors who served during the current or prior year. These costs were borne by Sovereign Housing Association Limited. Directors' remuneration of £3k (2022: £3k) has been recharged from the Parent Undertaking.

## 8. Employee Numbers and Costs

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 £22k (2022: £22k) were recharged from Sovereign Housing Association Limited.

## 9. Investment properties

	2023 £'000	2022 £'000
<b>Valuation</b>		
At 1 April	14,500	13,205
Additions	18,666	-
Movement in fair value	(3,500)	1,295
<b>At 31 March</b>	<b>29,666</b>	<b>14,500</b>

A valuation of the property held was undertaken at 31 March 2023 in line with the accounting policy and was revalued accordingly. The carrying value recorded in the financial statements is in line with this independent valuation.

The valuation was undertaken in accordance with the current RICS Valuation – Global Standards 2017 by Savills (UK) Ltd. In determining this valuation, the valuer made use of the investment method of valuation and also had regard to the location, age and quality of the construction, rental and capital values for the geographical area and current lease structure. The valuer is neither an employee nor an officer of the Association.

## 10. Stocks

	2023 £'000	2022 £'000
Properties under construction	37,302	17,638
	<b>37,302</b>	<b>17,638</b>

**11. Debtors**

	<b>2023</b> <b>£'000</b>	<b>2022</b> <b>£'000</b>
Amount due from other Group Undertakings	87	-
Accrued income	-	-
Other debtors	1,328	317
	<b>1,415</b>	<b>317</b>

There are no amounts included in debtors that are due after more than one year (2022: nil).

**12. Cash at Bank and in Hand**

	<b>2023</b> <b>£'000</b>	<b>2022</b> <b>£'000</b>
Cash at bank	640	76
	<b>640</b>	<b>76</b>

**13. Creditors – Amounts falling due within one year**

	<b>2023</b> <b>£'000</b>	<b>2022</b> <b>£'000</b>
Amounts due to Group undertakings	1,999	1,146
Trade creditors	-	2
Other creditors	353	146
Accruals	-	9
	<b>2,352</b>	<b>1,303</b>

Amounts due to Group undertakings are trading balances repayable on demand and non-interest bearing. Included in amounts due to group undertakings is gift aid of £nil (2022: £197k).

Notes

Notes

**14. Creditors – Amounts falling due after more than one year**

	2023	2022
	£'000	£'000
Due to Group undertakings	59,266	19,765
	<u>59,266</u>	<u>19,765</u>
Analysis of debt:		
Repayable by instalments in more than five years	59,266	19,765

The loan from the Parent Undertaking is charged at a market rate of interest of 5-6.25% (2022: 5-6%). The loan is secured against development schemes in Sovereign Housing Developments Limited.

**15. Provisions**

	2023	2022
	£'000	£'000
At 1 April	-	-
Additions in the year	-	-
Release of provisions	-	-
At 31 March	-	-

**16. Capital and Reserves**

	2023	2022
	£'000	£'000
Authorised 1 ordinary share of £1 each	-	-

Authorised 1 ordinary share of £1 each

Allotted; issued and fully paid at 1 April and 31 March

Each share has equal voting rights.

The profit and loss account shows the accumulated gains and losses for the Company.

Provisions are recognised in the financial statements based on the likelihood of a liability occurring and the amount is known for such liability. The amount recorded in the financial statements is based on management's estimate.

**17. Capital Commitments**

	<b>2023</b>	2022
	<b>£'000</b>	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>10,161</u>	<u>22,099</u>
Capital expenditure that has been authorised by the Executive Board but has not yet been contracted for	<u>304,765</u>	<u>216,174</u>

As at 31 March 2023 it is proposed that the current capital commitments will be funded by existing loan agreements with Sovereign Housing Group Ltd and open market sales.

**18. 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 and has therefore not disclosed transactions or balances with other wholly owned subsidiaries which form part of the Group (or investees of the Group qualifying as related parties).

**19. Parent Undertaking**

Sovereign Housing Development Limited'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 Association and its subsidiaries and the consolidated financial statements for the Association are available from the Association's registered office at Sovereign House, Basing View, Basingstoke, Hampshire RG21 4FA.

**20. Accounting Estimates and Judgements****Investment properties**

Investment properties were valued on the basis of open market value as at 31 March 2023. The assessment of rental values is formed purely for the purposes of assisting in the formation of an opinion of capital value and is generally on the basis of Market Rent.

**Provisions**

Provisions are recognised in the financial statement based on the likelihood of a liability occurring and an appropriate estimate is known for such liability. The amounts recorded in note 15 are continually evaluated by management.