REGISTERED NUMBER: 02387333 (ENGLAND AND WALES)

LOVELL

LOVELL PARTNERSHIPS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

LOVELL PARTNERSHIPS LIMITED

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LOVELL PARTNERSHIPS LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022

Directors	S Coleby S M Breslin S P Crummett J S Elliott D E Gough J C Morgan
Company Secretary	Clare Sheridan
Head Office	Marston Park Tamworth Staffordshire B78 3HN
Registered Office	Kent House 14–17 Market Place London W1W 8AJ
Independent Auditor	Ernst & Young LLP Statutory Auditor One Colmore Square Birmingham B4 6HQ United Kingdom

LOVELL PARTNERSHIPS LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Principal activities

Lovell Partnerships Limited (hereafter referred to as "the Company") focuses on working in partnerships with local authorities and housing associations. Activities include mixed tenure developments; building and developing homes for open market sale and for social/affordable rent. In addition, the Company carries out 'design & build' house contracting and planned maintenance & refurbishment. These have not changed during the year and are not expected to change in the foreseeable future. Our strategy is reviewed annually but has remained consistent for a number of years, with our focus on long term frameworks that allow us to build more meaningful relationships with our key customers. The Company is a member of Morgan Sindall Group plc and its subsidiaries (hereafter referred to as "the Group") and its activities are included in those of the Group's Partnership Housing division.

Business review

The results for the year and key performance indicators for the Company were as follows:

	Year to 31 December 2022 £000	Year to 31 December 2021 £000
Turnover	**674,200**	551,585
Adjusted operating profit [1]	**26,251**	29,654
Operating margin [1]	**3.90%**	5.38%
Adjusted profit before tax [1]	**25,299**	29,911
Secured order book & Development pipeline[2]	**1,983,869**	1,497,945

[1] Excluding exceptional building safety charge

[2] The 'secured order book' is the sum of the 'committed order book' and the 'framework order book'. The 'committed order book' represents the Company's share of future revenue that will be derived from the signed contracts or letters of intent. The 'framework order book' represents the Company's expected share of revenue from the frameworks on which the Company has been appointed. This excludes prospects where confirmation has been resolved or preferred bidder only, with no formal contract or letter of intent is place.

In the current year, the revenue increased by 22% to £674.2m (2021: £551.6m). The revenue generated from mixed-tenure and sale of pure open market properties was up 14% in the year to £369.1m (2021: £322.4m) with increased demand driving up completions and house sales prices. Wider geographical coverage and additional contracting work has resulted in contracting revenue (including planned maintenance and refurbishment) increasing by 33% to £305.1m (2021: £229.2m). The Company's cost of sales were higher throughout the year with a 26% increase to £605.4m (2021:£481m). As a result of cost inflation, high demand for materials and services and supply chain constraints, cost of sales increased during the year resulting in the operating profit (excluding exceptional costs) decreasing to £26.3m (2021: £29.7m), with an operating margin of 3.90% (2021: 5.38%).

Business review (continued)
The Company ended the year in a strong position in terms of future workload, with work winning successes increasing the secured forward order book & development pipeline by 32% to £1,984m (2021: £1,498m).

During the year, the Company signed the Developers' Pledge ("the Pledge") with the Department for Levelling Up, Housing and Communities ("DLUHC") setting out the principles under which life-critical fire safety issues on buildings are to be remediated. Management have reviewed legal and constructive obligations with regard to remedial work to rectify legacy building safety issues. Where obligations exist, these have been evaluated for the likely cost to address. As a result of this review provisions were recognised, totalling £5.5m, of which £0.4m has been utilised during the period. The provisions recognised have been presented as exceptional charges due to their materiality and irregular nature. The final form legal contract with DLUHC was signed by group in March 2023.

For mixed tenure and pure open market revenue streams, 1,438 open market and social housing units were completed compared to 1,343 in the prior year. The average sales price was £258k compared to the prior year average of £249k. A further 498 open market and social housing units were delivered in joint venture partnerships compared to 450 in the prior year.

The Company currently has a total of 58 (2021: 48) mixed tenure sites at various stages of construction and sales, with an average of 157 (2021: 143) open market units per site. Average site duration is 48 months (2021: 48 months), providing long-term visibility of activity.

Partnership Housing increased its portfolio of long-term joint ventures during 2022. The division formally executed a 15-year joint venture with Suffolk County Council with an initial five sites (2,800 homes) immediately under option. Preferred bidder status was achieved with Peabody Developments for the next two phases of its major regeneration programme at Thamesmead totalling 750 new homes. In addition, Partnership Housing has been selected as preferred bidder by Scarborough Council for their 30-year 'Better Homes' joint venture, with initial sites identified to deliver over 700 new homes in the Scarborough area. Scarborough Council will be part of the new North Yorkshire Unitary Council from April 2023, which would be the contracting authority.

Planning permission was secured for the first scheme of Partnership Housing's joint venture with West Sussex County Council, with works anticipated to start on site in 2023. Compendium Living, the division's joint venture with The Riverside Group, began work during the year on two further phases worth £35m, at Ings in Hull and Castleward in Derby. Work also started on the development of 163 units at the site of the former Philips factory in South Lanarkshire and 766 units on an additional phase of the One Woolwich Programme in London. The division legally completed the purchase of a 398unit site in Queensferry, Edinburgh with the majority of units affordable homes or forward sold to Sigma Homes as private-for-rent.

Elsewhere, progress continued on other mixed-tenure schemes, in partnerships with Riverside, Clarion Housing, Trafford Housing Trust, Together Housing Group, Repton Property Developments (owned by Norfolk County Council), the Borough Council of Kings Lynn & West Norfolk, Flagship Group, Pobl Group and Homes England.

Return on capital employed decreased to 14% (2021: 15%). Based upon the profile, schedule and type of mixed tenure development currently anticipated, together with the timing of the forecast contracting activities, capital employed is expected to increase in 2023.

Business review (continued)
Key contracting schemes awarded in the year included: a £17m scheme in Stockton in conjunction with sister division, Urban Regeneration; a £70m project at Gallions 3B, Newham for Notting Hill Developments Ltd; a £30m, 143-unit scheme at Barne Barton, Plymouth for Clarion Housing; a £15m, 90-unit scheme for Saffron Housing Trust on the old Wymondham Rugby Club site in South Norfolk; and the £20m, 124-unit Chartist Garden Village scheme in Pontllanfraith for Pobl Group. Work started on the final phase of development at The Mill in Cardiff and an £11m refurbishment scheme at The Lakes in Oldbury for Sandwell Metropolitan Borough Council, which will transform five low-rise residential buildings into modern social accommodation for rent.

Financial position and liquidity
The financial position of the Company is presented in the Balance Sheet. The total shareholder's funds at 31 December 2022 were £149.0m (2021: £164.3m). The Company had net current assets of £105.4m (2021: £124.7m), including cash of £22.6m (2021: £28.2m) at 31 December 2022.

The Company participates in the Group's banking arrangements (under which it is a cross guarantor). As at 31 December 2022, the Group had net cash balances of £355m. The Group also had £180m of committed loan facilities £15m maturing in 2024 and £165m of committed loan facilities maturing in 2025, which were entirely undrawn as at 31 December 2022.

Key performance indicators
The Company's financial key performance indicators are described in the business review above. Further indicators are reviewed by Directors in the monthly Board Pack. These include the Company targeting to achieve five star builder standard, monitored by the Sales Director and specific health and safety measures, managed by the Head of Health & Safety. No other key performance indicators are deemed necessary to explain the development, performance or position of the Company.

Principal risks and uncertainties
The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to relate to:

- securing longer term regeneration and land development opportunities;
- influence of government stimulus on the UK housing sector;
- delays in the planning environment impacting site delivery;
- health and safety incidents that cause harm to an individual or the community as a result of works carried out by the Company;
- the potential impact of the Company's non-adherence to environmental performance requirements;
- capacity constraints within the supply chain, and the continuing associated inflationary impact on raw materials and availability of contracted labour;
- skills shortages across the key construction disciplines;
- non adherence to the Developer Pledge mitigating life-critical fire-safety issue;
- the potential impact of Brexit on consumer confidence, supply of labour, climate change and the wider macroeconomic environment;
- counterparty and liquidity risk;
- contractual risk (including mispricing of contracts, managing changes to contracts and contract disputes, poor project delivery and poor contract selection).

Further discussion of risks and uncertainties in the context of the Group as a whole is provided in the strategic report in the Group's annual report, which does not form part of this report.

Financial risk management objectives and policies
The Company's operations expose it to a variety of financial risks that include credit risk, liquidity risk, interest rate risk and price risk.

Credit risk
With regard to credit risk, the Company has implemented policies that require appropriate credit checks on potential customers before contracts are commenced. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers outside of the Group. Furthermore, in relation to debtors, retentions and contract assets, the Company monitor the credit strength of customers to ensure current and future balances can be recouped from contracts.

Liquidity risk
This is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company aims to manage liquidity by ensuring that it will always have sufficient resources to meet its liabilities when they fall due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Liquidity is provided through cash balances and access to the Group's committed bank loan facilities.

Interest rate risk
In respect of interest rate risk, the Company has interest bearing assets and liabilities. Interest bearing assets and liabilities include cash balances, overdrafts and loans to joint venture companies, all of which have interest rates applied at floating market rates. The risk is mitigated by using a range of alternative banking facilities across the Group where both assets and liabilities can be transferred to take advantage of interest rate fluctuations.

Price risk
The Company has some exposure to commodity price risk as a result of its operations, in relation to both materials and labour. This risk is managed on a project by project basis by limited forward buying of certain commodities and by negotiating annual purchase agreements with key suppliers. The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

Section 172(1) statement
The directors of the Company, when taking strategic, financial and operational decisions, consider what is most likely to promote the success of the Company and the Group in the long term, for the benefit of shareholders and having regard to the interests of wider stakeholders. The directors also understand the importance of engaging with key stakeholders and taking their views into account when making decisions as well as considering the impact of our activities on local communities, the environment, including climate change, and the Group's reputation.

In order to maintain a reputation for high standards of business conduct, we adhere to our Group Code of Conduct which states our commitment to our Human Rights Policy and provides a framework for how we should act when engaging with our clients, partners, colleagues and suppliers. The Code of Conduct gives our employees practical guidance on upholding the Group's Core Values and delivering on the Group's strategic priorities which include our Total Commitments to being a responsible business.

Section 172(1) statement (continued)
The key activities of the Company's directors during the year included:
- Approval of the financial statements for the year ended 31 December 2022;
- Approval of an interim dividend for the year ended 31 December 2022;
- Preparation of the Company's five-year strategic plan and annual budget for approval by the Group Board;
- reviewed and discussed financial performance against budget, including exceptional items and any deviations from expectations to consider the operational improvements;
- Preparation of monthly reports on performance for the Group Board, including health and safety, risks and opportunities, and stakeholder engagement;
- Monitor environmental performance against the strategy and continued to deliver on its sustainability and climate change commitments;
- Developing the culture of the Company and progressing diversity and inclusion;
- Review of legal and constructive obligations with regard to remedial work to rectify legacy building safety issues, where an appropriate exceptional provision has been created.

Further information, including the Group's Section 172 statement, can be found in the Group's 2022 report and accounts at www.morgansindall.com.

Engagement with our key stakeholders

Shareholders
The Company's ultimate shareholder is Morgan Sindall Group plc. We create value for the Group by generating strong and sustainable results that translate into dividends. The directors discuss Company performance with the Group's executive directors in monthly management meetings and provide executive summaries for the Group Board. In addition, the directors routinely engage with the Group Board on topics of strategy, governance and performance. Company strategic plans are reviewed by the Group Board and include information on the impact of our activities on each stakeholder group and the environment.

Employee engagement
Our employees are at the forefront of our business. We are proud of our people who have the passion, commitment and the range of expertise we need to support and make a difference for our clients.

Our key priorities are to provide our employees with a fair, respectful and safe environment in which to work; have regard for their health and wellbeing; invest in their personal development and career progression; offer support for flexible working; and create an open and honest culture that promotes diversity and inclusion. Our employee policies are designed to support these goals and take account of external legislation, our Code of Conduct and Core Values so that we can continue to recruit, develop and retain the talent needed to deliver our strategy.

We believe it is essential to engage with our employees to understand their views and priorities and how they feel about the business.

The Group's 2022 annual report and accounts describe how the Group Board engages with employees across the Group and how it reviews the Company's employee engagement activities throughout the year.

Section 172(1) statement (continued)

Employee engagement (continued)
We engage directly with our employees and keep them updated with our business goals, market conditions, operational performance, health and wellbeing support and career advancement and personal development opportunities, using a variety of communication methods and channels. All new starters are given a formal induction programme which includes introducing them to our Core Values and Total Commitments.

We hold an annual conference for employees where directors and other senior managers communicate key messages and employees have the opportunity to share ideas and experiences with us and colleagues from different roles and regions. We encourage our employees to challenge the status quo and think differently so that they can keep improving, for example, the majority of employees have signed up to the Company's Carbon Pledge 2022, which is utilised in order to maintain our key position as an industry carbon reduction leader.

We hold regular workshops and conduct surveys of our employees, following which we analyse their feedback and share with them the results together with the actions that we will be undertaking in response and the impact of those activities. Examples of the actions we have taken in 2022 include the launch of the Lovell Way, which enhances our core principles and develops employee engagement as the workforce grows.

A savings related share option scheme ("Sharesave") is currently in operation under which employees are given the opportunity to purchase Morgan Sindall Group plc shares in the future at a discount.

Diversity and inclusion
We recognise that diversity of thought, perspectives and experiences drive innovation and provide competitive advantage and therefore ensure that our employment practices promote a diverse and inclusive work environment. We are committed to creating opportunities for career growth and building a continuous learning culture. We hold personal development conversations with our employees throughout their careers with us and help them gain the skills they need to support their ambitions and drive the business forward.

We have developed action plans to improve inclusion. These include focusing on our recruitment and retention processes, promoting careers in the industry and supporting diversity and inclusion in our supply chain.

Disabled employees
The Company's policy aligns with the Group policy to give full and fair consideration to job applications made by disabled people; commit to making reasonable adjustments to their role and responsibilities; and offer the training and support they need to give them the same opportunities for progression as our other employees.

Engagement with suppliers, clients and partners and local communities
We believe the best approach to developing and nurturing long-term relationships is to base them on trust, by maintaining regular dialogue, listening attentively, being open and transparent when giving information, and working collaboratively.

Section 172(1) statement (continued)

Engagement with suppliers, clients and partners and local communities (continued)
We engage with and monitor our subcontractors' performance against set criteria and give constructive feedback. The Group's whistle blowing service is available to our subcontractors to raise any concerns they have about behaviours or decisions that do not uphold the standards set by our Code of Conduct. We follow the Prompt Payment Code and in 2022 paid 97% of invoices within 60 days. We continue to keep our payment performance under review and to publish our payment practices data every 6 months in accordance with UK law.

We work with clients from the public, commercial and regulated sectors and our partners include local authorities, landowners and housing associations. In addition, we consider the needs of local communities and the 'end users' who will occupy or use the spaces and infrastructure we create. Long-term relationships with our clients and partners are key to the Group's organic growth strategy. Our decentralised approach enables us to engage with our clients and partners at local level and tailor our services as needed. We focus on customer experience and we ask for clients' feedback on project completion via questionnaires and interviews, the results of which are shared with the project teams and analysed by the directors to drive further improvements.

Our project teams liaise and with local residents and communities before and during our projects and where appropriate we engage members of the local community in consultations on a project's development. We also partner with schools to introduce construction as a career option and our project teams get involved in local charities and events.

We report to the Group Board of directors on a monthly basis on details of our relationships with our supply chain, clients and local communities, including feedback and satisfaction metrics and details of community initiatives. Further information on stakeholder engagement and the Group's delivery on its Total Commitments can be found in the Group's 2022 annual report and accounts.

Principal decisions
We define principal decisions as those that are material to the Company and to the Group and those that are significant to our key stakeholder groups as above. As set out below, we have given examples of how the directors have considered the outcomes from our stakeholder engagement as well as the need to maintain the Company's reputation for high standards of business conduct and to act fairly between the members of the Company in some of the principal decisions we have taken during the year. During the year, the directors renewed their five-year strategic plan outlining the direction the business will take over the period. It took due consideration of all stakeholders and provided a forecast taking into account the markets and risk profile agreed with Group.

Contract selectivity was carefully considered on every tender submission. Contract terms and conditions, including payment terms, are carefully balanced against existing resource and contract commitments. Subcontractors were selected from an approved database which monitors quality performance, financial standing, health and safety performance, workload and resources. The list of preferred subcontractors is reviewed regularly with supply chain members being demoted from or added to the list based on their scores.

Principal decisions (continued)

The directors monitor key performance indicators on all total commitments on a monthly basis and adjust custom and practices accordingly to ensure targets are met.

Approved by and on behalf of the Board

S M Breslin
Director
29 March 2023

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and the audited financial statements for the year ended 31 December 2022. The annual report comprises the strategic report and directors' report, which together provide the information required by the Companies Act 2006. The financial statements have been prepared in accordance with UK 'accounting standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position as well as the financial position of the Company, its cash flows, liquidity position and the borrowing facilities are described in the strategic report on pages 2 to 9.

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Company can continue in operational existence during the going concern period, which the directors have defined as the date of approval of the 31 December 2022 financial statements through to 29 March 2024.

The Group has provided a letter of support that it is willing and able to provide financial support to the Company for a period through to 29 March 2024 in order for the Company to meet its financial liabilities as and when they fall due, to the extent that the Company has insufficient funds to meet such liabilities.

The Company participates in the Group's banking arrangements (under which it is a cross guarantor). As at 31 December 2022 the Group had net cash balances of £355m. The Group also had £180m of committed loan facilities £15m maturing in March 2024 and £165m maturing in October 2025, which were entirely undrawn as at 31 December 2022.

The Company's future workload is healthy with a secured order book of £1,984m of which £784m relates to the 12 months ending 31 December 2023. The Company has a strong financial position as the year end with net assets of £105.4m (2021: 124.7m), including cash of £22.6m (2021: £28.2m) as at 31 December 2022.

Based on the above, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence to the end of the going concern period. Thus they continue to adopt the going concern basis in preparing the financial statements. Further details can be found in the principal accounting policies in the financial statements.

Directors

The directors who served during the year and to the date of this report are shown on page 1. None of the directors had any interest in the shares of the Company during the year ended 31 December 2022.

Directors' indemnities

The Company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006. Furthermore, the Group maintains liability insurance for its directors and officers and those of its directors and officers of its associated companies. The Group has also indemnified certain directors of its Group companies to the extent permitted by law against any liability incurred in relation to acts or omissions arising in the ordinary course of their duties.
The Company has not made qualifying third party indemnity provisions for the benefit of its directors during the year.

Dividends
An interim dividend of £30m (2021: £30m) was paid during the year. The directors do not recommend the payment of a final dividend (2021: £nil).

Post balance sheet events
There were no subsequent events that affected the financial statements of the Company.

Political contributions
The Company made no political contributions during the year (2021:£nil).

Employment policies
The Company insists that a policy of equal opportunity employment is demonstrably evident at all times. Selection criteria and procedures and training opportunities are designed to ensure that all individuals are selected, treated and promoted on the basis of their merits, abilities and potential.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should as far as possible, be identical to that of a person who does not suffer from a disability.

Engagement with employees and other stakeholders
Details on engagement with employees and other stakeholders can be found in the strategic report on pages 6 to 9.

Environmental performance
The Group continues to maintain its sector leadership status in addressing climate change. For the third year in a row, the Group achieved a grade 'A' score for its leadership on climate change from CDP and since 2010, all the Group's (including the Company's) emissions have been independently verified.

In early 2021, the Group set its goal of achieving 'net zero' in its Scope 1[1], Scope 2[2] and operational Scope 3[3] emissions by 2030. The Group's route to operational net zero is through reducing such emissions by 60% (based on its 2019 emissions) and offsetting its residual emissions by investing in UK-based projects. In 2022, the Group achieved a reduction of 4% in its Scope 1[1], Scope 2[2] and operational Scope 3[3] emissions compared to 2021, resulting in a total 40% reduction compared to its 2019 baseline. Based on its current trajectory, the Group is on track to achieve its targeted reductions by 2030.

Considerable progress has been made by the Group with its responsible offsetting projects. These include its investment in a 25-year project to create nine new woodlands on the Blenheim Estate in Oxfordshire. As well as providing measurable, demonstrable gains in terms of absorbing and storing carbon, increasing biodiversity and improving soil, air and water quality, the woodlands will provide wellbeing benefits for people visiting the area.

In addition, since the year end, the Group announced its participation in two other responsible offsetting projects: a peatland restoration programme to restore over 300 hectares of blanket bog in the Northern Pennines AONB and the Yorkshire Dales National Park; and the acquisition of 54 hectares of land to support the RSPB in unlocking and restoring additional land next to their existing

Environmental performance (continued)
Lakenheath Fen reserve in Norfolk. In addition to preventing further carbon loss from the degraded soils and storing future carbon, both projects will enable endangered species to recover, support a range of wildlife and provide people with vibrant places to visit.

The Group has set science-based targets for reducing carbon emissions and was one of the first construction companies globally to have its science-based emission targets officially accredited back in 2018. In 2022, the Group realigned its targets to a 1.5°C scenario and submitted them to the Science Based Targets Initiative for revalidation. As part of this, the Group has now extended its net zero target to include the full total of its Scope 3[4] emissions (i.e. not just operational Scope 3) by 2045. This target is consistent with progress made to date and with the 2030 net zero target, which includes only operational Scope 3[3] emissions.

Where possible, the Group integrates biodiversity into design decisions and measures the biodiversity net gain[5] associated with projects. The Group also supports a circular economy by reducing waste, recycling, and reusing waste where appropriate. In 2022, 96% of the Group's waste was diverted from landfill and total waste reduced by 57%.

Further details of the Group's environmental performance and a copy of the Task Force on Climate-related Financial Disclosure (TCFD) report please see the Morgan Sindall Group plc 2022 Annual Report www.morgansindall.com.

[1] *Scope 1 emissions are direct emissions from owned or controlled sources.*
[2] *Scope 2 emissions are Indirect emissions generated from purchased energy.*
[3] *Operational Scope 3 emissions are all indirect emissions not included in Scope 2 that occur in limited categories of our value chain as measured by the Toitu carbon reduce scheme.*
[4] *Scope 3 emissions are all emissions arising from the whole value chain from supply chain and end-users of buildings. Total emissions include carbon embodied in the materials (emitted during raw extraction, manufacture, transport to site, and disposal or recycling; carbon emitted during construction via energy use and waste; and estimated carbon emitted from operating the buildings for 60 years following handover to the client.*
5 Biodiversity net gain is an approach to development, and/or land management, that aims to leave the natural environment in a measurably better state than it was beforehand.

Independent auditor and disclosure of information to the independent auditor
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself 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 section 418 of the Companies Act 2006.

Ernst & Young LLP have expressed their willingness to continue in office as auditor and pursuant to Section 487 of the Companies Act 2006, Ernst & Young LLP is deemed to be reappointed as auditor.

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

The directors confirm that they have complied with the above requirements in preparing the financial statements. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Practice (United Kingdom Accounting Standards and applicable law) including FRS 101. 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.

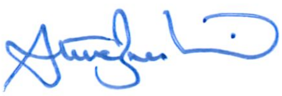
In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company financial position and financial performance;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report and corporate governance statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved for and on behalf of the Board



S M Breslin
Director
29 March 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOVELL PARTNERSHIPS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2022

Opinion

We have audited the financial statements of Lovell Partnerships Limited ('the company') for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice) ("FRS 101").

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included the following:

The company is part of Morgan Sindall Group plc (the 'group') and is a participant in the group's cash pooling arrangement. The day to day liquidity requirements of the company are sourced either from within the company or, where necessary, from the continued support of the group, such support having been confirmed in writing as available through to 29 March 2024. Given these factors, the going concern assessment is focused on the ability of the company to satisfy its own liquidity requirements supplemented by any financial support from the group as necessary.

Our evaluation of the directors' assessment of company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the company's financial statement close process, we confirmed our understanding of management's going concern assessment process and also engaged with management early to ensure key factors were considered in their assessment, including factors which we determined from our own independent risk assessment.
- We obtained management's Board-approved forecast cash flows which covers the period to 29 March 2024. We have reviewed the forecasts and have modelled downside scenarios, considering the ranging impacts of a decline in house prices as predicted by market experts and future cost inflation.
- We assessed the appropriateness of the scenarios modelled by management which included assessing how these compare with principal risks and uncertainties of the company.
- We assessed the reasonableness of the cash flow forecast by analysing management's historical forecasting accuracy, and evaluating the key assumptions used in the forecast. This included assessing whether key factors specific to the entity, such as the economic environment and market/sector trends, were considered in management's assessment. We also assessed the completeness and appropriateness of the scenarios modelled by management and how they compare with principal risks of the company.
- We have considered the methodology used to prepare the forecast. We also tested the clerical accuracy and logical integrity of the model used to prepare the company's going concern assessment.
- We performed further sensitivity analysis and our own reverse stress testing in order to identify what scenarios (for example, the extent operating profit would need to deteriorate) could lead to the company utilising all liquidity during the going concern period, and whether these scenarios were plausible.
- Our analysis also considered the mitigating actions that management could undertake in an extreme downside scenario and whether these were achievable and in control of management.
- We reviewed the financial position of the group and its forecast liquidity through to 29 March 2024 and evaluated whether it has sufficient financial resources to support the company, if needed, to meet its financial liabilities as and when they fall due.
- Reviewed the letter of support provided by the group to the company, noting they were willing and able to provide financial support, as needed, for the period through to 29 March 2024.
- Inquired of management as to their knowledge of events or conditions beyond the period of their assessment that may cast significant doubt on the entity's ability to continue as a going concern and compared their response to their forward order book and market forecasts (e.g., in respect of inflation risk).
- We considered whether the going concern disclosures included in the financial statements were appropriate and in conformity with applicable reporting standards.

The results from both management's evaluation and our independent sensitivity analysis and reverse stress testing indicates that in order to exhaust its available funding throughout the going concern period, the company's revenue and margin would need to shrink to a position that is significantly worse than the financial effect of the disruption caused by the Covid pandemic during 2020 and is considered remote.

As at 31 December 2022, the company has a secured order book of £1.98bn, of which £0.78bn relates to the 12 months ending 31 December 2023, and it has a net cash balance of £22.6m. The Company also has a £10m receivable from other group entities as a part of group cash pool arrangements

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's

ability to continue as a going concern for a period which the Directors have defined as the date of approval of the 31 December 2022 financial statements through to 29 March 2024.
Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (UK adopted International Accounting Standards, the Companies Act 2006, The Companies (Miscellaneous Reporting) Regulations 2018) and the relevant direct or indirect tax compliance regulations in the UK.
- We understood how Lovell Partnerships Limited is complying with those frameworks by making enquiries of management, internal audit and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and papers provided to the Board and the group's Audit Committee, noting the strong emphasis of transparency and honesty in the company's culture and the levels of oversight the Board and group management have over the company despite the decentralised operating model of the group. We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it considered there was a susceptibility to fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programmes and controls that the company has established to address risks identified, or that otherwise prevent and detect fraud; and how senior management monitor

those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures are set out below and were designed to provide reasonable assurance that the financial statements were free from material fraud and error.

- We performed risk assessment of the contract population and selected a sample of higher-risk contracts (based on value and/or complexity) and obtained an understanding of the contract terms, key operational or commercial issues, judgements impacting the contract position and contract revenue and margin recognised. Factors we considered when determining higher-risk contracts to select includes the size of the contract, contracts with significant accrual balances, low margin and loss-making contracts or contracts with a significant deterioration in margin, and stage of completion;
- Performed walkthroughs of the significant classes of revenue transactions recognised over time and assessed the design effectiveness of key controls.
- Discussed management's contract risk tracker with the Finance Controller, Commercial Director and the respective regional Financial Directors;
- Performed site visits at a selection of higher-risk contracts in order to corroborate the contract positions in person through review of the operations and discussions with contract personnel on-site to form an independent view on the judgements taken;
- Performed a detailed review of the signed contract agreements to understand the commercial terms and review of any legal correspondence or expert advice that has been obtained to support any contract positions recorded;
- Assessed the appropriateness of supporting evidence and the requirement of IFRS 15 and the company's accounting policy;
- Considered the appropriateness of the accruals at the year end and assessed whether these have been incurred and not materially overstated/understated;
- Reviewed contract asset balances and challenged management on both the recognition criteria together with the recovery of balances at the year end which have not been provided for including the consideration of counterparty risk;
- Inspected correspondence with counterparties and lawyers in respect of contract claims for and against the company and assessed the judgements made in respect of the of existence of assets and the completeness of liabilities;
- Assessed the reasonableness of calculations of estimated costs to complete, which included understanding the risks/outstanding works on the contract, the impact of any delays or other delivery issues and the related provisions for cost escalations that have been recognised;
- Assessed the appropriateness of cost allocations across contracts including evaluation of whether there has been any manipulation of costs between profit-making and loss-making contracts;
- Challenged the rationale for material provisions held at a contract level and concluded if these are appropriate;
- Challenged the level of onerous contract provisions recognised for loss-making contracts as well as any cost contingencies on the remaining contracts at year end;
- Assessed the correlation between revenue, receivables and cash balances using data analytical tools or through other substantive test of detail procedures; and
- Reviewed material manual journals recorded to assess whether these have been properly authorised, are appropriately substantiated and are for a valid business purpose.

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved journal entry testing with a focus on journals indicating unusual transactions based on our understanding of the business, enquiries of management, and focussed testing as defined above. In addition, we completed procedures to conclude on the compliance of the disclosures in the financial statements with the requirements of the relevant accounting standards and applicable UK legislation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

DocuSigned by:
Adrian Roberts
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Adrian Roberts (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham, United Kingdom
29 March 2023

LOVELL PARTNERSHIPS

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £000	2021 £000
Revenue	1	**674,200**	551,585
Cost of sales		**(610,967)**	(480,715)
Gross profit		**63,233**	70,870
Analysed as:			
Adjusted gross profit		**68,733**	70,870
Exceptional building safety charge	15	**(5,500)**	-
Administrative expenses		**(43,209)**	(42,259)
Other operating income	2	**727**	1,043
Operating profit	3	**20,751**	29,654
Analysed as:			
Adjusted operating profit		**26,251**	29,654
Exceptional building safety charge		**(5,500)**	-
Interest receivable	6	**559**	567
Interest payable	6	**(1,511)**	(310)
Profit before tax		**19,799**	29,911
Analysed as:			
Adjusted profit before tax		**25,299**	29,911
Exceptional building safety charge		**(5,500)**	-
Tax	7	**(5,042)**	(6,626)
Profit for the financial year attributable to owners of the Company	18	**14,757**	23,285
Total comprehensive income for the year attributable to owners of the Company		**14,757**	23,285

Continuing operations
The results for the current and previous financial years all derive from continuing operations.

The notes on pages 35 to 52 form an integral part of these financial statements.

LOVELL PARTNERSHIPS LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Notes	2022 £000	2021 £000
Non-current assets			
Intangible assets	8	**26,594**	26,594
Property, plant and equipment	9	**9,804**	7,377
Investments in subsidiaries and joint ventures including loans	10	**44,954**	44,857
		81,352	78,828
Current assets			
Inventories	11	**272,031**	236,422
Contract assets	13	**54,110**	37,900
Trade and other receivables	12	**69,839**	55,533
Current tax asset		**2,014**	-
Cash and bank balances		**22,552**	28,183
		420,546	358,038
Total assets		**501,898**	436,866
Current liabilities			
Contract liabilities	13	**(10,066)**	(7,781)
Trade and other payables	14	**(291,920)**	(224,596)
Current tax liabilities		**-**	(137)
Lease Liabilities	21	**(1,218)**	(833)
Provisions	15	**(11,926)**	-
		(315,130)	(233,347)
Net current assets		**105,416**	124,691
Non-current liabilities			
Trade and other payables	14	**(30,352)**	(32,794)
Lease liabilities	21	**(5,115)**	(4,033)
Deferred tax liabilities	16	**(2,273)**	(2,421)
		(37,740)	(39,248)
Total liabilities		**(352,870)**	(272,595)
Net assets		**149,028**	164,271
Capital and reserves			
Called up share capital	17	**114,500**	114,500
Retained earnings	18	**34,528**	49,771
Total shareholder's funds		**149,028**	164,271

The financial statements of Lovell Partnership Limited (company number 02387333) were approved by the Board and authorised for issue on 29 March 2023. They were signed on its behalf by:

....

S M Breslin
Director
29 March 2023

The notes on pages 35 to 52 form an integral part of these financial statements.

LOVELL PARTNERSHIPS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital (Note 17) £000	Retained earnings (Note 18) £000	Total £000
At 1 January 2021	**114,500**	**56,486**	**170,986**
Total comprehensive income	-	23,285	23,285
Dividends paid	-	(30,000)	(30,000)
At 31 December 2021	**114,500**	**49,771**	**164,271**
Total comprehensive income	-	14,757	14,757
Dividends paid (Note 23)	-	(30,000)	(30,000)
At 31 December 2022	**114,500**	**34,528**	**149,028**

The notes on pages 35 to 52 form an integral part of these financial statements.

General information

Lovell Partnerships Limited (the 'Company') is a private company limited by shares, incorporated and domiciled in the UK under the Companies Act 2006 and registered in England and Wales. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 9. The address of the registered office is given on page 1.

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the Company has prepared its financial statements in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share based payments, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, presentation of standards not yet effective and related party transactions. Where required, equivalent disclosures are given in the consolidated accounts of Morgan Sindall Group plc, which are available to the public at www.morgansindall.com.

The financial statements have been prepared under the historical cost convention, except for balances in relation to the shared equity scheme which are held at fair value as permitted by the Companies Act 2006. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

These financial statements are presented in pounds sterling which is the Company's presentational and functional currency. The values are rounded to the nearest pound (£000) except when otherwise stated.

Immediate and Ultimate parent undertaking

The directors consider that the immediate and ultimate parent undertaking and ultimate controlling party of this Company is Morgan Sindall Group plc, which is registered in England and Wales. It is the only group into which the results of the Company are consolidated. Copies of the consolidated financial statements of Morgan Sindall Group plc are publicly available from morgansindall.com or from its registered office Kent House, 14-17 Market Place, London W1W 8AJ.

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the preparation of consolidated financial statements because it is included in the Group accounts of Morgan Sindall Group plc. These financial statements are separate financial statements and present information about the Company as an individual undertaking and not of the Group.

Adoption of new and revised standards

New and revised accounting standards adopted by the Company

During the year, the Company has adopted the following new and revised standards and interpretations. Their adoption has not had any significant impact on the accounts or disclosures in these financial statements.

- Amendments to IFRS 3 'Reference to the Conceptual Framework';
- Amendments to IAS 16 'Property, Plant and Equipment – Proceeds before Intended Use';
- Amendments to IAS 37 'Onerous Contracts – Cost of Fulfilling a Contract';
- Annual Improvements to IFRS Accounting Standards 2018-2020 cycle.

Adoption of new and revised standards (continued)

New and revised accounting standards and interpretations which were in issue but were not yet effective and have not been adopted early

At the date of the financial statements, the Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 17 'Insurance Contracts';
- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current';
- Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgements – Disclosure of Accounting Policies';
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates';
- Amendments to IAS 12 'Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction';
- Amendments to IFRS 16 'Lease Liability in a Sale and Leaseback'.

The Company is currently assessing the impact of the standards but do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

The accounting policies as set out below have been applied consistently to all periods presented in these financial statements.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position as well as the financial position of the Company, its cash flows, liquidity position and the borrowing facilities are described in the strategic report on pages 2 to 9.

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Company can continue in operational existence during the going concern period, which the directors have defined as the date of approval of the 31 December 2022 financial statements through to 29 March 2024.

The Group has provided a letter of support that it is willing and able to provide financial support to the Company for a period through to 29 March 2024 in order for the Company to meet its financial liabilities as and when they fall due, to the extent that the Company has insufficient funds to meet such liabilities.

The Company participates in the Group's banking arrangements (under which it is a cross guarantor). As at 31 December 2022 the Group had net cash balances of £355m. The Group also had £180m of committed loan facilities £15m maturing in March 2024 and £165m maturing in October 2025, which were entirely undrawn as at 31 December 2022.

The Company's future workload is healthy with a secured order book of £1,984m of which £784m relates to the 12 months ending 31 December 2023. The Company has a strong financial position as the year end with net assets of £105.4m (2021: £124.7m), including cash of £22.6m (2021: £28.2m) as at 31 December 2022.

Going concern (continued)
Based on the above, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence to the end of the going concern period. Thus they continue to adopt the going concern basis in preparing the financial statements. Further details can be found in the principal accounting policies in the financial statements.

Joint arrangements
A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, which requires unanimous consent for strategic, financial and operating decisions.

(i) Joint ventures
A joint venture generally involves the establishment of a corporation, partnership, or other entity in which each venturer has an interest. The Company operates a number of joint ventures for which it performs design and build construction work. The Company accounts for the results of this work as a normal contract, but amounts owed under these contracts are reported as amounts owed by joint ventures under note 10 in the notes to the financial statements. Investment in, and loans to, joint ventures are reported separately under note 10 in the notes to the financial statements. The results, assets and liabilities of joint ventures are not incorporated in the accounts as the Company is exempt by virtue of section 400 of the Companies Act 2006 from the preparation of consolidated financial statements because it is included in the Group accounts of Morgan Sindall Group plc. The Company's share of the income from these arrangements are included within other operating income in the statement of comprehensive income (note 2).

(ii) Joint operations
Construction contracts carried out as a joint arrangement without the establishment of a legal entity are joint operations. The Company operates an unincorporated joint arrangement with Northshore Development Partnership Limited, a fellow subsidiary of Morgan Sindall Group plc. The arrangement is supported by a Joint Venture Agreement dealing with the responsibility of each partner and their share of the contract outcome. The Company's share of the results and net assets of the arrangement are included under each relevant heading in the statement of comprehensive income and the balance sheet.

Intangible fixed assets - goodwill
Goodwill arises on business combinations and represents the excess of the cost of an acquisition over the Company's share of the identifiable net assets acquired at the acquisition date. Where the cost is less than the Company's share of the identifiable net assets, the difference is recognised in the statement of comprehensive income as a gain from a bargain purchase.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

Goodwill is tested for impairment annually. The projects associated with the goodwill are assessed based on their profit and cash flow projections to ensure the benefits generated are in excess of the book value.

Property, plant and equipment

Freehold and leasehold property, plant, machinery and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is provided in equal annual instalments at rates calculated to write off the cost of the assets, less estimated residual value, over their estimated useful lives as follows:

Freehold buildings	50 years
Plant, equipment, fixtures and fittings	between three and 10 years
Right of use - Leasehold buildings	the period of the lease
Right of use - Plant, equipment, fixtures and fittings	the period of the lease

Freehold land is not depreciated as it is considered to have an indefinite useful life.

Residual value is calculated on prices prevailing at the date of acquisition.

Gains/Losses on disposal of assets are recognised as the difference between the disposal proceeds and the carrying value of the asset at the date of disposal. This gain/loss is included in the statement of comprehensive income.

Investments in subsidiaries and joint ventures including loans

Investments and loans to joint ventures held as fixed assets are stated at cost less provision for impairment. Investments are reviewed for impairment at the earlier of the Company's reporting date or where an indicator of impairment is identified. The carrying value of assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Loans to joint ventures are held as fixed assets and are not included in impairments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs include materials and direct labour. Net realisable value is based on estimated selling price, less further costs expected to be incurred to complete and sell the asset. Provision is made for obsolete, slow-moving or defective items where appropriate.

Revenue

Revenue is defined as the value of goods and services rendered excluding discounts and VAT and is recognised as follows:

(a) Construction contracts

A significant portion of the Company's revenue is derived from construction contracts. These services are provided to customers across a wide variety of sectors and the size and duration of the contracts can vary significantly from a few weeks to more than 10 years.

The majority of contracts are considered to contain only one performance obligation for the purposes of recognising revenue. Whilst the scope of works may include a number of different components, in the context of construction activities these are usually highly interrelated and produce a combined output for the customer.

(a) Construction contracts (continued)
Contracts are typically satisfied over time. For fixed price construction contracts progress is measured through a valuation of the works undertaken by a professional quantity surveyor, including an assessment of any elements for which a price has not yet been agreed such as changes in scope.

Variations are not included in the estimated total contract price until the customer has agreed the revised scope of work.

Where the scope has been agreed but the corresponding change in price has not yet been agreed, only the amount that is considered highly probable not to reverse in the future is included in the estimated total contract price. Where delays to the programme of works are anticipated and liquidated damages would be contractually due, the estimated total contract price is reduced accordingly. This is only mitigated by expected extensions of time or commercial resolution being achieved where it is highly probable that this will not lead to a significant reversal in the future.

For cost reimbursable contracts, expected pain share is recognised in the estimated total contract price immediately whilst anticipated gain share and performance bonuses are only recognised at the point that they are agreed by the customer.

In order to recognise the profit over time it is necessary to estimate the total costs of the contract. These estimates take account of any uncertainties in the cost of work packages which have not yet been let and materials which have not yet been procured, the expected cost of any acceleration of or delays to the programme or changes in the scope of works and the expected cost of any rectification works during the defects liability period.

Once the outcome of a construction contract can be estimated reliably, margin is recognised in the income statement in line with the stage of completion. Where a contract is forecast to be loss-making, the full loss is recognised immediately in the income statement.

(b) Mixed tenure construction contracts
Revenue includes the fair value of the consideration received or receivable on amounts contractually due at the balance sheet date relating to the stage of completion of the agreement as verified by surveys performed by the relevant customer as this reflects the performance obligations delivered at the balance sheet date.

(c) Sale of land and properties
The Company derives a significant portion of revenue from the sale of land, along with the development and sale of mixed tenure/open market residential properties and commercial properties.

Contracts are typically satisfied at a point in time. This is usually deemed to be legal completion as this is the point at which the Company has an enforceable right to payment. The only exception to this is pre-let forward sold developments where the customer controls the work in progress as it is created; or where the Company is unable to put the asset being constructed to an alternative use due to legal or practical limitations and has an enforceable right to payment for the work completed to date. Where these conditions are met, the contract is accounted for as construction contract in accordance with paragraph (a) above.

(c) Sale of land and properties (continued)
Revenue from the sale of land, residential and commercial properties is measured at the transaction price agreed in the contract with the customer. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component. The Company no longer utilises shared equity loan schemes for the sale of residential properties.

Proceeds from the sale of properties taken in part exchange is not included in revenue but is treated as a reduction in costs.

In order to recognise the profit it is necessary to estimate the total costs of a development. These estimates take account of any uncertainties in the cost of work packages which have not yet been let and materials which have not yet been procured and the expected cost of any rectification works.

Profit is recognised by allocating the total costs of a scheme to each unit at a consistent margin. For mixed tenure schemes which also incorporate a construction contract, the margin recognised for the open market units is consistent with the construction contract element of the development.

(d) Contract balances
Contract assets
Contract assets primarily relate to the Company's right to consideration for construction work completed but not invoiced at the balance sheet date. The contract assets are transferred to trade receivables when the amounts are certified by the customer. On most contracts, certificates are issued by the customer on a monthly basis.

Contract Liabilities
Contract liabilities primarily relate to the advance consideration received from customers in respect of performance obligations which have not yet been fully satisfied and for which revenue has not been recognised. Contract liabilities are recognised as revenue when performance obligation to the customer has been satisfied.

(e) Contract costs
Costs to obtain a contract are expensed unless they are incremental, i.e. they would not have been incurred if the contract had not been obtained, and the contract is expected to be sufficiently profitable for them to be recovered.

Costs to fulfil a contract are expensed unless they relate to an identified contract, generate or enhance resources that will be used to satisfy the obligations under the contract in future years and the contract is expected to be sufficiently profitable for them to be recovered.

Where costs are capitalised, they are amortised over the shorter of the period for which revenue and profit can be forecast with reasonable certainty and the duration of the contract except where the contract becomes loss making. If the contract becomes loss making, all capitalised costs related to that contract are immediately expensed.

(f) Government grants

Funding received in respect of developer grants, where funding is awarded to encourage the building and renovation of affordable housing, is recognised as revenue on a stage of completion basis over the life of the project to which the funding relates.

Funding received to support the construction of housing where current market prices would otherwise make a scheme financially unviable is recognised as revenue on a legal completion basis when the properties to which it relates are sold.

Government grants are initially recognised as income in advance at fair value when there is reasonable assurance that the Company will comply with the conditions attached and the grants will be received.

Leases

Where the Company is a lessee, a right-of-use asset and lease liability are recognised at the outset of the lease other than those that are less than one year in duration or of a low value.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date based on the Company's expectations of the likelihood of lease extension or break options being exercised. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. The lease liability is subsequently adjusted to reflect imputed interest, payments made to the lessor and any lease modifications.

The right-of-use asset is initially measured at cost, which comprises the amount of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the Company and an estimate of any costs that are expected to be incurred at the end of the lease to dismantle or restore the asset. The right-of-use assets are presented within the property, plant and equipment line in the balance sheet and depreciated in accordance with the Company's accounting policy on property, plant and equipment. The amount charged to the income statement comprises the depreciation of the right-of-use asset and the imputed interest on the lease liability.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Pensions

The Company contributes to The Morgan Sindall Retirement Benefits Plan and to other employees' personal pension arrangements, which are of a defined contribution type, and to a number of Local Government Pension Schemes ('LGPS'), which are defined benefit schemes. It is not possible to separately identify the Company's share of the underlying assets and liabilities of the LGPS and therefore the Company accounts for the schemes as though they were defined contribution schemes. For all schemes the amount charged to the statement of comprehensive income is equal to the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Shared equity loan receivables

The Company offers shared equity home ownership schemes under which qualifying home-buyers can defer payment of part of the agreed sales price up to a maximum of 25% until the earlier of the loan term (10 or 25 years depending upon the scheme), remortgage or resale of the property.

Shared equity loan receivables (continued)
On occurrence of one of these events, the Company will receive a repayment based on its contributed equity percentage and the applicable market value of the property as determined by a member of the Royal Institution of Chartered Surveyors. Early or part repayment is allowable under the scheme and the loan is secured by way of a second charge over the property.

The shared equity loans receivable are hybrid financial instruments consisting of an initial principal component and an embedded derivative whose fair value varies in accordance with movements in the specific property prices to which the loan relates. The loans are non-interest bearing.

The Company has elected to designate the financial assets resulting from the shared equity schemes at fair value through profit or loss. This election can only be made at initial recognition and is irrevocable. The fair value of the loans is calculated on a portfolio basis using national property indices, a discount rate which reflects the prevailing interest rate and a suitable risk premium for the borrowers, an anticipated loan duration and the expected rate of debtor default. Fair value movements are recognised in operating profit and the resulting financial asset is presented as a receivable due in greater than one year.

Revenue resulting from the initial sale of properties under the shared equity scheme is recognised at the fair value of the consideration received or receivable.

Income tax
The income tax expense represents the current and deferred tax charges. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity.

Current tax is the Company's expected tax liability on taxable profit for the year using tax rates enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Taxable profit differs from that reported in the statement of comprehensive income because it is adjusted for items of income or expense that are assessable or deductible in other years and is adjusted for items that are never assessable or deductible.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the corresponding tax bases used in tax computations. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and affects neither accounting nor taxable profits, or differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is recognised on temporary differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at the tax rates expected to apply when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted and are only offset where this is a legally enforceable right to offset current tax assets and liabilities.

Dividends
Dividends to the Company shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

Interest receivable
Bank interest receivable is recognised in the statement of comprehensive income when received. Interest received from investments in joint ventures relates to loans provided to the joint venture entities at the floating market interest rates. These are accrued and recognised in the statement of comprehensive income accordingly.

Interest payable
Bank interest payable is recognised in the statement of comprehensive income when paid. The unwind of discounted future land payment accruals, together with the interest payable on the Company's lease liabilities are amortised using the effective interest rate method. All amounts are recognised in the statement of comprehensive income.

Cash and cash equivalents
Cash and cash equivalents comprise cash held at bank and in hand. The Company participates in the Group's banking arrangements, where cash pooling is utilised.

Trade and other receivables
Trade and other receivables are stated at fair value (plus any directly attributable transaction costs) upon initial recognition. Subsequent to initial recognition, they are recognised at amortised cost using the effect interest method.

The Company forms a provision for impairment equal to the size of the lifetime expected credit losses from trade and other receivables. The loss provision is determined on the basis of historical payment data and forward looking information.

Trade and other payables
Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classed as current liabilities if payment is due within one year or less. If not they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using effective interest method.

Current/non-current classification
Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or consumption as part of the Company's normal identifiable operating cycle. All other assets are classified as non-current assets.
Current liabilities include liabilities held primarily for trading purposes in line with the Company's identifiable normal operating cycle. These liabilities are expected to be settled as part of the Company's normal course of business. All other liabilities are classified as non-current liabilities.

Contract assets and liabilities
The contract assets primarily relate to the Company's right to consideration for construction work completed but not invoiced at the balance sheet date. The contract assets are transferred to trade receivables when the amounts are certified by the customer. On most contracts certificates are issued by the customer on a monthly basis.

Contract assets and liabilities (continued)
The Company has taken advantage of the practical expedient in paragraph 94 of IFRS 15 to immediately expense the incremental costs of obtaining contracts where the amortisation period of the assets would have been one year or less.

The contract liabilities primarily relate to the advance consideration received from customers in respect of performance obligations which have not yet been fully satisfied and for which revenue has not been recognised. All contract liabilities held at 31 December 2022 are expected to satisfy performance obligations in the next 12 months.

Financial assets
Financial assets are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

Derecognition of financial assets
The Company derecognises a financial asset only when the contractual rights to the cash flows from the finance asset expire.

Impairment of financial assets
The Company recognises financial assets in the balance sheet when becoming a party to the contractual provisions of the instrument. The financial assets are assessed annually and as a result of the carrying value of assets reducing the Company will immediately recognise an impairment loss in the statement of comprehensive income.

Financial liabilities
Financial liabilities are classified as either financial liabilities at fair value through profit and loss or other financial liabilities

Derecognition of financial liabilities
The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Financial instruments
Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Grants
Grants received are credited to the statement of comprehensive income during the life of the project to which they relate or, for grants received from the Construction Industry Training Board, as training is provided to employees. Difference between the amount recognised in the statement of comprehensive income and the amount received are shown as either deferred income or accrued income in the balance sheet.

Provisions
Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be estimated reliably. Provisions are recognised for events covered by the Group's captive or self-insurance arrangements, legal claims and restructuring.

When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement where the reimbursement has met the virtually certain recognition criteria.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Critical accounting judgements and key sources of estimation uncertainty
The preparation of financial statements requires the Company's management to make judgements, assumptions and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements and estimates in applying the Company's accounting policies
The following are the critical judgements and estimates that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

(a) Revenue recognition – mixed tenure schemes (judgement)
The Company acts as developer and/or contractor on a number of mixed-use schemes. In some instances, judgement is required to determine whether the revenue on a particular element of the scheme should be recognised as work progresses (recognised over time) or upon legal completion (recognised at a point in time). A detailed assessment is performed of the contractual agreements with the customer as well as the substance of the transaction to determine performance obligations have been satisfied. Relevant factors that are considered include the point at which legal ownership of the land passes to the customer, the degree to which the customer can specify the major structural elements of the design prior to construction work commencing and the degree to which the customer can specify modifications to the major structural elements of the building during construction.

(b) Revenue and profit recognition for long term contracts (judgement and estimate)
In order to determine the revenue and profit recognition in respect of the Company's construction contracts, the Company has to estimate the total costs to deliver the contract as well as the final contract value. The Company has to allocate total expected costs between the amount incurred on the contract to the end of the reporting period and the proportion to complete in a future period. The assessment of the total costs to be incurred and final contract value requires a degree of judgement and estimation.

(b)Revenue and profit recognition for long term contracts (judgement and estimate) (continued)
The final contract value may include assessments of the recovery of variations which have yet to be agreed with client, as well as additional compensation claim amounts. The amount of variations and claims are often not fully agreed with the customer due to timing and requirements of the normal contractual process. Therefore, assessments are based on an estimate of the potential cost impact of the compensation claims and revenue is constrained to amounts that the Company believes are highly probable of being received. The estimation of costs to complete is based on all available relevant information and may include judgements and estimates of any potential defect liabilities or liquidated damages for unagreed scope or timing variations. Costs incurred in advance of the contract that are directly attributable to the contract may also be included as part of the total costs to complete the contract. Judgement is required to consider when any pre contract costs are directly attributable to a specific contract.

(c) Building safety provision (estimate)

Management have reviewed legal and constructive obligations with regard to remedial work to rectify legacy building safety issues. Where obligations exist, these have been evaluated for the likely cost to address, including repayments of the Building Safety Fund, and an appropriate provision has been created.

The ongoing legislative and regulatory changes in respect of legacy building safety issues create uncertainty around the extent of remediation required for legacy buildings, the liability for such remediation, recoveries from other parties (which would only be recognised when virtually certain to be received) and the time to be considered. This implies inherent uncertainty as to the precise future obligations of the Company in respect of building fire safety issues.

Management has recognised a provision based on its best estimate of the future obligations. However, should the costs of remediation increase by 5%, due to factors such as above expected inflation, the impact on the remediation costs would be £0.275m.

(d) Impairment of goodwill (judgement)
Goodwill is tested annually for impairment, or more frequently if there are indications that goodwill might be impaired. In testing goodwill for impairment, the recoverable amount has been estimated from value-in-use calculations. The key assumptions for value-in-use calculations are those regarding the forecast revenue and margin, discount rates and long term growth rates in the market sector. Forecast revenue and margin are based on past performance, secured workload and workload likely to be achievable in the short to medium term.

Cash flow forecasts have been determined by using Board approved strategic plans for the next five years. Cash flows beyond 5 years have been extrapolated using an estimated nominal growth rate (this does not exceed the long term average for the market).

Discount rates are pre-tax and reflect the current market assessment of the time value of money and the specific risks to the business. The risk adjusted nominal rate used for the goodwill balance is 13% (2021: 10.7%). In carrying out this exercise, no impairment of goodwill or other intangible assets has been identified.

1. Analysis of revenue

All revenue relates to the Company's principal activity carried out in the UK. Revenue is analysed below:

	2022 £000	2021 £000
Revenue from construction contracts	**305,138**	229,180
Revenue from mixed tenure construction contracts	**102,819**	54,507
Revenue from sale of properties	**266,243**	267,898
Total revenue	**674,200**	551,585

2. Other operating income

	2022 £000	2021 £000
Income from joint ventures	**727**	1,043
Total other operating income	**727**	1,043

The income from joint ventures relates to loans provided to the joint venture entities, all of which have interest rates applied at floating market rates.

3. Operating profit

	2022 £000	2021 £000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets (see note 9):		
- owned assets	**1,085**	1,159
- Right of use assets	**1,074**	970
Loss on sale of tangible fixed assets	**13**	-
Cost of inventories recognised as an expense	**217,085**	217,860
Staffing costs (see note 4)	**72,040**	65,236
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**218**	180
Bad Debt provision – trade receivables	**(398)**	900
Bad Debt provision – amounts owed by group undertakings	**(142)**	(94)

Non-audit fees payable by the Company during the year were £nil (2021:£nil) relating to other services.

4. Staff costs

	2022 £000	2021 £000
Wages and salaries	**61,491**	56,145
Social security costs	**8,010**	6,721
Redundancy costs	**430**	599
Pension costs	**2,109**	1,771
	72,040	65,236

Average number of employees

	No.	No.
The average monthly number of employees (including executive directors) during the year was:	**1,006**	886

5. Directors' remuneration

	2022 £000	2021 £000
Directors' remuneration		
Emoluments	**2,533**	2,658
Company contributions to money purchase pension scheme	**16**	21
	2,549	2,679
Remuneration of the highest paid director		
Emoluments	**742**	744
Company contributions to money purchase pension scheme	**4**	4

	No.	No.
The number of directors who:		
- are members of money purchase pension schemes	**4**	4
- exercised options over shares in the ultimate Group	**2**	2

Total emoluments excludes amounts in respect of share options (granted and/or exercised), pension contributions, benefits under pension schemes and benefits under long term incentive plans.

Two current directors of the Company received no emoluments (2021: £nil) in their capacity as directors of this Company. These individuals are remunerated by another company in the Group.

6. Net interest receivable/(payable)

	2022 £000	2021 £000
Bank interest receivable	**37**	43
Interest receivable from joint ventures	**-**	9
Other interest receivable	**522**	515
Interest receivable	**559**	567
Other interest payable	**(73)**	(5)
Unwinding of discount on future land payments accrual	**(1,225)**	(171)
Lease liabilities	**(213)**	(134)
Interest payable	**(1,511)**	(310)

7. Tax

	2022 £000	2021 £000
UK corporation tax charge on profit for the year	**5,042**	6,297
Effect of residential property developers tax	**213**	-
Adjustment in respect of previous years	**(65)**	111
Total current tax	**5,190**	6,408
Origination and reversal of timing differences	**41**	724
Effect of residential property developers tax	**(128)**	-
Adjustment in respect of previous years	**(61)**	(506)
Total deferred tax (note 16)	**(148)**	**218**
Total tax expense	**5,042**	**6,626**

The tax on profit before tax for the year is higher (2021: higher) than the standard rate of corporation tax in the UK of 19% (2021: 19%), for the reasons set out in the following reconciliation:

	2022 £000	2021 £000
Profit before tax	**19,799**	29,911
Tax on profit at corporation tax rate	**3,761**	5,683
Factors affecting the charge for the year:		
Tax liability upon joint ventures profits/partnership income	**1,271**	**353**
Non-taxable income and expenses	**36**	**18**
Effect of change in tax rate used to calculate deferred tax balances	**-**	**713**
Effect of residential property developers tax	**85**	**-**
Other items	**15**	**254**
Adjustment to tax charge in respect of previous years	**(126)**	**(395)**
Total tax expense	**5,042**	**6,626**

During 2021 it was announced that the UK statutory tax rate will increase from 19% to 25% from 1 April 2023.

The Finance Act 2022 received Royal Assent in February 2022 introducing a new residential property developer tax ('RPDT') which was effective from 1 April 2022 and is chargeable at 4% of profits generated from residential property development in excess of an annual threshold. RPDT was introduced by HM Treasury to obtain a contribution from the UK's largest residential property developers towards the cost of remediating defective cladding in the UK's high-rise housing stock and is expected to remain in force for up to ten years. Both the standard tax rate and effective tax rate include RPDT. Deferred taxes at the balance sheet date are measured at the enacted rates that are expected to apply to the unwind of each liability. Accordingly, the deferred tax balances at year end have been calculated at a mix of 25%, 26.5% and 28% following the introduction of RPDT on 1 April 2022. The deferred tax liabilities in 2021 were recognised at 19%, 23.5% and 25%.

8. Intangible assets

	Goodwill £000
Cost and net book value	
As at 31 December 2021	26,594
As at 31 December 2022	**26,594**

Goodwill represents the value of people, track record and expertise acquired within acquisitions that are not capable of being individually identified and separately recognised. Goodwill is tested annually for impairment, or more frequently if there are indications that goodwill might be impaired. In testing goodwill for impairment, the recoverable amount has been estimated from value-in-use calculations. The key assumptions for value-in-use calculations are those regarding the forecast revenue and margin, discount rates and long term growth rates in the market sector. Forecast revenue and margin are based on past performance, secured workload and workload likely to be achievable in the short to medium term (more detail regarding past performance and order book can be found in the Strategic Report on page 2).

Cash flow forecasts have been determined by using Board approved strategic plans for the next five years. Cash flows beyond 5 years have been extrapolated using an estimated nominal growth rate of 1.2% (2021: 2.1%). This growth rate does not exceed the long term average for the market. Discount rates are pre-tax and reflect the current market assessment of the time value of money and the specific risks to the business. The risk adjusted nominal rate used for the goodwill balance is 13% (2021: 10.7%). In carrying out this exercise, no impairment of goodwill or other intangible assets has been identified. No reasonably foreseeable change in the assumptions used within the value in use calculations would cause an impairment of goodwill.

9. Property, plant and equipment

	Plant. Equipment, fixtures and fittings £000	Right of use assets- Leasehold Buildings £000	Right of use assets– Plant, equipment, fixtures and fittings £000	Total £000
Cost				
As at 1 January 2022	8,911	6,798	397	16,106
Additions	1,977	2,609	-	4,586
Disposals	(2,650)	-	-	(2,650)
As at 31 December 2022	**8,238**	**9,407**	**397**	**18,042**
Depreciation				
As at 1 January 2022	(5,912)	(2,536)	(281)	(8,729)
Charge for the year	(1,085)	(995)	(79)	(2,159)
Disposals	2,650	-	-	2,650
As at 31 December 2022	**(4,347)**	**(3,531)**	**(360)**	**(8,238)**
Net Book Value				
As at 31 December 2022	**3,891**	**5,876**	**37**	**9,804**
As at 31 December 2021	2,999	4,262	116	7,377

Assets fully written down during the financial year had a cost and accumulated depreciation of £1.1m (2021: £0.53m).

LOVELL PARTNERSHIPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

10. Investments in subsidiaries and joint ventures including loans

	Subsidiaries Equity Investment £000	Joint Venture Equity Investment £000	Joint Venture Loans £000s	Total £000
Opening balance as at 1 January 2022	6,748	1,285	36,824	44,857
Additions/loans advanced during the year	-	-	8,613	8,613
Interest capitalised during the year	-	-	727	727
Loans repaid during the year	-	-	(9,243)	(9,243)
Closing balance as at 31 December 2022	**6,748**	**1,285**	**36,921**	**44,954**

The details of the Company's subsidiaries are shown below. The country of incorporation and principal place of business is the UK and the address of the registered office of each entity is the same as the registered office of this Company unless otherwise indicated.

Name of Company	Principal activity	Proportion of ordinary shares held
345 Park Place Residents Management Company Limited*†	Real estate management	100%
Abbey Walk Management Company Limited*†	Real estate management	100%
AH Burnholme Limited†	Development of supported living	100%
All Saints Green Residents Management Company Limited**†	Real estate management	100%
Anthem Lovell LLP	Regeneration	50%
Blossomfield (Thorp Arch) Management Company Limited*†	Real estate management	100%
Caldon Quay Residents Management Company Limited*†	Real estate management	100%
Cherry Pie Meadow Residents Management Company Limited*†	Real estate management	100%
Community Solutions Living Limited	Development of supported living	100%
Compendium Regeneration Limited†	Regeneration	50%
Crosse Courts (Basildon) Management Company Limited*†	Real estate management	100%
Crown Meadows Residents Management Company Limited*†	Real estate management	100%

10. Investments in subsidiaries and joint ventures including loans (continued)

Name of Company	Principal activity	Proportion of ordinary shares held
Crown Meadows Residents Management Company Limited*†	Real estate management	100%
Drummond Park (Ludgershall) Residents Management Company Limited*†	Real estate management	100%
Eden Park (Bonscale Crescent) Residents Management Company Limited*†	Real estate management	100%
Eden Valley Management Company Limited*†	Real estate management	100%
Edmundham Developments LLP	Regeneration	50%
Electric Quarter Residents Management Company Limited*†	Real estate management	100%
Exford Drive Management Company Limited*†	Real estate management	100%
Fairfields Management Company Limited*†	Real estate management	100%
Firs Park Residents Management Company Limited*†	Real estate management	100%
Fountain Court Residents Management Company Limited*†	Real estate management	100%
Foxglove Meadows Residents Management Company Limited*†	Real estate management	100%
Gallus Fields Residents Management Company Limited*†	Real estate management	100%
Golwg Y Bryn Residents Management Company Limited†	Real estate management	100%
Hamsard 3134 Limited	Regeneration	100%
Hamsard 3135 Limited	Regeneration	100%
Heath Farm Residents Management Company Limited*†	Real estate management	100%
Ingleby View Management Company Limited*†	Real estate management	100%

LOVELL PARTNERSHIPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

10. Investments in subsidiaries and joint ventures including loans (continued)

Name of Company	Principal activity	Proportion of ordinary shares held
Keepers Gate (WSM) Residents Management Company Limited*†	Real estate management	100%
Kensington Gardens Management Limited*†	Real estate management	100%
Kings Reach (Snaith) Residents Management Company Limited*†	Real estate management	100%
Laurus Lovell Whalley LLP	Regeneration	50%
Laxton Close Management Company Limited*†	Real estate management	100%
Lockside Residents Management Company Limited*	Real estate management	100%
Lovell Bow Limited	Dormant	100%
Lovell Director Limited	Dormant	100%
Lovell Flagship LLP	Regeneration	50%
Lovell Guf Limited†	Real estate management	100%
Lovell Latimer LLP	Regeneration	50%
Lovell Later Living LLP	Regeneration	100%
Lovell Plus Limited	Dormant	100%
Lovell Property Rental Limited	Property letting	100%
Lovell Together LLP	Regeneration	50%
Lovell/ Abri Weymouth LLP	Regeneration	50%
Lovell Together LLP	Regeneration	50%
Lovell Together (Pendleton) LLP	Real estate management	50%
Lymington Mews Management Company Limited*†	Real estate management	100%
Meggeson Management Company Limited*†	Real estate management	100%
Minshull Way Residents Management Company Limited*†	Real estate management	100%
Morgan Sindall Consortium LLP	Regeneration	50%
Morris Walk North Management Company Limited*†	Real estate management	100%
Morris Walk South Residents Management Company Limited*†	Real estate management	100%

10. Investments in subsidiaries and joint ventures including loans (continued)

Name of Company	Principal activity	Proportion of ordinary shares held
Mount View (Melton Mowbray) Residents Company Limited*†	Real estate management	100%
Oakfield Grange (Llantarnum) Residents Management Company Limited*†	Real estate management	100%
Oaktree Grange Residents Management Company Limited*†	Real estate management	100%
Oriel View Residents Management Company Limited*†	Real estate management	100%
Pich Management Company Limited*†	Real estate management	100%
Pool House Wombourne Limited	Regeneration	100%
Principal Point Residents Management Company Limited*†	Real estate management	100%
Queensbury Park Management Company Limited*†	Real estate management	100%
RMC The Meadows, Clifton-upon-Teme Limited*†	Real estate management	100%
Romsey Extra Care Limited†	Regeneration	100%
Ruby Brook Estate Management Company Limited*†	Real estate management	100%
Saints Quarter (Steelhouse Lane) Residents Management Company Limited*†	Real estate management	100%
Saddlers Grange (Howden) Management Company Limited*†	Real estate management	100%
Saredon Gardens Residents Management Company Limited*†	Real estate management	100%
Shawbrook Manor (Residents) Management Company Limited*†	Real estate management	100%
Somerford Park Residents Management Company Limited*†	Real estate management	100%

LOVELL PARTNERSHIPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

10. Investments in subsidiaries and joint ventures including loans (continued)

Name of Company	Principal activity	Proportion of ordinary shares held
St Mary's View (Residents) Management Company Limited*†	Real estate management	100%
Station Fields Residents Management Company Limited*†	Real estate management	100%
Station House (Stourbridge) Management Company Limited*†	Real estate management	100%
Stoke Development Limited†	Regeneration	100%
Tennyson Fields Management Company Limited*†	Real estate management	100%
Tennyson Fields (Phase 2) Residents Management Company Limited*†	Real estate management	100%
The Acorns (Walsham Le Willows) Residents Management Company Limited*†	Real estate management	100%
The Compendium Group Limited	Regeneration	50%
The East Avenue 2 Residents Management Company Limited*†	Real estate management	100%
The East Avenue Residents Management Company Limited*†	Real estate management	100%
The Junction Apartments Residents Management Company Limited*†	Real estate management	100%
The Junction Residents Management Company Limited*†	Real estate management	100%
The Laureates Residents Management Company Limited*†	Real estate management	100%
The Mill (Site 1) Residents Management Company Limited*†	Real estate management	100%
The Mill (Site 2) Residents Management Company Limited*†	Real estate management	100%

10. Investments in subsidiaries and joint ventures including loans (continued)

Name of Company	Principal activity	Proportion of ordinary shares held
The Spires Residents Management Company Limited*†	Real estate management	100%
The Sycamores (Kirk Ella) Management Company Limited*†	Real estate management	100%
The Way Beswick (Zone 1) Management Limited*†	Real estate management	100%
The Way Beswick (Zone 2) Management Limited*†	Real estate management	100%
The Way Beswick (Zone 3) Management Limited*†	Real estate management	100%
The Way Beswick (Zone 4) Management Limited*†	Real estate management	100%
The Way Beswick (Zone 5) Management Limited*†	Real estate management	100%
The Way Beswick (Zone 6) Management Limited*†	Real estate management	100%
The Way Beswick (Zone 7) Management Limited*†	Real estate management	100%
Tixall View Residents Management Company Limited*†	Real estate management	100%
Trinity Walk Residents Management Company Limited*†	Real estate management	100%
Victoria Court (Newport No 1) Residents Management Company Limited*†	Real estate management	50%
Victoria Court (Newport No 2) Residents Management Company Limited*†	Real estate management	100%
Waterside Quay Residents Management Company Limited*†	Real estate management	100%
Wensum Grange Management Company Limited*†	Real estate management	100%
West Sussex Property Development LLP	Real estate management	50%
Westcroft 12 Management Company Limited*†	Real estate management	100%

10. Investments in subsidiaries and joint ventures including loans (continued)

Name of Company	Principal activity	Proportion of ordinary shares held
Weston Woods Residents Management Company Limited*†	Real estate management	100%
Weymouth Community Sports LLP†	Regeneration	100%
Wild Walk Donnington Wood Residents Management Company Limited*†	Real estate management	100%
William's Park Residents Management Company Limited*†	Real estate management	100%
Willow Grange (Lakeside) Residents Management Company Limited*†	Real estate management	
Woodlark Chase (Warren Drive) Residents Management Company Limited*†	Real estate management	100%
YMYL YR Afon Residents Management Company Limited*†	Real estate management	100%

*Registered office: One Eleven, Edmund Street, Birmingham B3 2HJ.
**Registered office: 100 Avebury Boulevard, Milton Keynes MK9 1FH.
† Indirect holding.

11. Inventories

	2022	2021
	£000	£000
Residential developments and undeveloped land	**272,031**	236,422
	272,031	236,422

Lovell offer part exchanges on a selection of mixed tenure schemes, in 2022 part exchange payments added to inventories was £0.3m (2021: £0.3m) and total part exchange receipts deducted from inventories was £0.3m (2021: £1.0m). Inventory expensed during the year was £217m (2021: £218m). The inventory balance is shown, including provisions recognised during the year, amounting to £10.6m (2021:£9.6m).

LOVELL PARTNERSHIPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

12. Trade and other receivables

	2022	2021
	£000	£000
Amounts falling due within one year		
Trade receivables	**25,087**	10,812
Amounts owed by group undertakings	**20,428**	21,444
Amounts owed by joint ventures	**8,038**	12,739
Prepayments and accrued income	**437**	1,506
Other receivables	**11,407**	2,710
Shared equity loans	**333**	1,218
	65,730	50,429
Amounts falling due after more than one year		
Trade receivables	**4,069**	4,879
Shared equity loans	**40**	225
	4,109	5,104

Amounts owed by group undertakings are payable on demand and are not interest bearing. Due to the group's cash pooling arrangement £10m (2021: £10m) was recognised in amounts owed by group undertakings.

Trade receivables are stated after provisions for non-recovery of £1.6m (2021: £1.9m). Trade receivables include retentions held by customers for contract work at 31 December 2022 were £11.4m (2021: £10.8m). These will be collected in the normal operating cycle of the Company. The Company manages the collection of retentions through its post completion project monitoring procedures and ongoing contract with clients to ensure that potential issues that could lead to the non-payment of retentions are identified and addressed promptly. Shared equity loans are also recovered in the normal operating cycle of the business. The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

During 2021, a provision for impairment losses of £1.1m was recognised against amounts owed by group undertakings. This was in relation to an amount owed by a wholly owned subsidiary company; Community Solutions Living Limited. This provision for impairment was reassessed during 2022 and reduced to £1.0m. The bad debt provision recognised reduces the carrying value of the amount receivable from this wholly owned subsidiary to £nil (2021: £1.0m).

In relation to shared equity loans, the Company's maximum credit exposure is limited to the carrying value of the shared equity loan receivables granted. The Company's credit risk is partially mitigated as the shared equity loan receivables are secured by way of a second charge over the property. There were no defaults during the year (2021: no defaults).

13. Contract assets/(liabilities)

The Company has recognised the following revenue-related contract assets and liabilities:

	2022 **£000**	2021 £000
Contract assets	**54,110**	37,900
Contract liabilities	**(10,066)**	(7,781)

The contract assets primarily relate to the Company's right to consideration for construction work completed but not invoiced at the balance sheet date. The contract assets are transferred to trade receivables when the amounts are certified by the customer. On most contracts certificates are issued by the customer on a monthly basis.

The Company has taken advantage of the practical expedient in paragraph 94 of IFRS 15 to immediately expense the incremental costs of obtaining contracts where the amortisation period of the assets would have been one year or less.

The contract liabilities primarily relate to the advance consideration received from customers in respect of performance obligations which have not yet been fully satisfied and for which revenue has not been recognised. All contract liabilities held at 31 December 2022 are expected to satisfy performance obligations in the next 12 months.

Significant changes in the contract assets and the contract liabilities during the year are as follows:

	2022 **£000**		2021 £000	
	Contract assets	**Contract liabilities**	Contract assets	Contract liabilities
As at 1 January	**37,900**	**(7,781)**	19,215	(13,677)
Revenue recognised				
- Performance obligations satisfied in the current year	**407,957**	**7,781**	283,687	13,677
Cash received for performance obligations not yet satisfied	**-**	**(10,066)**	-	(7,781)
Amounts transferred to trade receivables	**(391,747)**	**-**	(265,002)	-
As at 31 December	54,110	(10,066)	37,900	(7,781)

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at the balance sheet date:

	2023 **£m**	**2024** **£m**	**2025+** **£m**	**Total** **£m**
As at 31 December 2022	499	283	283	**1,065**

14. Trade and other payables

	2022	2021
	£000	£000
Amounts falling due within one year		
Trade payables	**52,693**	40,805
Amounts owed to group undertakings	**90,917**	59,220
Social security and other taxes	**2,938**	2,410
Other payables	**4,770**	5,251
Accruals for future land payments	**31,340**	8,749
Other accruals	**107,240**	108,161
Deferred income Government grant	**2,022**	-
	291,920	224,596
Amounts falling due after one year		
Accruals for future land payments	**30,352**	32,794
	30,352	32,794

Amounts owed by group undertakings are payable on demand and are not interest bearing.

Trade payables include amounts relating to retentions payable to sub-contractors, a proportion of which £3.2m (2021: £3.1m) are expected to be settled after a period of more than 12 months. However, considering they fall due within the normal operating cycle of the company, they have been considered and presented as a current liability.

Other accruals include contracting cost accruals of £96m (2021: £95.7m), the balance are administrative expense accruals £11m (2021: £12.8m), £2.0m deferred income (2021:£nil) relates to a government grant from Homes England. The grant relates to the provision of affordable housing on a scheme in the Company's northern region from 2023 onwards.

Accruals for future land payments have been discounted by £3.7m (2021: £3.3m) to reflect the time value of money. Accruals for future land payments represents amounts committed to future land payments dated between 2023 and 2025.

The directors consider that the carrying amount of trade payables approximates to their fair value.

15. Provisions

	Contract & Legal £000	Exceptional building safety Item £000	Total £000
At 1 January 2022	-	-	-
Additions	5,191	5,500	**10,691**
Utilised	(462)	(359)	**(821)**
Reclassifications	2,056	-	**2,056**
Balance at 31 December 2022	**6,785**	**5,141**	**11,926**

Contract and legal provisions

Contract and legal provisions include liabilities, loss provisions on contracts that have reached completion. Subcontractor performance bond provisions have been entered into in the normal course of business. The performance bond facilities and banking facilities of the Group are supported by cross guarantees given by the Company and other participating companies in the Group. It is not anticipated that any liability will accrue.

15. Provisions (continued)

Exceptional building safety provision

During the year, the Company signed the Developers' Pledge ("the Pledge") with the Department for Levelling Up, Housing and Communities ("DLUHC") setting out the principles under which life-critical fire safety issues on buildings are to be remediated. Management have reviewed legal and constructive obligations with regard to remedial work to rectify legacy building safety issues. Where obligations exist, these have been evaluated for the likely cost to address. As a result of this review provisions were recognised, totalling £5.5m, of which £0.4m has been utilised during the period. The provisions recognised have been presented as exceptional charges due to their materiality and irregular nature. The final form legal contract was signed by group in March 2023.

16. Deferred tax liability

	2022	2021
	£000	£000
Balance at 1 January	**2,421**	2,203
Income statement (charge)/credit (note 7)	**(148)**	218
Balance at 31 December	**2,273**	2,421

Deferred tax liabilities consist of the following amounts:

	2022	2021
	£000	£000
Accelerated capital allowances	**(837)**	(237)
Goodwill	**3,640**	3,481
Short term timing differences	**(530)**	(823)
Balance as at 31 December	**2,273**	2,421

17. Share capital

	2022	2021
	£000	£000
Allotted, called up and fully paid		
114,500,000 authorised shares of £1 each	**114,500**	114,500

The Company has one class of ordinary share which carries no rights to fixed income.

18. Retained earnings

	2022	2021
	£000	£000
Balance as at 1 January	**49,771**	56,486
Profit for the year	**14,757**	23,285
Dividends	**(30,000)**	(30,000)
Balance as at 31 December	**34,528**	49,771

19. Pension commitments

The Company contributes to the Morgan Sindall Retirement Benefits Plan and to other employees' personal pension arrangements. The Morgan Sindall Retirement Benefits Plan is a defined contribution post-retirement benefit plan under which the Company pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further amounts. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. The total costs charged to the statement of comprehensive income of £2,109,000 (2021: £1,771,000) represent contributions payable to the plan by the Company. The pension creditor at 31 December 2022 was £450,000 (2021: £284,000).

20. Contingent liabilities

Group banking facilities and surety bond facilities are supported by cross guarantees given by participating companies in the Group. There are contingent liabilities in respect of surety bond facilities, guarantees and claims under contracting and other arrangements, including joint arrangements and joint ventures entered into in the normal course of business. There are a range of bonds, guarantees and indemnities available, ranging in value from £0.005m to £40m. These facilities are due to be reviewed during 2023.

The company was party to group sterling overdraft facilities of up to £80m, these facilities are to be reviewed in April 2023.

Contingent liabilities may also arise in respect of subcontractor and other third party claims made against the Company, in the normal course of trading. These claims can include those relating to cladding/legacy fire safety matters, and defects. A provision for such claims is only recognised to the extent that the Directors believe that the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligation. However, such claims are predominantly covered by the Group's insurance arrangements.

21. Lease liabilities

The Company leases assets including property, plant and vehicles. The average lease term is 5 years. There are no variable terms to any of the leases. The maturity profile for the lease liabilities at 31 December 2022 are set out below:

	Leasehold Property		**Other Assets**		**Total Lease Liabilities**	
	2022	2021	**2022**	2021	**2022**	2021
	£000	£000	**£000**	£000	**£000**	£000
Maturity analysis						
Within one year	**1,135**	752	**83**	81	**1,218**	833
Within two to five years	**3,758**	2,761	**-**	84	**3,758**	2,845
After more than five years	**1,357**	1,188	**-**	-	**1,357**	1,188
	6,250	4,701	**83**	165	**6,333**	4,866

21. Lease liabilities (continued)

	2022			2021		
	Leasehold Property	**Other Assets**	**Total**	Leasehold Property	Other Assets	Total
	£000		**£000**	£000	£000	**£000**
As at 1 January	**4,701**	**165**	**4,866**	4,624	252	**4,876**
Additions	**2,597**	**-**	**2,597**	985	-	**985**
Repayments	**(1,258)**	**(85)**	**(1,343)**	(1,036)	(93)	**(1,129)**
Interest expenses	**209**	**4**	**213**	128	6	**134**
As at 31 December	**6,249**	**84**	**6,333**	4,701	165	**4,866**

Lease rental payments of £1.3m were made in 2022 (2021: £1.1m).

22. Related party transactions

In the ordinary course of business, the Company has traded with its parent company Morgan Sindall Group plc together with its subsidiaries. Advantage has been taken of the exemption permitted by FRS 101 not to disclose transactions with entities that are wholly owned by the Group. Balances with these entities are disclosed in notes 12 and 14 of these financial statements.

In the ordinary course of business, the Company has traded with its associated companies, The Compendium Group Limited, Compendium Regeneration Limited, Anthem Lovell LLP, Lovell Latimer LLP, Lovell Flagship LLP, Chalkdene Developments LLP, Lovell Together LLP, Lovell Abri Weymouth LLP, Laurus Lovell Whalley LLP, Lovell Together (Pendleton) LLP and West Sussex Property Development LLP all of whom are companies registered in England and Wales.

	Revenue		**Due at 31 December**	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Compendium Regeneration Limited	**9,425**	7,563	**758**	513
Anthem Lovell LLP	**12,253**	9,201	**761**	904
Lovell Latimer LLP	**4,365**	6,577	**212**	729
Lovell Flagship LLP	**15,898**	11,709	**1,414**	1,784
Chalkdene Developments LLP	**11,691**	14,955	**562**	1,944
Lovell Together LLP	**24,413**	17,805	**1,755**	3,311
Lovell Abri Weymouth LLP	**1,461**	642	**608**	320
Laurus Lovell Whalley LLP	**8,333**	6,157	**395**	495
Lovell Together (Pendleton) LLP	**10,077**	5,965	**477**	2,739
West Sussex Property Development LLP	**796**	263	**-**	-
	98,712	80,837	**6,942**	12,739

The amounts due from related parties at 31 December 2022 excludes retention balances £1.5m (2021:£1m).

22. Related party transactions (continued)

The Company received a loan repayment of £4,649,532 from Lovell Latimer LLP (2021: £225,000 loan funding), £2,592,689 from Lovell Together LLP (2021: £nil), £2,000,000 from Lovell Flagship LLP (2021: £nil). The loans were originally to finance community regeneration projects.

In addition, the Company provided £2,669,133 to Lovell Together LLP (2021: £9,220,000), £615,355 to Lovell Abri Weymouth LLP (2021: £165,000), £3,290,562 Laurus Lovell Whalley LLP (2021: £7,516,000), £2,038,941 to West Sussex Property Development LLP (2021: £602,000). The loans are to finance regeneration projects of a primarily residential nature. In addition, capitalised interest of £726,993 was added to the loans in 2022 (2021: £547,000).

This brings the cumulative funding plus capitalised interest to £36,922,919 included in investments in joint ventures at 31 December 2022 (2021: £36,824,000).

23. Dividends

Amounts recognised as distributions to equity holders in the year:

	2022	2021
	£000	£000
Interim dividend for the year	**30,000**	30,000
	30,000	30,000

The directors do not recommend the payment of a final dividend (2021: £nil).

24. Subsequent events

There were no subsequent events that affected the financial statements of the Company.

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Privacy Notice – DocuSign

1. Introduction

This Privacy Notice is intended to describe the practices EY follows in relation to the DocuSign ("Tool") with respect to the privacy of all individuals whose personal data is processed and stored in the Tool.

2. Who manages the Tool?

"EY" refers to one or more of the member firms of Ernst & Young Global Limited ("EYG"), each of which is a separate legal entity and can act as a data controller in its own right. The entity that is acting as data controller by providing this Tool on which your personal data will be processed and stored is EY Global Services Limited. EY Global Services Limited licenses the Tool from DocuSign, Inc., 221 Main Street, Suite 1000, San Francisco, CA 94105.

The personal data you provide in the Tool is shared by EY Global Services Limited with one or more member firms of EY (see "Who can access your information" section below).

The Tool is hosted externally by the vendor, DocuSign, in data centers (referred to by DocuSign as data center “rings”) in North America, Canada, Germany, France and Netherlands and Australia. Documents/envelopes will be hosted in the applicable ring where they are initiated from. When an envelope is initiated for signature in a different ring to the intended recipient, a link to the envelope is written in the inbox of the recipient and when they click the link they are taken to a web server in the ring where the envelope has been initiated. Account administrators select either the NA, CA, EU or AU for an account user’s data center ring when an account is initiated depending on the data transfer requirements and restrictions in the account user’s jurisdiction. Japan has selected the EU as its data center ring. If no data centre ring is selected by the account administrator, hosting will default to the North America ring.

3. Why do we need your information?

The Tool is a vendor product which will allows electronic signature of internal and external documents. The Tool provides a global standard for an electronic signature that increases efficiency of e-Signature for the enterprise, improve document signing process for internal and external clients and allow for integrations with other 3rd party tools. The intention is for the tool to be used across all service lines within EY with the aim to ultimately replace physical signatures with electronic signatures.

Your personal data processed in the Tool is used as follows:

- You will log into the Tool by going to the DocuSign website and using Single Sign-On. Once you have logged into the Tool, you can create an envelope which contains the relevant documents. In order to create an envelope, your first name, last name and email address is used. The EY signatory uses DocuSign to sign the document (which involves the processing of their first name, last name and signature) and this is then sent to the counterparty (i.e. future employee, vendor, client etc.) to provide any requested information and signature.

EY relies on the following basis to legitimize the processing of your personal data in the Tool:

- Processing is necessary for the purposes of the legitimate interests pursued by the data controller or by a third party, except where such interests are overridden by the interests or fundamental rights and freedoms of the data subject which require protection of personal data. The specific legitimate interest(s) pursued is to streamline and speed up the signature process to ensure timely executions of documents.

The provision of your personal data to EY is optional. However, if you do not provide all or part of your personal data, we may be unable to carry out the purposes for processing.

Processing of your personal data is necessary for the purposes of the legitimate interests pursued by the data controller or by a third party, except where such interests are overridden by the interests or fundamental rights and freedoms of the data subject which require protection of personal data. The specific legitimate interest is to streamline and speed up the signature process to ensure timely executions of documents.

4. What type of personal data is processed in the Tool?

The Tool processes these personal data categories:

- First and last name;
- Email address; and
- Signature.

This data is sourced from:

- Directly from you;
- Directly from any other EY partner, employee and/or contractor, former EY partner, employee and/or contractor;
- directly from clients and former clients;
- directly from vendors and former vendors; and
- directly from any other third parties who will be a party to the document which is being signed.

5. Sensitive Personal Data

Sensitive personal data reveals your racial or ethnic origin, political opinions, religious or philosophical beliefs, trade union membership, genetic data, biometric data, data concerning health or data concerning sex life or sexual orientation.

EY does not intentionally collect any sensitive personal data from you via the Tool. The Tool's intention is not to process such information.

6. Who can access your information?

Your personal data is accessed in the Tool by the following persons/teams:

- DocuSign Organisation Administrator;
- DocuSign Account Administrator;
- DocuSign Sender;
- DocuSign Viewer; and
- DocuSign support.

Role	Where are they located?	What is the purpose for which they need access?	Level of access rights
DocuSign Organisation Administrator	This is limited to members of the EY DocuSign Centre of Excellence (COE).	Overall admin of EY DocuSign Organization. Control	Full Admin control, with oversight of all accounts within the EY DocuSign Organization.

		Organization-wide settings and access. Act as Account Admin on all Accounts for setup and escalation purposes.	
DocuSign Account Administrator	Multiple administrators although limited to only those who need and have been authorised to have admin rights.	To admin the account including setting up users in the system to create envelopes, reporting etc.	Admin rights to change account settings, add users but can't access envelopes unless they are given permission by envelope creator.
DocuSign Sender	Globally.	Create envelopes.	Only to their envelopes.
DocuSign support	DocuSign support is located in US and Europe.	All on the understanding that it would only be to perform support services as requested by IT.	All on the understanding that it would only be to perform support services as requested by IT.

The access rights detailed above involves transferring personal data in various jurisdictions (including jurisdictions outside the European Union) in which EY operates (EY office locations are listed at www.ey.com/ourlocations). EY will process your personal data in the Tool in accordance with applicable law and professional regulations in your jurisdiction. Transfers of personal data within the EY network are governed by EY's Binding Corporate Rules (https://www.ey.com/en_gl/data-protection-binding-corporate-rules-program).

7. Data retention

Our policy is to retain personal data only for as long as it is needed for the purposes described in the section "Why do we need your personal data". Retention periods vary in different jurisdictions and are set in accordance with local regulatory and professional retention requirements.

In order to meet our professional and legal requirements, to establish, exercise or defend our legal rights and for archiving and historical purposes, we need to retain information for significant periods of time.

The policies and/or procedures for the retention of personal data in the Tool are in accordance with EY Records Retention Global Policy and applicable EY Global, Area, Region or Country Retention Schedule. For more information on the retention period applicable to your personal data, please contact your usual EY representative. However, the account managers for each envelope can set their own retention periods, which can be anything between one day and seven years. If the account managers do not set a customized retention period for their envelopes, then the EY Records Retention Global Policy retention period shall apply.

Your personal data will be retained in compliance with privacy laws and regulations.

After the end of the data retention period, your personal data will be deleted.

8. Security

EY protects the confidentiality and security of information it obtains in the course of its business. Access to such information is limited, and policies and procedures are in place that are designed to safeguard the information from loss, misuse and improper disclosure. Additional information regarding our approach to data protection and information security is available in our Protecting your data brochure.

9. Controlling your personal data

EY will not transfer your personal data to third parties (other than any external parties referred to in section 6 above) unless we have your permission or are required by law to do so.

You are legally entitled to request details of EY's personal data about you.

To confirm whether your personal data is processed in the Tool or to access your personal data in the Tool or (where applicable) to withdraw your consent, contact your usual EY representative or email your request to global.data.protection@ey.com.

10. Rectification, erasure, restriction of processing or data portability

You can confirm your personal data is accurate and current. You can request rectification, erasure, restriction of processing or a readily portable copy of your personal data by contacting your usual EY representative or by sending an e-mail to global.data.protection@ey.com.

11. Complaints

If you are concerned about an alleged breach of privacy law or any other regulation, contact EY's Global Privacy Leader, Office of the General Counsel, 6 More London Place, London, SE1 2DA, United Kingdom or via email at global.data.protection@ey.com or via your usual EY representative. An EY Privacy Leader will investigate your complaint and provide information about how it will be handled and resolved.

If you are not satisfied with how EY resolved your complaint, you have the right to complain to your country's data protection authority. You can also refer the matter to a court of competent jurisdiction.

Certain EY member firms in countries outside the European Union (EU) have appointed a representative in the EU to act on their behalf if, and when, they undertake data processing activities to which the EU General Data Protection Regulation (GDPR) applies. Further information and the contact details of these representatives are available here.

12. Contact us

If you have additional questions or concerns, contact your usual EY representative or email global.data.protection@ey.com.