Populo Living Limited

Annual Report and Financial Statements

Year Ended

31 March 2023

Company Number 08956137

Populo Living Limited

Company Information

Directors	S M Forster D L Heenan M W Holland J Joannou (Appointed on 11 January 2023) R Neotia S W Quartermain T A Seddon A Travers J Blake (Resigned on 31 December 2022) R J Atkin-House (Resigned 6 April 2022)
Company secretary	R J Atkin-House (Resigned 6 April 2022)
Registered number	08956137
Registered office	Discovery House Third Floor 379-381 High Street Stratford London E15 4QZ
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

Populo Living Limited

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Populo Living Limited

Group Strategic Report
for the Year Ended 31 March 2023

Business and Financial review

Despite the challenging circumstances posed by macroeconomic changes coupled with the rising cost of living crisis, Populo has remained resilient this year. We are proud to have delivered 300 new homes for our shareholder London Borough of Newham (LBN), with an additional 392 currently under construction. This brings the total number of homes under our management to 475, with half offered at genuinely affordable levels.

Our partnership with LBN to transform the Carpenters Estate in Stratford has made significant positive progress. In December 2021, 73% of residents voted "yes" in a ballot to support our restoration plans, which will deliver over 2,000 new high-quality homes with at least 50% being at genuinely affordable rents. In response to the climate emergency, over 40% of existing homes will be refurbished on the Carpenters project, including two of the three tower blocks stripped back to its concrete frame before being rebuilt, refurbished, and extended to deliver 136 homes, of which over 90% will be at affordable rent levels, plus a new community centre and sports facility. Planning Permission has been secured for Phase 1 of the Carpenters Estate regeneration.

Populo has a further 392 new homes on site and under construction across 7 projects, with a healthy pipeline of sites in planning and pre-construction. Planning Applications have been submitted for another 348 new homes and 1,000 sqm of affordable workspace at Pier Road, North Woolwich. Our Board and Executive team have developed and evolved to ensure a stable platform for growth ambitions, with the appointment of a new Acting Chair, Steve Quartermain, bringing nearly 30 years of experience as a Chartered Town Planner including 12 years as Chief Planner to the UK Government.

Looking forward, Populo is excited to continue working closely with LBN, invest in our people, and increase the number of staff we employ to continue delivering high-quality homes. We have approved our Zero Carbon Roadmap to deliver on our ambition to be a Net Zero company by 2030 and with the support of our shareholder, we plan to manage 2,000 homes and deliver significant new homes by 2028/29. This plan represents a realistic and measured picture of the Populo Living Group both in terms of present day and medium term forecast financial position as we intend to deliver high quality homes, exceptional customer service, alongside growing and investing in our talented staff.

During the year, gross profit improved to £4.5m (2021/22: £3.2m). The improvement in gross profit was predominantly driven by an increased contribution from rental operations as Populo continues to grow the number of homes in management and shared ownership first tranche sales at Manor Road.

The fair value of our investment property decreased by £8.9m (2021/22 increase: £2.2m). This was primarily a result of the current land value on the Private Rented Sector ("PRS") sites at Plaistow and Brickyard being valued at less than the costs incurred to date. If expected values at completion of these sites hold, this fair value adjustment will unwind next year as we complete the schemes.

The company has also recorded a fixed asset impairment of £(0.8)m (2021/22: £(2.3)m) on Property, Plant, and Equipment. This is due to the expected costs to complete the affordable units in our development programme being greater than the sales value of these units at completion. This is a fundamental part of our cross-subsidy model in our Shareholder approved business plan. The plan demonstrates how over the medium term the Group becomes profitable and will deliver significant returns to the Council.

Overall, the Group made a loss after tax of £(9.69)m (2021/22: £(44)k).

Populo Living Limited

Group Strategic Report (continued)
for the Year Ended 31 March 2023

Principal risks and uncertainties

Populo Living Limited (PLL) is a wholly owned company of the London Borough of Newham (LBN) who acts as our sole shareholder.

PLL operates independently from LBN with its own Board of Directors, in which LBN holds a seat by providing a Council Director. The Populo Living Group Board have established, and continue to improve and review, a risk framework for identifying, monitoring and managing strategic and operational risks, with the Executive Management Team (EMT) responsible for periodically preparing the risk registers for scrutiny by the Populo Living (PL) Group Board, the Populo Homes (PH) Board, and the Populo Living Group Audit and Risk Committee (ARC). Due to the growth and increased complexity of the organisation, including the addition of a Registered Provider of social housing, the ARC procured internal audit services to test our risk management, governance, and internal control framework.

Risks are identified that could be detrimental to the Group's ability to achieve its strategic goals and business plan objectives. Appropriate controls and mitigation actions are identified and implemented to reduce the potential adverse impact to the achievement of these targets. This work continues at pace in line with the changes in the operating environment.

The key risks identified at the year-end along with the mitigation strategies to manage these risks, are as follows:

Market and Economic Risk

PL's performance is influenced by fluctuations in the property market and broader economic conditions (increased inflation and interest rates), impacting property values, rental income, and occupancy rates.

Mitigation: PL conducts rigorous market research and ensures properties are let at the correct market rate to limit void homes or in the case of social housing, let at the correct rent stipulated by the rent standard. Costs are tightly managed through regular financial reporting against annual and rolling forecasts to ensure cost overruns are highlighted as early as possible.

All new investment is approved on a site-by-site basis through an established gateway process which considers changes in the supply chain and impact to return on investment.

The annual business plan uses scenario testing to help the Board understand the impact of changes in the economy, which is monitored on a regular basis through regular reporting. For properties currently in management and developments on site, we have borrowed at fixed interest rates, which limits exposure to fluctuations in interest rates. For new investments, we will test scheme viability as noted below. Schemes approved through the existing governance structure, will be fixed at an interest rate agreed with the shareholder at the point of approval.

The working capital loan facility is based on a variable interest rate which we monitor and forecast closely. We meet with our shareholder on a frequent basis to discuss the impact of interest rate changes on the facility.

Development Scheme Viability

Populo is dedicated to achieving a goal of providing an average of 50% of its program as truly affordable homes. To accomplish this, we have devised a 'cross-subsidy model,' wherein the revenue generated from market rented homes over the long term is utilised to subsidise the construction of affordable homes. Although we can develop financially viable projects, it poses challenges, especially during the initial operational years of a new scheme when we haven't yet experienced growth in rental income.

The prevailing economic conditions, notably the increasing interest rates and construction cost inflation, have added further constraints to our capacity to deliver affordable homes. However, despite these challenges, we remain committed to our mission of creating housing opportunities for those in need.

Populo Living Limited

Group Strategic Report (continued)
for the Year Ended 31 March 2023

Principal risks and uncertainties *(continued)*

Development Scheme Viability (continued)

Mitigation: Our focus is on ensuring our developments are as well designed and efficient as possible. We have a comprehensive Populo Design Guide which makes clear our expectations around residential efficiency and products. Our Design, Development and Construction teams scrutinise all projects against KPI's and benchmark against similar projects both internally and with the help of our external cost consultants. In addition to ensuring our developments are efficient, we regularly review our funding rates, metrics and financial hurdles with our shareholder and funder to ensure that we are still able to deliver on our targets.

Health and Safety

Populo Living Limited provides both development and property management services for both private rental and affordable homes. Health and safety remain a critical priority to ensure the wellbeing of customers, staff, contractors, and stakeholders. As the number of homes increases the potential risks are likely to increase including reputational damage, loss of political support, as well as legal and cost implications. As a responsible developer and property manager it is our duty to manage these risks with a low-risk appetite.

Mitigation: Both the Populo Living Board and the Populo Homes Board are regularly presented health and safety information to ensure that Populo Living Limited's development and management services are considered continually compliant with health and safety regulation and standards. Populo's health and safety protections within its development and management services undergo frequent independent auditing providing Populo with the welcome opportunity to improve on its already robust health and safety services.

For all staff regularly attending development and construction sites, it is company policy for them to hold the relevant H&S awareness accreditation. Populo also ensures that all construction contracts impose responsibility and accountability onto our Contractors, in conjunction to undertaking regular monitoring to make sure that they comply with both Populo's standards.

Resources

Populo Living Limited are reliant on the access of skilled workers and expertise to deliver developments, and undertake major repairs and maintenance, comply with health and safety standards, and ensure that our services to our tenants remain at a high standard as it continues to grow. The lack of necessary skilled workers in a tight labour market within areas such as construction, building safety, and back-office support, may threaten Populo's ability to deliver development programmes and management services.

Mitigation: Populo Living Limited greatly values its staff, understanding the critical role they play in providing a high-quality service to its residents and to the broader Newham community. Recognising the value of Populo's staff and the need to retain high quality talent, Populo offers a competitive benefits package to employees and there is a positive work/life balance. Populo has embraced flexible and hybrid working so Populo can attract and retain talent and improve staff motivation whilst in turn boosting Populo's business productivity, stability, and competitiveness.

Counterparty risk

To ensure the continued provision of development and housing management services, Populo Group has engaged third-party providers to deliver development and housing management services. However, it is recognised that entering into contracts with third party providers, may expose Populo to counterparty risks thus reducing the control that the provider has over the quality of the delivered service. The recent financial cost of living challenges and increase in interest rates have presented many challenges to third party providers. A failure to mitigate against these risks exposes our tenants to a poor service not meeting required service level targets and additional costs if construction is delayed.

Principal risks and uncertainties *(continued)*

Counterparty risk (continued)

Mitigation: It is the responsibility of the Board to remain accountable to our tenants and stakeholders. Therefore, the Board ensures those parties we work with conform to a standard set of relevant policies, standards, and law which ensures the continued compliance to contracts and performance standards. The Board and management, further ensure that there are effective monitoring and due diligence processes, such as regular credit checks in place to assess the financial and operational health and robustness in delivering our management and development services. These policies and procedures are in turn audited by internal audit to ensure the robustness of controls.

Key Performance Indicators

Populo Living Limited actively utilise key performance indicators (KPIs) to provide management with oversight and foresight that are central to the company's success. Given the multifaceted nature of the Group, our KPIs are categorised within two areas: development activities (Populo Design and Build Limited), and housing management activity (Populo Living Limited, and Populo Homes).

The KPIs we use for each of the activities in which the Group are involved are noted below and are relevant for the time of March 2023:

Development

		2022/23		2021/22
Short-term KPIs (1-3 years)	UNIT	Actual	Target*	Actual
Starts:				
Total new homes	Homes	0	861	112
Total affordable homes	Homes	0	422	75
% affordable homes	%	-	49%	67%
Completions:				
Total new homes	Homes	97	555	192
Total affordable homes	Homes	97	305	115
% affordable homes	%	100%	55%	60%

**Per approved 3 year plan, not adjusted for delays to actuals in 2022/23*

New starts

Over the past 12 months, due to operational issues beyond our control, we were not able to commence any new construction projects. The development of James Riley Point as Phase 1 of the Carpenters Estate regeneration has been delayed pending LB Newham securing vacant possession. Our programme of rooftop developments has also been delayed pending necessary council approvals. The focus of the business has been on pre-planning activity and pipeline generation.

Completions

We completed new homes at Grange Road (77 homes), Manor Rd (8 homes) and Chargeable Lane (12 homes) over the period. Financial year 23/24 will see completion of four major projects including Plaistow Hub (182 homes), Brickyard (98 homes), Didsbury Phase 2 - Town Hall Annex (37 homes) and The Hartley (75 homes) which we have been delivering on behalf of LB Newham under a Development Management Agreement

Populo Living Limited

Group Strategic Report (continued)
for the Year Ended 31 March 2023

Key Performance Indicators *(continued)*

Housing Management

Internal KPIs	2022/2023 Target	2022/2023 Actual	2021/2022 Actual
Health and Safety			
Gas Compliance	100%	100%	100%
Fire Safety	100%	100%	100%
General			
Occupancy (PRS)	97%	95%	88%
Occupancy (LAR)	97%	98%	100%
Void Rate (PRS)	3%	5%	12%
Void Rate (LAR)	3%	2%	0%
Current Tenants' Arrears (PRS)	3%	5%	7%
Current Tenants' Arrears (LAR)	3%	8%	3%
Former Tenants' Arrears	1%	16%	11%

Health and Safety

Gas safety compliance continues at 100% throughout the year. Fire safety compliance was also 100%.

Occupancy

On average, 95% PRS, and 98% LAR of our properties, were let at any one time against a target of 97%. This amounted to an expense of £386k against a target of 3%. The performance was driven mainly by the void issues that arose at Cheviot House.

Arrears

Current tenants' arrears as at March 2023 stood at 5% PRS, and 8% LAR, against a target of 3%. Former PRS tenants' arrears stood at 16% (£510,923) and former LAR tenants' arrears stood at 1% (£12,847).

This report was approved by the board and signed on its behalf.

DocuSigned by:
Steve Quartermain
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S W Quartermain
Director

Date: 15 December 2023

Populo Living Limited

Directors' Report
for the Year Ended 31 March 2023

The directors present their report and the financial statements for the year ended 31 March 2023.

Directors' responsibilities

The directors are responsible for preparing the group strategic report, the directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK adopted international accounting standards. 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 affairsof the company and the Group and of the profit or loss of the Group 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;
- state whether they have been prepared in accordance with UK adopted international accounting standards, 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 Group 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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activity of the company is the development and management of residential buildings.

Results and dividends

The loss for the year, after taxation, amounted to £(9,692,680) (2022 - loss of £43,622).

During the year no dividends were paid (2022 - £Nil).

Directors

The directors who served during the year were:

S M Forster
D L Heenan
M W Holland
J Joannou (Appointed on 11 January 2023)
R Neotia
S W Quartermain
T A Seddon
A Travers
J Blake (Resigned on 31 December 2022)
R J Atkin-House (Resigned 6 April 2022)

Going concern

The group manages its working capital requirements through the utilisation of its own resources and a working capital facility provided by its shareholder LBN. The directors believe the group to be a going concern on the basis that the shareholder has provided a letter of support to the group for at least 12 months from the date of approval of these financial statements. In addition, the group continues to discuss its position with the shareholder and has secured funding from LBN to progress two further schemes to the construction phase. As schemes progress, the working capital balance is expected to reduce significantly.

A working capital cash flow has been presented and analysed for the coming 12 months to illustrate the impact on the facility of changes in the delivery of new schemes. The analysis also provided mitigations against the impact of the changes to maintain the facility within the agreed limit. The directors have also stress tested the cashflows from existing properties to service their maintenance and debt obligations over the next 12 months. While the risk is considered low, the directors have considered mitigations to reduce this risk to ensure properties are able to service ongoing and future maintenance and debt obligations whilst complying with loan covenants. With the exception of Cheviot House, for which certain loan covenants in respect of historic and forecast interest cover were breached in the year, loan covenants on all other development facilities were met during the year. Formal loan covenant waivers were provided by LBN in respect of the Cheviot House breaches in the year. The directors are confident that formal waivers will continue to be provided as required.

The group and company are in a net liability position as at 31 March 2023 amounting to £4.9m and £10.2m respectively, driven primarily by the decrease in fair value of our investment property by £8.9m, a volatile and non-cash movement. If expected values at completion of these sites hold, this fair value adjustment will unwind next year as we complete the schemes.

In coming to their conclusion, the directors have considered several key funding metrics and in light of the ongoing wider economic impact, have run various downside stress test scenarios to assess the possible impact on the group over the next 12 months. Accordingly, the group continues to adopt the going concern basis in preparing the financial statements.

Matters covered in the strategic report

As permitted by paragraph 1A of schedule 7 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008, certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report on pages 4-8.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company and the Group's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the Group's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

DocuSigned by:
Steve Quartermain
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S W Quartermain
Director

Date: 15 December 2023

Populo Living Limited

Independent Auditor's Report to the Members of Populo Living Limited

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards, and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Populo Living Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 March 2023 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, and as regards the Parent Company financial statements, as applied in accordance with the provisions 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent 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.

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.

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 Group and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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 the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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 Director's responsibilities statement, 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 Group's and the Parent 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 Group or the Parent 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.

Populo Living Limited

Independent Auditor's Report to the Members of Populo Living Limited (continued)

Extent to which the audit was 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations
Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations.

we considered the significant laws and regulations to be the applicable accounting standards, Companies Act 2006 and tax legislation.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud
We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
    - Detecting and responding to the risks of fraud; and
    - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these;

Based on our risk assessment, we considered the area most susceptible to fraud are management override, revenue recognition, bias in the carrying value of the property, plant and equipment and bias in investment property valuations.

Auditor's responsibilities for the audit of the financial statements *(continued)*

Extent to which the audit was capable of detecting irregularities, including fraud (continued)

Fraud (continued)

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation; and
- Assessing significant estimates made by management for bias, including the valuation of investment property and impairment of housing properties classified as property, plant and equipment.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Chris Young
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Christopher Young (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

Date: 15 December 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Populo Living Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2023

	Note	2023 £	2022 £
Revenue	4	**9,936,398**	16,871,027
Cost of sales		**(5,408,505)**	(13,624,722)
Gross profit		**4,527,893**	3,246,305
Administrative expenses		**(2,398,186)**	(1,719,944)
Impairment charges on property, plant and equipment	12	**(797,713)**	(2,277,731)
Fair value movements	14	**(8,909,916)**	2,164,079
Reversal of the Impairment of the Triangle site		**2,331,085**	-
(Loss)/Profit from operations	5	**(5,246,837)**	1,412,709
Finance income		**14,934**	92
Finance expense	9	**(4,468,413)**	(3,402,602)
Loss before tax		**(9,700,316)**	(1,989,801)
Tax credit	10	**7,636**	1,946,179
Loss for the financial year		**(9,692,680)**	(43,622)

All amounts relate to continuing operations.

There were no amounts of other comprehensive income for 2023 (2022 - £Nil).

The notes on pages 25 to 53 form part of these financial statements.

Populo Living Limited
Registered number:08956137

Consolidated Statement of Financial Position
as at 31 March 2023

	Note	2023 £	2022 £
Non-current assets			
Intangible assets	11	**18,316**	39,025
Property, plant and equipment	12	**60,969,256**	54,852,559
Investment property	14	**173,160,000**	124,414,998
Deferred tax asset	19	**12,295**	4,659
		234,159,867	179,311,241
Current assets			
Shared ownership properties held for sale		**311,857**	73,500
Trade and other receivables	15	**13,420,459**	16,995,532
Cash and cash equivalents		**9,997,602**	9,470,987
		23,729,918	26,540,019
Total assets		**257,889,785**	205,851,260
Equity attributable to owners of the parent company			
Share capital	20	**47,249,614**	47,249,614
Profit and loss account	21	**(52,159,711)**	(42,467,031)
		(4,910,097)	4,782,583
Current liabilities			
Trade and other payables	16	**51,331,088**	48,041,847
Non-current liabilities			
Borrowings	17	**190,484,944**	150,261,870
Deferred grant		**20,983,850**	2,764,960
Deferred tax liabilities	19	**-**	-
		211,468,794	153,026,830
Total equity and liabilities		**257,889,785**	205,851,260

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:
Steve Quartermain
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S W Quartermain
Director

Date: 15 December 2023

The notes on pages 25 to 53 form part of these financial statements.

Populo Living Limited
Registered number:08956137

Company Statement of Financial Position
as at 31 March 2023

	Note	2023 £	2022 £
Non-current assets			
Intangible assets	11	**18,316**	39,025
Property, plant and equipment	12	**4,412,528**	23,695,945
Investments	13	**1**	1
Investment property	14	**173,160,000**	124,414,998
Deferred tax asset	19	**9,442**	-
		177,600,287	148,149,969
Current assets			
Trade and other receivables	15	**14,631,289**	30,180,588
Cash and cash equivalents		**4,368,182**	7,912,178
		18,999,471	38,092,766
Total assets		**196,599,758**	186,242,735
Equity attributable to owners of the parent company			
Share capital	20	**47,249,614**	47,249,614
Profit and loss account	21	**(57,432,288)**	(46,263,354)
		(10,182,674)	986,260
Current liabilities			
Trade and other payables	16	**51,392,521**	40,358,967
Non-current liabilities			
Borrowings	17	**155,389,911**	144,895,185
Deferred tax liabilities	19	**-**	2,323
		155,389,911	144,897,508
Total equity and liabilities		**196,599,758**	186,242,735

Populo Living Limited

Registered number:08956137

**Company Statement of Financial Position (continued)
as at 31 March 2023**

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. During the year, the company made a loss of £11,168,934 (2022 - £3,975,502).

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:

Steve Quartermain

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S W Quartermain
Director

Date: 15 December 2023

The notes on pages 25 to 53 form part of these financial statements.

Populo Living Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 March 2023

	Share Capital £	Profit and loss account £	Total equity £
At 1 April 2022	**47,249,614**	**(42,467,031)**	**4,782,583**
Comprehensive loss for the year			
Loss and total comprehensive loss for the year	**-**	**(9,692,680)**	**(9,692,680)**
Contributions by and distributions to owners			
Shares issued during the year	**-**	**-**	**-**
At 31 March 2023	**47,249,614**	**(52,159,711)**	**(4,910,097)**

Consolidated Statement of Changes in Equity for the Year Ended 31 March 2022

	Share Capital £	Profit and loss account £	Total equity £
At 1 April 2021	33,895,973	(42,423,409)	(8,527,436)
Comprehensive loss for the year			
Loss and total comprehensive loss for the year	-	(43,622)	(43,622)
Contributions by and distributions to owners			
Shares issued during the year	13,353,641	-	13,353,641
At 31 March 2022	**47,249,614**	**(42,467,031)**	**4,782,583**

The notes on pages 25 to 53 form part of these financial statements.

Populo Living Limited

Company Statement of Changes in Equity for the Year Ended 31 March 2023

	Share Capital £	Profit and loss account £	Total equity £
At 1 April 2022	**47,249,614**	**(46,263,354)**	**986,260**
Comprehensive loss for the year			
Loss and total comprehensive loss for the year	**-**	**(11,168,934)**	**(11,168,934)**
Contributions by and distributions to owners			
Shares issued during the year	-	-	-
At 31 March 2023	**47,249,614**	**(57,432,288)**	**(10,182,674)**

Company Statement of Changes in Equity for the Year Ended 31 March 2022

	Share Capital £	Profit and loss account £	Total equity £
At 1 April 2021	33,895,973	(42,287,852)	(8,391,879)
Comprehensive loss for the year			
Loss and total comprehensive loss for the year	-	(3,975,502)	(3,975,502)
Contributions by and distributions to owners			
Shares issued during the year	13,353,641	-	13,353,641
At 31 March 2022	**47,249,614**	**(46,263,354)**	**986,260**

The notes on pages 25 to 53 form part of these financial statements.

Populo Living Limited

Consolidated Statement of Cash Flows
for the Year Ended 31 March 2023

	2023 £	2022 £
Cash flows from operating activities		
Loss for the financial year	**(9,692,680)**	(43,622)
Adjustments for:		
Amortisation of intangible assets	**20,709**	55,671
Amortisation of government grant	**(100,070)**	(11,000)
Depreciation of tangible assets	**520,626**	142,901
Impairments of fixed assets	**797,713**	2,277,731
Movement in shared ownership properties held for sale	**788,893**	526,750
Interest charged to the income statement	**4,468,413**	3,402,602
Interest credited to the income statement	**(14,934)**	(92)
Taxation credit	**(7,636)**	(1,946,179)
Decrease/(Increase) in trade debtors and other receivables	**8,403,276**	(5,697,437)
Increase in trade creditors and other payables	**682,362**	4,101,214
Net fair value losses/(gains) recognised in P&L	**8,909,916**	(2,164,079)
Reversal of impairment of Triangle site	**(2,331,085)**	-
Net cash generated from operating activities	**12,445,503**	644,460
Cash flows from investing activities		
Purchase of property, plant and equipment	**(17,101)**	(47,640)
Development of property, plant and equipment	**(6,885,483)**	(22,355,471)
Investment property under development	**(51,617,710)**	(37,403,049)
Purchase of investment property	**-**	(7,655,569)
Interest received	**14,934**	92
Pre-construction costs	**(2,043,782)**	(2,071,368)
Net cash used in investing activities	**(60,549,142)**	(69,533,005)

The notes on pages 25 to 53 form part of these financial statements.

Populo Living Limited

Consolidated Statement of Cash Flows (continued)
for the Year Ended 31 March 2023

	2023 £	2022 £
Cash flows from financing activities		
Issue of ordinary shares	-	13,353,641
New secured loans	**95,754,152**	67,779,313
Repayment of loans	**(61,423,925)**	(6,877,900)
Interest paid	**(4,203,973)**	(1,741,696)
Grants received	**18,504,000**	2,804,000
Net cash from financing activities	**48,630,254**	75,317,358
Net increase in cash and cash equivalents	**526,615**	6,428,813
Cash and cash equivalents at the beginning of the year	**9,470,987**	3,042,174
Cash and cash equivalents at the end of the year	**9,997,602**	9,470,987

The notes on pages 25 to 53 form part of these financial statements.

Populo Living Limited

Company Statement of Cash Flows
for the Year Ended 31 March 2023

	2023 £	2022 £
Cash flows from operating activities		
Loss for the financial year	**(11,168,934)**	(3,975,502)
Adjustments for:		
Amortisation of intangible assets	**20,709**	55,671
Depreciation of tangible assets	**49,337**	49,870
Impairments of fixed assets	**797,713**	3,173,464
Loss on disposal of tangible assets	**840,293**	151,061
Interest charged to the income statement	**3,780,974**	3,402,602
Interest credited to the income statement	**(8,463)**	(69)
Taxation credit	**(11,765)**	(1,940,307)
Increase in trade debtors and other receivables	**(1,115,549)**	(442,623)
Increase in trade creditors and other payables	**11,544,035**	2,065,189
Net fair value losses/(gains) recognised in P&L	**8,909,916**	(734,795)
Reversal of impairment of Triangle site	**(2,331,085)**	-
Net cash generated from operating activities	**11,307,181**	1,804,561
Cash flows from investing activities		
Purchase of property, plant and equipment	**(17,101)**	(47,640)
Development of property, plant and equipment	**(6,321,378)**	(22,321,690)
Investment property under development	**(53,467,310)**	(40,298,261)
Purchase of investment property	**-**	(7,655,569)
Advances to group undertakings	**-**	2,805,000
Interest received	**8,463**	69
Pre-construction costs	**(3,893,383)**	(1,542,964)
Disposals of tangible fixed assets	**48,834,254**	5,505,000
Net cash used in investing activities	**(14,856,455)**	(63,556,055)
Cash flows from financing activities		
Issue of ordinary shares	**-**	13,353,641
New secured loans	**64,961,400**	62,412,627
Repayment of loans	**(61,423,925)**	(6,877,900)
Interest paid	**(3,532,197)**	(1,741,696)
Net cash from financing activities	**5,278**	67,146,672
Net (decrease)/increase in cash and cash equivalents	**(3,543,996)**	5,395,178
Cash and cash equivalents at the beginning of the year	**7,912,178**	2,517,000
Cash and cash equivalents at the end of the year	**4,368,182**	7,912,178

The notes on pages 25 to 53 form part of these financial statements.

Populo Living Limited

Notes to the Financial Statements
for the Year Ended 31 March 2023

1. General information

Populo Living Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office is stated on the company information page and the nature of the group's operations and its principal activities are set out in the directors' report.

2. Accounting policies

2.1 Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out in note 2. The policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements are presented in pounds sterling, which is also the company's functional currency.

Amounts are rounded to the nearest pound, unless otherwise stated.

These financial statements have been prepared and approved by the directors in accordance with UK adopted international accounting standards.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

The consolidated financial statements have been prepared on a historical cost basis, except for investment property (see note 14).

The consolidated financial statements are prepared on the going concern basis. Further information on going concern is provided within note 2.3 Going Concern.

New standards, interpretations and amendments not yet effective

The following amendments are effective for the periods beginning on or after 1 January 2024:

- Lease Liability in a Sale and Leaseback (Amendment to IFRS 16);
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current);
- IAS 1 Presentation of Financial Statements (Amendment – Non-Current Liabilities with Covenants); and
- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures (Amendment – Supplier Finance Arrangements).

The IFRS Interpretations Committee issued an agenda decision in June 2020 – *Sale and leaseback with Variable Payments.* This matter was referred to the IASB for standard setting for some aspects. The IASB issued the final amendments in September 2022. The Amendments provide a requirement for the seller-lessee to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller lessee.

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

New standards, interpretations and amendments not yet effective (continued)

The IASB issued amendments to IAS 1 – Classification of Liabilities as Current of Non-Current Liabilities with Covenants issued in October 2022. The amendments require that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement for at least twelve months after the reporting period. As a result of the COVID-19 pandemic, the Board deferred the effective date of the amendments by one year to annual reporting periods beginning on or after 1 January 2024.

Subsequent to the release of amendments to IAS 1 *Classification of Liabilities as Current or Non-Current,* the IASB amended IAS 1 further in October 2022. If an entity's right to defer is subject to the entity complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period, if the entity is required to comply with the condition on or before the end of the reporting period and not if the entity is required to comply with the conditions after the reporting period. The amendments also provide clarification on the meaning of 'settlement' for the purpose of classifying a liability as current or non-current.

In May 2023, the IASB issued amendments to IAS 7 and IFRS 7. The amendments introduce additional disclosure requirements about an entity's supplier finance arrangements. The amendments also provide clarification on characteristics of supplier finance arrangements.

The Group is currently assessing the impact of these new accounting standards and amendments.

Other

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group.

2.2 Basis of consolidation

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may have been a change in any of these elements of control.

The consolidated financial statements present the results of the company and its subsidiaries ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

2. Accounting policies (continued)

2.3 Going concern

As set out in the directors' report, the group manages its working capital requirements through the utilisation of its own resources and a working capital facility provided by its shareholder LBN. The directors believe the group to be a going concern on the basis that the shareholder has provided a letter of support to the group for at least 12 months from the date of approval of these financial statements. In addition, the group continues to discuss its position with the shareholder and has secured funding from LBN to progress two further schemes to the construction phase. As schemes progress, the working capital balance is expected to reduce significantly.

A working capital cash flow has been presented and analysed for the coming 12 months to illustrate the impact on the facility of changes in the delivery of new schemes. The analysis also provided mitigations against the impact of the changes to maintain the facility within the agreed limit. The directors have also stress tested the cashflows from existing properties to service their maintenance and debt obligations over the next 12 months. While the risk is considered low, the directors have considered mitigations to reduce this risk to ensure properties are able to service ongoing and future maintenance and debt obligations whilst complying with loan covenants. With the exception of Cheviot House, for which certain loan covenants in respect of historic and forecast interest cover were breached in the year, loan covenants on all other development facilities were met during the year. Formal loan covenant waivers were provided by LBN in respect of the Cheviot House breaches in the year. The directors are confident that formal waivers will continue to be provided as required.

The group and company are in a net liability position as at 31 March 2023 amounting to £4.9m and £10.2m respectively, driven primarily by the decrease in fair value of our investment property by £8.9m, a volatile and non-cash movement. If expected values at completion of these sites hold, this fair value adjustment will unwind next year as we complete the schemes.

In coming to their conclusion, the directors have considered several key funding metrics and in light of the ongoing wider economic impact, have run various downside stress test scenarios to assess the possible impact on the group over the next 12 months. Accordingly, the group continues to adopt the going concern basis in preparing the financial statements.

2.4 Revenue

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duties. The specific recognition criteria described below must also be met before revenue is recognised.

(a) Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as administrative expenses over the lease terms on a straight-line basis.

2. Accounting policies (continued)

2.4 Revenue (continued)

(b) Development management income

The Group carries out services to deliver required development management services which include planning and design works and project management services in relation to the construction of properties. Transaction prices as determined by individual contracts are allocated to each of these identified performance obligations and revenue is recognised once performance obligations are satisfied. This is considered a faithful depiction of the transfer of services as the contracts are initially priced on the basis of costs to complete the projects and therefore also represents the amount to which the Group would be entitled based on its performance to date. Revenue is typically recognised on an over time basis.

(c) First tranche shared ownership sales

Property sales consist of one performance obligation – the transfer of the property to the shared owner. The transaction price is fixed and specific in the sales contract. Revenue is recognised at a point in time when control of the property passes. Control is considered to pass on legal completion of the property sale.

Under low cost home ownership arrangements, the Group disposes of a long lease on low cost home ownership housing units for a share ranging between 25% and 75% of value. The buyer has the right to purchase further proportions and some up to 100% based on the market valuation of the property at the time each purchase transaction is completed.

Low cost home ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining element, the "staircasing element", is classed as a fixed asset and included in completed housing property at cost and any provision for impairment. Sales of subsequent tranches are treated as a part disposal of a fixed asset. Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited in the sale account in arriving at the surplus or deficit.

Maintenance of shared ownership properties is the responsibility of the shared owner. Any impairment of such properties is charged to the Statement of Comprehensive Income.

2.5 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives to administrative expenses within the consolidated statement of comprehensive income over the directors' estimate of its useful economic life of 5 years. The estimated useful life and amortisation method are reviewed at the end of each year.

2.6 Impairment of intangible assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Impairment charges are included in the statement of comprehensive income, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

2. Accounting policies (continued)

2.7 Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs.

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche, are included in PPE and held at cost less any impairment, and are transferred to completed properties when ready for letting.

Depreciation is provided on all items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold property	-	25%
Fixtures and fittings	-	33%
Office equipment	-	20%
IT equipment	-	33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.8 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.9 Investment property

The company applies the fair value accounting model to investment property. Investment property comprises property held by the company for the purpose of earning rental income (including investment property under construction). Investment property is stated at fair value at the reporting date with changes in fair value being recognised in the statement of comprehensive income.

2.10 Investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

2. Accounting policies (continued)

2.11 Financial assets

The classification of financial assets at initial recognition depends on the purpose for which the financial asset was acquired and its characteristics. All financial assets are initially recognised at fair value. All purchases of financial assets are recordedat trade date, being the date on which the company becomes party to the contractual requirements ofthe financial asset.

The company's financial assets consist of trade and other receivables which include rents due, accrued income, cash and cash equivalents. Under IFRS 9, on initial recognition, a financial asset is classified as measured at:

- amortised cost;
- fair value through other comprehensive income ('FVOCI') - debt instrument; or
- FVOCI- equity investment; or
- fair value through profit or loss ('FVTPL').

Financial Assets held at amortised cost

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- it is held with a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to their acquisition, unless it is a trade receivable without a significant financing component which is initially measured at its transaction price. They principally comprise trade and other receivables and cash and cash equivalents.

These assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses as detailed below.

Impairment of financial assets

IFRS 9 has introduced the expected credit loss ('ECL') model which potentially brings forward the timing of impairments. Under IFRS 9 for receivables the company elected to apply the simplified approach. Under the simplified approach the requirement is to always recognise lifetime ECL's. Under the simplified approach practical expedients are available to measure lifetime ECLs but forward-looking information must still be incorporated. Under this approach there is no need to monitor significant increases in credit risk and entities will be required to measure lifetime ECLs at alltimes.

As at 31 March 2023 and 31 March 2021, the company has concluded that any ECL on receivables would be highly immaterial to the financial statements due to the low credit risk of the relevant counterparties.

Derecognition of financial assets

A financial asset (in whole or in part) is derecognised either:

- when it has either transferred or retained substantially all the risks and rewards and when it no longer has control over the assets or a portion of the asset; or
- when the contractual right to receive cash flow has expired.

2. Accounting policies (continued)

2.11 Financial assets (continued)

Fair Value Measurement Hierarchy

The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole. Inputs used in determining fair value measurements, where applicable, are categorised into different levels based on how observable the inputs used in the valuation technique are (the 'fair value hierarchy'):

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the company determines whether transfers have occurred between levels in the hierarchy by re- assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Where long term loans are provided as an integral part of the investment, they are also held at fair value through profit or loss. Gains or losses resulting from the revaluation of investment properties are recognised in the statement of comprehensive income.

2.13 Financial liabilities

The group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

The group's accounting policy for each category is as follows:

Other liabilities

Other liabilities include the following items:

Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense overthe period to repayment is at a constant rate on the balance of the liability carried in the consolidatedstatement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

2. Accounting policies (continued)

2.14 Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of 12 months or less. IFRS 16 was adopted 1 January 2019 without restatement of comparative figures.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonably certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carryingvalue of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

2. Accounting policies (continued)

2.13 Leases (continued)

Identifying Leases

The group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

(a) there is an identified asset;
(b) the group obtains substantially all the economic benefits from use of the asset; and
(c) the group has the right to direct use of the asset.

The group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the group obtains substantially all the economic benefits from use of the asset, the group considers only the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the group has the right to direct use of the asset, the group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the group applies other applicable IFRSs rather than IFRS 16.

All leases within the group are considered to be leases of low value assets, so there are no adjustments to be recognised in this year.

2.14 Current and deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

2. Accounting policies (continued)

2.14 Current and deferred taxation (continued)

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. In respect of deferred tax assets arising from investment property measured at fair value, the presumption that recovery will be through sale rather than use has not been rebutted.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

2.15 Finance costs

Finance costs associated with the issue of convertible loan notes are deducted from the proceeds of the issue and released to the statement of comprehensive income over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs associated with the issue of the bank loan are deducted from the proceeds of the issue and released to the statement of comprehensive income over the term of the loan on a straight-line basis. Finance costs associated with the issue of share capital are debited to the share premium account.

2.16 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

2.17 Income from investments

Interest income is recognised in profit or loss using the effective interest method.

2.18 Share capital

Financial instruments issued by the group are classified as equity only to the extent that they do not meet the definition of a financial liability or a financial asset. The group's ordinary shares are classified as equity instruments.

3. Critical accounting estimates and judgements

The group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Development management income

For development management income, significant judgement is required to identify the performance obligations of the Group due to various activities or promises that are to be performed based on the contract. The Group needs to assess whether the activities or promises to transfer services to the customer are distinct and separately identifiable. In making the assessment, the Group considered if the customer can benefit from these activities or promises either on its own, or together with other resources that are readily available to the customer, and if the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.

- Fair value of investment property

The fair value of investment property is determined, by the directors, to be the estimated amount for which a property should exchange on the date of the valuation in an arms length transaction. Properties have been valued on an individual basis and the values are supported by independent professional valuations.

- Deferred tax asset

At each financial period end judgement is required in respect of the deferred tax asset. The amount of the deferred tax asset included in the statement of financial position is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. In estimating the amount of the deferred tax asset that may be recognised the directors make judgements based on current budgets and forecasts about the amount of future taxable profits and the timings of when these will be realised (see accounting policy 2.14 on current and deferred taxation). The directors have taken the view that as profits are not forecast to be made for some time, a deferred tax asset should not be recognised. Therefore, in the period, the deferred tax asset from previous periods has been reversed.

- Impairment of property, plant and equipment

Determining whether there are indicators of impairment of the group's property, plant and equipment requires consideration of events which may indicate an impairment review. These may include but are not limited to events such as changes in government policy, regulation or legislation, reduction in demand for a property (either by type or location), reduction in the market value of shares ownership of properties, or obsolescence of a property. The values recognised are supported by independent professional valuations.

- Impairment of receivables

Determining whether the value of the group's pre-construction costs, carried as prepayments, should be impaired requires judgement from the directors in respect of the expected viability and profitability of the schemes and so required estimation of the future value of investment properties. This requires management to estimate the future cash flows expected to arise from the investment property. The carrying amount of pre-construction costs at the reporting date was £8,654,338 (2022 - £5,667,331). No impairment loss was recognised in 2023 (2022 - £nil).

Populo Living Limited

Notes to the Financial Statements (continued)
for the Year Ended 31 March 2023

4. Revenue

The management team considers that there is only one business segment, based in the UK. An analysis of the Group's turnover by class of business is set out below:

	2023	2022
	£	£
Rental income	**5,599,813**	2,751,455
Amortised government grant	**100,070**	11,000
Other income	**52,156**	11,630
Development management income	**2,798,359**	13,263,192
First tranche shared ownership Sales	**1,386,000**	833,750
	9,936,398	16,871,027

Timing of transfer of goods or services:

	2023	2022
	£	£
Over time	**8,550,398**	16,381,296
At a point in time	**1,386,000**	833,750
	9,936,398	17,215,046

5. (Loss)/profit from operations

The (loss)/profit from operations is stated after charging:

	2023	2022
	£	£
Depreciation of property, plant and equipment	**520,626**	142,901
Amortisation of intangible assets, including goodwill	**20,709**	55,671
Operating lease rentals	**61,766**	31,536

6. Auditor's remuneration

	2023	2022
	£	£
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	**115,000**	85,000

7. Employee benefit expense

Staff costs, including directors' remuneration, were as follows:

	Group 2023	Group 2022	Company 2023	Company 2022
	£	£	£	£
Wages and salaries	**2,917,077**	2,354,272	**1,376,346**	1,219,334
Social security costs	**292,949**	244,780	**123,800**	122,323
Cost of defined contribution scheme	**237,344**	228,516	**93,411**	111,589
	3,447,370	2,827,568	**1,593,557**	1,453,246

Included in total employee costs are capitalised wages, salaries and fees of £1,985,208 (2022 - £1,624,360), capitalised social security costs of £225,433 (2022 - £181,649) and capitalised other pension costs of £183,596 (2022 - £170,047).

The average number of employees, including directors, during the year was 50 (2022 - 46).

Populo Living Limited

Notes to the Financial Statements (continued)
for the Year Ended 31 March 2023

8. Directors' remuneration

	2023 £	2022 £
Directors' emoluments	**656,174**	687,456
Company contributions to defined contribution pension schemes	**54,610**	58,748

During the year retirement benefits were accruing to 8 directors (2022 - 7) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £175,148 (2022 - £167,189).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £20,252 (2022 - £14,596).

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, and comprise the directors of the company listed on page 9 and senior managers within the business.

9. Finance cost

	2023 £	2022 £
Other finance costs payable	**4,468,413**	3,402,602

10. Tax credit

	2023 £	2022 £
Analysis of tax credit in the year		
Current tax credit		
Current tax on losses for the year	**-**	-
Total current tax	**-**	-
Deferred tax		
Origination and reversal of timing differences	**(4,681)**	-
Adjustment in respect of prior periods	**(1,477)**	(1,944,176)
Effect of changes in tax rates	**(1,478)**	(1,119)
Deferred tax credit for the period	**-**	(884)
Total deferred tax	**(7,636)**	(1,946,179)
Total tax credit	**(7,636)**	(1,946,179)

Populo Living Limited

10. Tax credit (continued)

Factors affecting tax credit for the year

The tax assessed for the year is higher than (2022 - lower than) the standard rate of corporation tax in the UK of 19% (2022 - 19%). The differences are explained below:

	2023 £	2022 £
Loss on ordinary activities before tax	**(9,700,316)**	(1,989,801)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2022 - 19%)	**(1,843,060)**	(378,062)
Effects of:		
Expenses not deductible for tax purposes	**2,117,596**	387,712
Adjustments to tax credit in respect of prior periods - deferred tax	**(1,477)**	(1,944,176)
Effect of change in rate	**(1,478)**	(1,119)
Amounts not recognised	**(1,827,789)**	1,839,616
Exempt items	**1,548,572**	(1,850,150)
Total tax credit for the year	**(7,636)**	(1,946,179)

11. Intangible assets

Group and company	**IT Systems 2023 £**
Cost	
At 1 April	**476,630**
Additions	**-**
At 31 March	**476,630**
Amortisation	
At 1 April	**437,605**
Charge for the year	**20,709**
At 31 March	**458,314**
Net book value	
At 31 March	**18,316**

12. Property, plant and equipment

Group	Housing properties completed	Leasehold property	Fixtures and fittings	Office equipment	Housing properties under construction	Total
	£	£	£	£	£	£
Cost						
At 1 April 2022	28,395,811	1,477,055	247,004	260,890	42,143,644	72,524,404
Additions	564,105	-	9,476	7,625	7,881,080	8,462,286
Intra-group transfer	26,334,547	-	-	-	(26,334,547)	-
Transfer to shared ownership properties held for sale	(1,027,250)	-	-	-	-	(1,027,250)
At 31 March 2023	54,267,213	1,477,055	256,480	268,515	23,690,177	79,959,440
Depreciation and impairment						
At 1 April 2022	44,197	1,477,055	240,913	182,462	15,727,218	17,671,845
Charge for the year	471,289	-	3,693	45,644	-	520,626
Impairment charge	-	-	-	-	797,713	797,713
At 31 March 2023	515,486	1,477,055	244,606	228,106	16,524,931	18,990,184
Net book value						
At 31 March 2023	53,751,727	-	11,874	40,409	7,165,246	60,969,256
At 31 March 2022	28,351,614	-	6,091	78,428	26,416,426	54,852,559

12. Property, plant and equipment (continued)

In respect of prior year:

Group	Housing properties completed	Leasehold property	Fixtures and fittings	Office equipment	Housing properties under construction	Total
	£	£	£	£	£	£
Cost						
At 1 April 2021	-	1,477,055	241,671	218,583	47,019,865	48,957,174
Additions	-	-	5,333	42,307	24,119,840	24,167,480
Intra-group transfer	28,996,061	-	-	-	(28,996,061)	-
Transfer to shared ownership properties held for sale	(600,250)	-	-	-	-	(600,250)
At 31 March 2022	28,395,811	1,477,055	247,004	260,890	42,143,644	72,524,404
Depreciation and impairment						
At 1 April 2021	-	1,418,775	234,241	148,710	13,449,487	15,251,213
Charge for the year	44,197	58,280	6,672	33,752	-	142,901
Impairment charge	-	-	-	-	2,277,731	2,277,731
At 31 March 2022	44,197	1,477,055	240,913	182,462	15,727,218	17,671,845
Net book value						
At 31 March 2022	28,351,614	-	6,091	78,428	26,416,426	54,852,559
At 31 March 2021	-	58,280	7,430	69,873	33,570,378	33,705,961

Populo Living Limited

Notes to the Financial Statements (continued)
for the Year Ended 31 March 2023

12. Property, plant and equipment (continued)

Company	Leasehold property	Fixtures and fittings	Office equipment	Housing properties under construction	Total
	£	£	£	£	£
Cost					
At 1 April 2022	1,377,383	247,004	260,890	39,438,781	41,324,058
Additions	-	9,476	7,625	7,881,080	7,898,181
Disposals - intragroup	-	-	-	(26,334,548)	(26,334,548)
At 31 March 2023	1,377,383	256,480	268,515	20,985,313	22,887,691
Depreciation and impairment					
At 1 April 2022	1,377,383	240,913	182,462	15,827,355	17,628,113
Charge for the year	-	3,693	45,644	-	49,337
Impairment charge	-	-	-	797,713	797,713
At 31 March 2023	1,377,383	244,606	228,106	16,625,068	18,475,163
Net book value					
At 31 March 2023	-	11,874	40,409	4,360,245	4,412,528
At 31 March 2022	-	6,091	78,428	23,611,426	23,695,945

Populo Living Limited

Notes to the Financial Statements (continued) for the Year Ended 31 March 2023

12. Property, plant and equipment (continued)

In respect of prior year:

Company	Leasehold property	Fixtures and fittings	Office equipment	Housing properties under construction	Total
	£	£	£	£	£
Cost					
At 1 April 2021	1,377,383	241,671	218,583	43,419,269	45,256,906
Additions	-	5,333	42,307	25,015,573	25,063,213
Disposals - intragroup	-	-	-	(28,996,061)	(28,996,061)
Disposals	-	-	-	-	-
At 31 March 2022	1,377,383	247,004	260,890	39,438,781	41,324,058
Depreciation and impairment					
At 1 April 2021	1,367,937	234,241	148,710	12,653,891	14,404,779
Charge for the year	9,446	6,672	33,752	-	49,870
Impairment charge	-	-	-	3,173,464	3,173,464
At 31 March 2022	1,377,383	240,913	182,462	15,827,355	17,628,113
Net book value					
At 31 March 2022	-	6,091	78,428	23,611,426	23,695,945
At 31 March 2021	9,446	7,430	69,873	30,765,378	30,852,127

13. Fixed asset investments

Company

	Investments in subsidiary companies 2023 £	Investments in subsidiary companies 2022 £
Cost and net book value		
At 1 April	1	1
At 31 March	1	1

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Principal activity	Class of shares	Holding
Populo Design and Build Limited	Property construction	Ordinary	100%
Populo Homes	Registered housing provider	Ordinary	100%

The registered office of Populo Design and Build Limited and Populo Homes Limited is 373 High Street, Stratford, London, E15 4QZ.

14. Investment property

Group

	Freehold investment property £	Investment properties under construction £	Total £
Valuation			
At 1 April 2022	90,815,000	33,599,998	124,414,998
Additions at cost	677,760	56,977,158	57,654,918
Gain/(Deficit) on revaluation	567,240	(9,477,156)	(8,909,916)
At 31 March 2023	92,060,000	81,100,000	173,160,000

Company

	Freehold investment property £	Investment properties under construction £	Total £
Valuation			
At 1 April 2022	90,815,000	33,599,998	124,414,998
Additions at cost	677,760	56,977,158	57,654,918
Gain/(Deficit) on revaluation	567,240	(9,477,156)	(8,909,916)
At 31 March 2023	92,060,000	81,100,000	173,160,000

Populo Living Limited

Notes to the Financial Statements (continued)
for the Year Ended 31 March 2023

14. Investment property (continued)

In respect of prior year:

Group	Freehold investment property	Investment properties under construction	Total
	£	£	£
Valuation			
At 1 April 2021	55,040,000	17,225,000	72,265,000
Additions at cost	12,054,154	37,931,765	49,985,919
Transfer in asset class	17,225,000	(17,225,000)	-
Gain/(Deficit) on revaluation	6,495,846	(4,331,767)	2,164,079
At 31 March 2022	90,815,000	33,599,998	124,414,998

Company	Freehold investment property	Investment properties under construction	Total
	£	£	£
Valuation			
At 1 April 2021	55,040,000	17,225,000	72,265,000
Additions at cost	12,054,154	39,361,049	51,415,203
Transfer in asset class	17,225,000	(17,225,000)	-
Gain/(Deficit) on revaluation	6,495,846	(5,761,051)	734,795
At 31 March 2022	90,815,000	33,599,998	124,414,998

The 2023 valuations were completed by 31 March 2023 by independent professionally qualified valuers in accordance with RICS Professional Standards on the basis of fair value. Fair value represents the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

All of the group's properties are classified as Level 3 in the fair value hierarchy as defined by IFRS 13 Fair Value Management. There have been no transfers of properties between Levels 1, 2 and 3 during the period under review and the fair value at 31 March 2023 represents the highest and best use.

Valuations are based on a market approach which provides an indicative value by comparing the property with other similar properties for which price information is available. Comparisons have been adjusted to reflect differences in age, size, condition, location, and any other relevant factors.

Tenure	Asset Type	Type of valuation	Valuation technique used	Key unobservable inputs	Relationship between key unobservable inputs and fair value
Freehold and long leasehold assets	Completed investment property	Underlying assets revalued	Market value approach.	Adopted rate per square foot.	The fair value would increase if market rents were higher and/or the rates per square foot were higher.

Populo Living Limited

Notes to the Financial Statements (continued)
for the Year Ended 31 March 2023

14. Investment property (continued)

Tenure	Asset Type	Type of valuation	Valuation technique used	Key unobservable inputs	Relationship between key unobservable inputs and fair value
Freehold and long leasehold assets	Investment property under construction	Indicative notional land value	Residual valuation method.	Estimated costs to complete. Estimated financing costs that would be obtained by a prospective purchaser. Notional profit of 15% that a third-party developer would require to purchase the site and build to completion.	Future cost fluctuations will impact the notional land value, mainly an increase in estimated costs to complete would reduce current land values. Higher financing costs would have a similar impact on supressing current land values. Higher desired profit taking from a prospective purchaser would suppress its current land value. Similarly, a lower profit tolerance level would increase current land values.

15. Trade and other receivables

Current	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Amounts owed by group undertakings	-	-	-	23,340,000
Trade receivables	**3,240,254**	205,907	**3,454,738**	175,216
Development management fee receivable	**1,512,570**	11,025,472	-	-
Other debtors	-	1,025	-	-
Total financial assets other than cash and cash equivalents classified as financial assets measured at amortised cost	**4,752,824**	11,232,404	**3,454,738**	23,515,216
Other taxation	-	34,478	**270,229**	34,478
Prepayments and accrued income	**8,667,635**	5,728,650	**10,906,322**	6,630,894
	13,420,459	16,995,532	**14,631,289**	30,180,588

Amounts owed by group undertakings are interest free and repayable on demand.

Populo Living Limited

Notes to the Financial Statements (continued)
for the Year Ended 31 March 2023

16. Trade and other payables

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Trade payables	**3,359,109**	3,741,884	**1,152,812**	884,227
Amounts owed to group undertakings	**-**	-	**12,574,022**	2,728,759
Amounts owed to London Borough of Newham	**1,811,153**	-	**-**	-
Other payables	**155,490**	4,506,286	**55,219**	14,275
Accruals	**8,409,441**	4,101,724	**1,535,059**	1,451,984
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	**13,735,193**	12,349,894	**15,317,112**	5,079,245
Other taxation and social security	**139,162**	422,055	**29,327**	37,864
Deferred grant	**213,080**	28,040	**-**	-
LBN loans	**37,243,653**	35,241,858	**36,046,082**	35,241,858
	51,331,088	48,041,847	**51,392,521**	40,358,967

Amounts owed to group undertakings are interest free and repayable on demand.

17. Non-current borrowings

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
LBN loans	**190,484,944**	150,261,870	**155,389,911**	144,895,185

18. Loans

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Amounts falling due within one year				
LBN loan	**37,243,653**	35,241,858	**36,046,082**	35,241,858
Amounts falling due 1-2 years				
LBN loan	**944,654**	37,483,834	**600,274**	37,483,834
Amounts falling due 2-5 years				
LBN loan	**3,133,351**	979,599	**2,020,188**	979,599
Amounts falling due after more than 5 years				
LBN loan	**186,406,939**	111,798,437	**152,769,449**	106,431,752
	227,728,597	185,503,728	**191,435,993**	180,137,043

18. Loans (continued)

The LBN loans comprise an unsecured loan along with property specific loans totalling £193,528,653 (2022 - £149,596,180) secured against the company's investment properties. The secured loans have fixed rates of interest varying from 3.6% to 10% whilst the unsecured loan is a floating rate of interest linked to the higher SONIA related rate, and the parent company's consolidated rate of borrowing.

Part of the LBN loans relates to the Cheviot scheme with a carrying amount of £17,715,832 at 31 March 2023 (2022: £17,851,914). The company breached the Forecast Interest Cover Ratio for all quarters during 2022/23 financial year in relation to this loan due to the shift from PRS rents to Temporary Accommodation arrangements with LBN. However, management obtained a waiver from LBN for the first three quarters during 2022/23 financial year and the the waiver for the quarter ending March 2023 was received in May 2023.

During the year interest of £6,197,993 (2022 - £4,395,758) which was incurred in relation to the development of the company's properties was capitalised.

19. Deferred taxation

	2023 £	2022 £
At beginning of year	**4,659**	(1,941,520)
Charged to profit or loss	**7,636**	1,946,179
At end of year	**12,295**	4,659

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Accelerated capital allowances	**3,372**	(1,582)	**658**	(4,388)
Corporate interest restriction	**139**	-	**-**	-
Short term temporary differences	**8,784**	6,241	**8,784**	2,065
	12,295	4,659	**9,442**	(2,323)
Comprising:				
Asset - due after one year	**12,295**	**4,659**	**9,442**	-
Liability	**-**	**-**	**-**	(2,323)
	12,295	4,659	**9,442**	(2,323)

20. Share Capital

	2023 £	2022 £
Allotted, called up and fully paid		
47,249,614 (2022 - 47,249,614) Ordinary shares of £1 each	**47,249,614**	47,249,614

During the year, the company issued Nil ordinary £1 shares at par (2022 - 13,353,641).

Populo Living Limited

Notes to the Financial Statements (continued)
for the Year Ended 31 March 2023

21. Reserves

Profit and loss account

Retained earnings represents cumulative profits and losses, net of dividends paid and other adjustments.

22. Financial instruments and financial risk management

The group is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Liquidity risk

In common with all other businesses, the group is exposed to risks that arise from its use of financial instruments. This note describes the group's objectives, policies and processes for managing these risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Principal financial instruments

The principal financial instruments used by the group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- LBN loan

Financial instruments by category

	2023 £	2022 £
Financial assets at amortised cost		
Trade and other receivables	**4,752,824**	11,232,404
Cash and cash equivalents	**9,997,602**	9,470,987
Total financial assets	**14,750,426**	20,703,391

	2022 £	2022 £
Financial liabilities at amortised cost		
Trade and Other Payables	**13,735,193**	12,349,894
Loans and borrowings	**227,728,597**	185,503,728
Total financial liabilities	**241,463,790**	197,853,622

No financial instruments are carried at fair value. Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables and bank loans approximates their fair value.

22. Financial instruments and financial risk management (continued)

General objectives, policies and processes

The board has an overall responsibility for the determination of the group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the group's finance function. The board regularly reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The group is mainly exposed to credit risk from credit sales. It is a company policy to assess the credit risk of new customers before entering contracts. Each new customer is analysed individually for creditworthiness before the group's standard payment and delivery terms and conditions are offered. The group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer.

Concentrations of credit risk are determined by monitoring the creditworthiness rating of existing customers and through a regular review of the trade receivables' ageing analysis.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

The group's maximum exposure to credit risk is £14,750,426 (2022 - £20,703,391) being the total value of the financial assets held as disclosed above. The board monitors the credit ratings of counterparties regularly and at the reporting date does not expect any material losses from non-performance by counterparties.

Interest rate risk

The board consider the exposure of the group to interest rate risk is significant to the working capital facility and new investments. Mitigations are noted in the Directors report. The board understand that properties in management and currently constructed on site are at fixed interest rates.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if the interest rate charged by LBN on the working capital facility had been 50 basis points lower/higher with all other variables held constant, the Group's profit before tax would have been £180,000 higher/lower, arising as a result of lower/higher interest expense on the interest rate on the working capital facility. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

22. Financial instruments and financial risk management (continued)

Liquidity risk

Liquidity risk arises from the group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the group will encounter difficulty in meeting its financial obligations as they fall due.

The group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

Management reviews rolling cash flow projections on a regular basis as well as information regarding cash balances. At the end of the financial period, these projections indicated that the group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The liquidity risk is managed centrally by the group's treasury function, which sets budgets which are agreed by the board in advance, enabling the group's cash requirements to be anticipated.

	Up to one year £	Between one and two years £	Between two and five years £	Over five years £
At 31 March 2023				
Trade and other payables	**13,735,193**	**-**	**-**	**-**
Loans and borrowings	**6,516,035**	**11,372,030**	**32,923,612**	**467,197,331**
	20,251,228	**11,372,030**	**32,923,612**	**467,197,331**

	Up to one year £	Between one and two years £	Between two and five years £	Over five years £
At 31 March 2022				
Trade and other payables	12,349,894	-	-	-
Loans and borrowings	31,229,039	40,429,651	25,732,634	379,663,713
	43,578,933	**40,429,651**	**25,732,634**	**379,663,713**

22. Financial instruments and financial risk management (continued)

Capital disclosures

The group's objectives when managing capital are:

• to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for the shareholder and benefit for other stakeholders; and
• to provide an adequate return to the shareholder by pricing products and services commensurately with the level of risk.

The board consider that the group is currently meeting its capital management objectives.

There are no externally imposed capital requirements.

23. Pension commitments

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £237,344 (2022 - £228,516). Contributions totalling £35,134 (2023 - £30,354) were payable to the fund at the reporting date and are included in creditors.

24. Commitments

Operating lease commitments

Lessor

At 31 March 2023 the Group and the company had future minimum lease receivables due under non- cancellable operating leases for each of the following periods:

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Not later than one year	**1,425,739**	2,358,111	**818,397**	1,802,438
Later than one year and not later than five years	**392,769**	275,846	**139,351**	222,503
Later than five years	**2,265,918**	1,787,699	**-**	-
	4,084,426	4,421,656	**957,748**	2,024,941

Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements amounted to £11.5m (2022 - £61.1m).

25. Notes supporting statement of cash flows

		Financing cash flows				Non-cash changes					
	Opening Balance	Draw-downs	Principal repayments	Interest payments	Grant received	Interest expense	Capitalised Interest	Included in accruals	Amortisation of grant	Reclass-ification	**Closing balance**
2023	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**		**£**	**£**
Group											
LBN loans - current	**35,241,858**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,001,795**	**37,243,653**
LBN loans - noncurrent	**150,261,870**	**95,754,152**	**(61,423,925)**	**(4,203,973)**		**4,468,413**	**6,197,993**	**1,432,209**	**-**	**(2,001,795)**	**190,484,944**
Deferred grant - current	**28,040**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**185,040**	**213,080**
Deferred grant - noncurrent	**2,764,960**	**-**	**-**	**-**	**18,504,000**	**-**	**-**	**-**	**(100,070)**	**(185,040)**	**20,983,850**
Total	**188,296,728**	**95,754,152**	**(61,423,925)**	**(4,203,973)**	**18,504,000**	**4,468,413**	**6,197,993**	**1,432,209**	**(100,070)**	**-**	**248,925,527**
Company											
LBN loans - current	**35,241,858**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**804,224**	**36,046,082**
LBN loans - noncurrent	**144,895,185**	**64,961,400**	**(61,423,925)**	**(3,532,197)**	**-**	**3,780,974**	**6,197,993**	**1,314,705**	**-**	**(804,224)**	**155,389,911**
Total	**180,137,043**	**64,961,400**	**(61,423,925)**	**(3,532,197)**	**-**	**3,780,974**	**6,197,993**	**1,314,705**	**-**	**-**	**191,435,993**
2022	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**		**£**	**£**
Group											
LBN loans - current	385,605	-	-	-	-	-	-	-	-	34,856,253	**35,241,858**
LBN loans - noncurrent	118,505,224	67,779,313	(6,877,900)	(1,741,696)	-	3,402,602	4,395,757	(345,177)	-	(34,856,253)	**150,261,870**
Deferred grant - current	-	-	-	-	-	-	-	-	-	28,040	**28,040**
Deferred grant - noncurrent	-	-	-	-	2,804,000	-	-	-	(11,000)	(28,040)	**2,764,960**
Total	118,890,829	67,779,313	(6,877,900)	(1,741,696)	2,804,000	3,402,602	4,395,757	(345,177)	(11,000)	-	**188,296,728**
Company											
LBN loans - current	385,605	-	-	-	-	-	-	-	-	34,856,253	**35,241,858**
LBN loans - noncurrent	118,505,224	62,412,628	(6,877,900)	(1,741,696)	-	3,402,602	4,395,757	(345,177)	-	(34,856,253)	**144,895,185**
Total	118,890,829	62,412,628	(6,877,900)	(1,741,696)	-	3,402,602	4,395,757	(345,177)	-	-	**180,137,043**

26. Related party transactions

The company has taken advantage of the exemption available under paragraph 33.1A of the Financial Reporting Standard 102 not to disclose transactions with other wholly owned members of the group.

27. Controlling party

The immediate and ultimate parent undertaking is the London Borough of Newham, a local Authority whose principal place of business is Town Hall, Barking Road, East Ham, London E6 2RP.

The largest group of undertaking which group accounts are drawn up and of which the company is a member is the group headed by the London Borough of Newham.

Copies of the group financial statements of the London Borough of Newham are available from Town Hall, Barking Road, East Ham, London, E6 2RP.

The company is controlled by the London Borough of Newham.