

Company registration number 32294R (England and Wales)

LEATHERMARKET COMMUNITY BENEFIT SOCIETY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

LEATHERMARKET COMMUNITY BENEFIT SOCIETY LIMITED

LEGAL AND ADMINISTRATIVE INFORMATION

Board Members

Mrs S Hatchard
Mr P C Munday (Treasurer/Co Chair)
Mr A N Bates
Miss J Vignola (Co Chair)
Mr J P Lynch
Mr David Hawkins
Mr L McGrath
Mr M Yates
Ms K Farrant
Ms M Pamic (Secretary)
Ms H Iqbal (Appointed 21 May 2022)
Ms R Onyeche Abo (Appointed 24 January 2023)
Mr R Raudins (Appointed 24 January 2023)

Leathermarket CBS Staff (during the year)

Beverley Nofamo (Programme Director)
Michele King (Community & Communications Manager) - resigned
Majda Pamic (Finance Officer & Administration)
Brian Botha (Senior Project Manager)

Company number

32294R

Registered office

26 Leathermarket Street
London
SE1 3HN

Auditor

Jerroms GCN Limited
West Point, Second Floor
Mucklow Office Park
Mucklow Hill
Halesowen
B62 8DY

Bankers

Lloyds Bank PLC
PO Box 72
Bailey Drive
Gillingham Business Park
Kent
ME8 0LS

Solicitors

Anthony Collins Solicitors PLC
134 Edmund Street
Birmingham
B3 2ES

LEATHERMARKET COMMUNITY BENEFIT SOCIETY LIMITED

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LEATHERMARKET COMMUNITY BENEFIT SOCIETY LIMITED

BOARD'S REPORT (INCLUDING DIRECTORS' REPORT)

FOR THE YEAR ENDED 31 MARCH 2023

The board members present their annual report and financial statements for the year ended 31 March 2023.

The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with current statutory requirements, the requirements of the Rules and provisions of the Statement of Recommended Practice (SORP) "Accounting and reporting by charities" (FRS102).

Objectives and activities

The Society was formed for the benefit of the community with a mission to develop new, genuinely affordable community-led housing and improve existing neighbourhoods – in order to generate social, economic and environmental benefit for the local residents of the Leathermarket JMB estates.

The primary objectives of the CBS are:

- To build high quality and genuinely affordable homes for rent;
- To democratically develop buildings and public spaces the local community are proud of;
- To build energy efficient homes that reduce energy poverty;
- To ensure the new homes are available for local people in housing need; and
- To empower incoming residents to participate in the design of their homes

The long-term ambition of the CBS is to maximise the delivery of a programme of new genuinely affordable community-led housing on the Leathermarket JMB estates through strong, mutually constructive partnerships with Southwark Council and the GLA. The success of the delivery of CBS' first two housing schemes, including the delivery of community facilities, have demonstrated the CBS' ability to unlock challenging development sites to deliver high quality homes and community facilities. The CBS plans to continue working collaboratively with Southwark to deliver CBS's Rolling Programme of new community-led homes over the next six years, to help the Council reach its target of 11,000 new affordable homes in the borough by 2043.

LEATHERMARKET COMMUNITY BENEFIT SOCIETY LIMITED

BOARD'S REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Achievements and performance

Since the completion of the CBS's first 27 homes at Marklake Court in 2018, we have built on the many strengths of our community-led housing model and have seen considerable enthusiasm for moving forward with an expanded delivery programme of local, social-rent homes and associated community facilities.

The second CBS development, on the former Joseph Lancaster nursery building on the Lawson Estate, delivered 40 social rent homes - 6 mews houses and 34 flats, as well as new communal garden and play space for children - which completed in May 2022. It is a significant achievement that 100% of the new homes at Joseph Lancaster were let at social rent levels, as was the case with the first CBS development at Marklake Court. Delivery of these homes and community facilities have been made possible by support and funding from Southwark Council and the Greater London Authority (GLA).

The third CBS scheme proposal, to provide 34 new Council homes, a new fit-for-purpose outdoor ball court, children's play space and a community garden, with improved landscaping across the Elim Estate, reflects over three years of consultations with Elim Estate residents. The planning application has been submitted and will be considered by Southwark's Planning Committee in September 2023.

Design and feasibility work concluded in 2022 for a fourth development scheme proposal, on the site of the existing JMB office at 26 Leathermarket Street, to deliver 26 new Council homes to be built above the re-provision of office and community space for Leathermarket JMB on the ground floor. The planning application has been submitted and is expected to be considered by Southwark's planning committee in November 2023.

In order to ensure a coordinated approach between improving our local estates and building new homes, to be let at Council rent levels, the CBS continues to work on the priorities set out in its 2018 Estate Improvement Plan, which reflects feedback from over 600 local residents.

As is clear from these achievements, the board have worked with both focus and diligence on an expanding rolling programme of community-led development. The resident directors bring a wealth of local knowledge and commitment and are grateful to the external co-opted directors for their expertise and advice. Other than the JMB nominee on the CBS board (funded by JMB), all of the directors are unpaid.

Financial review

It is important to offer an explanation of the audited accounts. Although the CBS is shown as having reserves of £9,160,019 at 31 March 2022, this amount includes £9,160,019 spent on construction costs and associated professional fees for the new homes at Marklake Court. Although £9,160,019 is actually an amount incurred, because the new homes are an asset for the CBS this amount is deemed to be 'land and buildings', and therefore is recorded as an asset in the accounts.

The accounts also make a distinction between project and client funds. Project funds are grant given by either Southwark council or the GLA and can only be spent on costs directly relating to the delivery of affordable new homes. Within the £9,160,019 reserves are £9,160,019 project funds which have been spent on costs directly relating to the new homes at Marklake Court. The balance of any grants regarding the Joseph Lancaster, JMB Office and Elim Projects are shown as deferred grants in creditors.

LEATHERMARKET COMMUNITY BENEFIT SOCIETY LIMITED

BOARD'S REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

The CBS operates a robust risk management process designed to identify, evaluate and manage risks. A project team has been employed to support the CBS in this, particularly in relation to development risk, given that development is a primary function of the CBS work. The CBS also draws on the extensive knowledge of the Leathermarket JMB in relation to asset management, under its support agreement.

Risks are categorised as internal (CBS controlled) and external (market controlled). The key steps of the CBS risk management strategy are:

1. Risk Identification
2. Risk Analysis
3. Risk Allocation
4. Risk Monitoring and Action Planning

The highest-ranking risks are reviewed on a regular basis, both at Board level for key business risks, and project level for development risks. Particular focus is given to establishing management strategies to reduce risk, and ensuring clarity of mitigation actions ownership.

The largest risk facing the CBS is the impact of the volatility of the market and unprecedented levels of construction inflation on delivery of the CBS programme. This is being closely monitored by the CBS team and costs plan estimates are updated by a qualified Quantity Surveyor on a regular basis. Given the stages of the CBS projects, this is currently not adversely affecting the progress of the organisation's ongoing projects.

Structure, governance and management

The CBS is a company limited by guarantee and is registered under the Co-operative and Community Benefit Societies Act 2014. Each individual member must hold a share of £1 each.

The board members, who are also the directors for the purpose of company law, and who served during the year and up to the date of signature of the financial statements were:

Mrs S Hatchard

Mr P C Munday (Treasurer/Co Chair)

Mrs C Parsons (Resigned 24 January 2023)

Mr A N Bates

Miss J Vignola (Co Chair)

Mr J P Lynch

Mr David Hawkins

Mr L McGrath

Mr M Yates

Mr D Oakley (Resigned 24 January 2023)

Ms K Farrant

Ms M Pamic (Secretary)

Ms H Iqbal (Appointed 21 May 2022)

Ms R Onyeche Abo (Appointed 24 January 2023)

Mr R Raudins (Appointed 24 January 2023)

Each board member is elected for a fixed term of office expiring at the conclusion of an annual general meeting. The fixed term shall be for a term of three annual general meetings unless the board has set a lower number of annual general meetings for the relevant board member on their election. No fixed term shall be set which would cause the relevant resident board member to serve beyond their ninth consecutive annual general meeting.

LEATHERMARKET COMMUNITY BENEFIT SOCIETY LIMITED

BOARD'S REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

CBS Board

The CBS Board Directors provide overarching strategic direction for the society – directing, controlling and evaluating CBS's affairs. Effective oversight of CBS's activities requires continuity of local knowledge from committed resident Directors, complemented by input from experienced co-opted Directors and member of the JMB.

The CBS Board is currently comprised of nine democratically elected residents, two co-opted directors, selected for their relevant knowledge and expertise, and one representative from the JMB. An ongoing challenge is ensuring that all residents, regardless of background and experience, feel confident coming forward to become CBS Directors, and can effectively represent the views of CBS members. This means supporting incoming Directors to develop the values, knowledge and skills to help achieve CBS's objectives. CBS has previously organised programmes of online courses, internal workshops, and Away Day training to support and empower Directors, which are ongoing.

CBS Client team

The CBS has an established and strong client team, with the right skills and expertise to progress delivery of the CBS rolling programme. The team is headed by a Programme Director, who has extensive experience of leading the delivery of affordable housing programmes; an experienced Senior Project Manager to provide development management expertise on new schemes, a Community & Communication Manager to work with Leathermarket residents and the JMB during consultations; and a Finance Officer to provide internal financial expertise. The CBS client team is funded through rental income from Marklake Court and Joseph Lancaster, as agreed under the Project Grant Agreement for each CBS development.

The direct staffing cost was £245,048 spent on wages, national insurance and pension contributions of the CBS officers.

Auditor

In accordance with the company's articles, a resolution proposing that Jerroms GCN Limited be reappointed as auditor of the company will be put at a General Meeting.

Disclosure of information to auditor

Each of the board members has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditor is aware of such information.

The board's report was approved by the Board of Board Members.

Mr P C Munday (Treasurer/Co Chair)

9 October 2023

LEATHERMARKET COMMUNITY BENEFIT SOCIETY LIMITED

STATEMENT OF BOARD'S RESPONSIBILITIES

FOR THE YEAR ENDED 31 MARCH 2023

The board members, who are also the directors of Leathermarket Community Benefit Society Limited for the purpose of company law, are responsible for preparing the Board's Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company Law requires the board members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the CBS and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

In preparing these financial statements, the board members are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the CBS will continue in operation.

The board members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the CBS and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the CBS and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

LEATHERMARKET COMMUNITY BENEFIT SOCIETY LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LEATHERMARKET COMMUNITY BENEFIT SOCIETY LIMITED

Opinion

We have audited the financial statements of Leathermarket Community Benefit Society Limited (the 'CBS') for the year ended 31 March 2023 which comprise the statement of financial activities, the balance sheet and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the organisation's affairs as at 31 March 2023 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of chapter 1-5 of section 87 of the Co-Operative and Community Benefits Societies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the CBS in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the board's 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 CBS'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 board members with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The board members are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in 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.

Opinions on other matters prescribed by the Community and Benefits Societies Act 2014.

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the board's report for the financial year for which the financial statements are prepared, which includes the board's report prepared for the purposes of company law, is consistent with the financial statements; and
- the board's report included within the board's report has been prepared in accordance with applicable legal requirements.

LEATHERMARKET COMMUNITY BENEFIT SOCIETY LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF LEATHERMARKET COMMUNITY BENEFIT SOCIETY LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the CBS and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report included within the board's report.

We have nothing to report in respect of the following matters in relation to which the Co-Operative and Community Benefits Societies Act 2014 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of board members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

the board members were not entitled to prepare the financial statements and the report in accordance with the small companies regime.

- the board members were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the board's report and from the requirement to prepare a strategic report.

Responsibilities of board members

As explained more fully in the statement of board's responsibilities, the board members, who are also the directors of the CBS for the purpose of company law, 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 board members 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 board members are responsible for assessing the CBS'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 board members either intend to liquidate the charitable 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.

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 is detailed below.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

LEATHERMARKET COMMUNITY BENEFIT SOCIETY LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF LEATHERMARKET COMMUNITY BENEFIT SOCIETY LIMITED

In identifying and assessing risks of material misstatement in respect to irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

a) Enquiries of management, including obtaining and reviewing supporting documentation, concerning the organisation's policies and procedures relating to:

- Identifying, evaluating and complying with laws and regulations.
- Whether they are aware of any instances of non-compliance.

b) As with all audits performed under ISAs (UK), performance of procedures to respond to the risk of the management override of controls.

c) We obtained an understanding of the legal and regulatory frameworks in which the company operates, focusing on those laws which had a direct effect on the material balances and disclosures in the organisation's financial statements. Key laws and regulations considered in this context were:

- The Co-operative and Community Benefit Societies Act 2014
- The Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS 102)

d) In addition, we considered other laws and regulations that do not have a direct effect on the financial statements, but compliance is necessary for the continued operations of the organisation, or to avoid a material penalty.

Our procedures to respond to the risks identified included the following:

- Reviewing the financial statement disclosures and testing to supporting documentation.
- Enquiring of management concerning any actual or potential litigation or claims.
- Reviewing minutes of meetings of those charged with governance and correspondence with HMRC.
- Reviewed records since the end of the period to ensure the completeness of income and expenditure.
- In assessment of the risk of fraud through management override of controls, we have tested the appropriateness of journal entries, assessed whether the judgements made in the organisation making accounting estimates are indicative of a potential management bias and evaluated the business rationale of any significant transactions that are outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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 organisation's members, as a body, in accordance with chapter 1 - 5 of section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the organisation'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 organisation and the organisation's members as a body, for our audit work, for this report, or for the opinions we have formed.

LEATHERMARKET COMMUNITY BENEFIT SOCIETY LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF LEATHERMARKET COMMUNITY BENEFIT SOCIETY LIMITED

**Mr Martin John Bradley FCCA (Senior Statutory Auditor)
for and on behalf of Jerroms GCN Limited**

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**Chartered Certified Accountants
Statutory Auditor**

West Point, Second Floor
Mucklow Office Park
Mucklow Hill
Halesowen
B62 8DY

LEATHERMARKET COMMUNITY BENEFIT SOCIETY LIMITED

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Client funds 2023 £	Project funds 2023 £	Total 2023 £	Client funds 2022 £	Project funds 2022 £	Total 2022 £
Income from:							
Southwark Council	3	20,717	705,261	725,978	249,005	6,997,548	7,246,553
Marklake Court and Joseph Lancaster Income	4	458,740	-	458,740	219,996	-	219,996
Management fee income		3,278	-	3,278	34,950	-	34,950
Total income		482,735	705,261	1,187,996	503,951	6,997,548	7,501,499
Expenditure on:							
Board and staffing costs		245,048	-	245,048	303,017	-	303,017
Marklake Court and Joseph Lancaster costs	5	155,674	-	155,674	76,581	-	76,581
Other expenditure	7	82,013	705,261	787,274	124,353	6,997,548	7,121,901
Total expenditure		482,735	705,261	1,187,996	503,951	6,997,548	7,501,499
Net income for the year/ Net movement in funds		-	-	-	-	-	-
Fund balances at 1 April 2022		20	9,160,019	9,160,039	20	9,160,019	9,160,039
Fund balances at 31 March 2023		20	9,160,019	9,160,039	20	9,160,019	9,160,039

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

In 2022 the Southwark Council grant of £6,997,548 was for project funding and the Southwark Council grant of £280,435 was for client funding.

LEATHERMARKET COMMUNITY BENEFIT SOCIETY LIMITED

BALANCE SHEET

AS AT 31 MARCH 2023

		2023		2022	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	9	9,160,019		9,160,019	
Investments			100		100
			<u>9,160,119</u>		<u>9,160,119</u>
Current assets					
Debtors	10	146,643		778,110	
Cash at bank and in hand		821,428		1,895,142	
		<u>968,071</u>		<u>2,673,252</u>	
Creditors: amounts falling due within one year	11	<u>(968,151)</u>		<u>(2,673,332)</u>	
Net current liabilities			(80)		(80)
Total assets less current liabilities		<u>9,160,039</u>		<u>9,160,039</u>	
Income funds					
Restricted funds	13	9,160,019		9,160,019	
<u>Unrestricted funds</u>					
Share capital		<u>20</u>		<u>20</u>	
			20		20
		<u>9,160,039</u>		<u>9,160,039</u>	

It should be noted that Marklake Court (formerly known as the Kipling Garages Development) is shown in the accounts as an asset under land and buildings of £9,160,019. This development has an EUV-SH valuation of £3,790,000, the balance up to £9,160,019 of £5,370,019 is represented by restricted undistributable government funding. If the development could be sold on the open market it's anticipated value would be £26,180,000.

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

The financial statements were approved by the Board Members on 9 October 2023

Mr P C Munday (Treasurer/Co Chair)

Miss J Vignola (Co Chair)

Company registration number 32294R

LEATHERMARKET COMMUNITY BENEFIT SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

Charity information

Leathermarket Community Benefit Society Limited is a registered society under the Co-operative and Community Benefits Societies Act 2014 with exempt charitable status. The address of the registered office is given in the Society information at the beginning of these financial statements. The nature of the society's operations and principal activity is to operate a Community Right to Build Body primarily in the Leathermarket area in the London Borough of Southwark.

The Society constitutes a public benefit entity as defined by FRS 102. The financial statements have been prepared in accordance with Accounting and Reporting by charities: Statement of Recommended Practice issued on 16 July 2014 and applicable to charities preparing their accounts in accordance with the, the Financial reporting standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and UK Generally Accepted Practice as it applies from 1 January 2015. The Society has taken advantage of early adoption of the Charity SORP 2015 Update Bulletin issued on 2 February 2021.

1.1 Accounting convention

The financial statements are prepared in sterling, which is the functional currency of the CBS. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

The financial statements have been prepared on a going concern basis as the Board believe that no material uncertainties exist. The Board have considered the level of funds held and the expected level of income and expenditure for 12 months from authorising these financial statements. The budgeted income and expenditure is sufficient with the level of reserves for the Society to be able to continue as a going concern.

1.3 Funds

Unrestricted funds are available for use at the discretion of the Board in furtherance of the general objectives of the society and which have been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the Society for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

1.4 Income

Income is recognised when the CBS is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received.

All incoming resources are included in the Statement of Financial Activities (SoFA) when the society is legally entitled to the income and the amount can be quantified with reasonable accuracy. Performance related grants are recognised as the project delivery is confirmed.

LEATHERMARKET COMMUNITY BENEFIT SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.5 Expenditure

All expenditure (including) VAT is accounted for on an accruals basis and has been classified under headings and aggregate all costs related to the category. Expenditure is recognised where there is a legal or constructive obligation to make payments to third parties, it is probable that the settlement will be required and the amount of the obligation can be measured reliably.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	Not Depreciated
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Freehold land and assets in the course of construction are not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the statement of financial activities.

1.7 Fixed asset investments

Fixed asset investments are initially measured at transaction price excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in net income/(expenditure) for the year. Transaction costs are expensed as incurred.

A subsidiary is an entity controlled by the CBS. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.8 Impairment of fixed assets

At each reporting end date, the CBS reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

LEATHERMARKET COMMUNITY BENEFIT SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the CBS's contractual obligations expire or are discharged or cancelled.

1.11 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the CBS is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Debtors and creditors receivable/payable within one year

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment and recognised in expenditure.

2 Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

LEATHERMARKET COMMUNITY BENEFIT SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

3 Southwark Council

	Client funds		Project funds		Total		Client funds		Project funds		Total	
	2023	2023	2023	2023	2023	2023	2022	2022	2022	2022	2022	2022
	£	£	£	£	£	£	£	£	£	£	£	£
Southwark Council	-	705,261	705,261	705,261	705,261	705,261	280,435	6,997,548	6,997,548	6,997,548	7,277,983	7,277,983
Client funds allocated (deferred) in period	20,717	-	-	20,717	20,717	20,717	(31,430)	-	-	-	(31,430)	(31,430)
	20,717	705,261	705,261	725,978	725,978	725,978	249,005	6,997,548	6,997,548	7,246,553	7,246,553	7,246,553

LEATHERMARKET COMMUNITY BENEFIT SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

4 Marklake Court and Joseph Lancaster Income

	Marklake Court 2023 £	Joseph Lancaster 2023 £	Total 2023 £	Marklake Court 2022 £
Rental income	222,254	228,018	450,272	212,307
Utilities income	8,468	-	8,468	7,689
	<u>230,722</u>	<u>228,018</u>	<u>458,740</u>	<u>219,996</u>

5 Marklake Court and Joseph Lancaster costs

	Marklake Court 2023 £	Joseph Lancaster 2023 £	Total 2023 £	Marklake Court 2022 £
Management and maintenance	39,689	47,206	86,895	37,318
Rates and insurance	10,467	-	10,467	9,217
Heat and light	24,321	-	24,321	14,619
Legal and professional etc	33,991	-	33,991	15,427
	<u>108,468</u>	<u>47,206</u>	<u>155,674</u>	<u>76,581</u>
	<u>108,468</u>	<u>47,206</u>	<u>155,674</u>	<u>76,581</u>

6 Employees

The average monthly number of employees during the year was:

	2023 Number	2022 Number
Administrative staff	<u>4</u>	<u>4</u>
Employment costs	2023 £	2022 £
Wages and salaries	208,433	257,057
Social security costs	25,214	29,575
Other pension costs	11,401	16,385
	<u>245,048</u>	<u>303,017</u>

LEATHERMARKET COMMUNITY BENEFIT SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

7 Other expenditure	Client funds		Project funds		Total		Client funds		Project funds		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	£	£	£	£	£	£	£	£	£	£	£	£
Project costs	-	-	705,261	705,261	705,261	705,261	-	-	6,997,548	6,997,548	6,997,548	6,997,548
Service level agreements and management fees	58,334	58,334	-	58,334	58,334	103,968	103,968	-	-	-	-	103,968
Audit Fees	6,354	6,354	-	6,354	6,354	4,720	4,720	-	-	-	-	4,720
Other expenditure	17,325	17,325	-	17,325	17,325	15,665	15,665	-	-	-	-	15,665
	82,013	82,013	705,261	787,274	787,274	124,353	124,353	6,997,548	6,997,548	7,121,901	7,121,901	7,121,901

LEATHERMARKET COMMUNITY BENEFIT SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

8 Taxation

Leathermarket Community Benefit Society Limited is a registered society under the Co-operative and Community Benefits Societies Act 2014 with exempt charitable status, so it is not liable for corporation tax on its main activity.

9 Tangible fixed assets

	Freehold land and buildings £
Cost	
At 1 April 2022	9,160,019
At 31 March 2023	9,160,019
Carrying amount	
At 31 March 2023	9,160,019
At 31 March 2022	9,160,019

It is important to offer an explanation of the audited accounts. Although the CBS is shown as having reserves of £9,160,019 at 31 March 2023, this amount includes £9,160,019 spent on construction costs and associated professional fees for the new homes at Marklake Court. although £9,160,019 is actually an amount financed, because the new homes are an asset for the CBS this amount is therefore recorded as an asset in the accounts.

10 Debtors

	2023 £	2022 £
Amounts falling due within one year:		
Trade debtors	141,608	56,143
Other debtors	579	718,399
Prepayments and accrued income	4,456	3,568
	146,643	778,110

Included within other debtors is the grant claimable on the outstanding retention payable regarding the Joseph Lancaster project in the sum of £Nil (2022 £717,368).

LEATHERMARKET COMMUNITY BENEFIT SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

11 Creditors: amounts falling due within one year

	Notes	2023 £	2022 £
Other taxation and social security		2,143	2,731
Deferred income		763,602	1,597,800
Trade creditors		41,094	25,065
Amounts owed to subsidiary undertakings		94,347	915,759
Accruals and deferred income		66,965	131,977
		<u>968,151</u>	<u>2,673,332</u>

Deferred income relates to grants received in advance relating to:

Marklake project	£141,392	(2022 £224,187)
Future project funding	£ 80,000	(2022 £NIL)
Joseph Lancaster project	£159,239	(2022 £719,325)
Elim project	£ 21,518	(2022 £ 94,705)
JMB Office project	£ 98,990	(2022 £276,405)
Client funding	£262,463	(2022 £283,178)

12 Share capital

	2023 £	2022 £
Ordinary share capital		
Issued and fully paid		
20 Ordinary of £1 each	20	20
	<u>20</u>	<u>20</u>

Shares carry a nominal value of £1 each and are not transferable, nor can they be withdrawn. They carry no right to interest, dividend or bonus and are forfeited and cancelled on cessation of membership.

13 Restricted funds

	Movement in funds			Movement in funds			
	Balance at 1 April 2021 £	Incoming resources £	Resources expended £	Balance at 1 April 2022 £	Incoming resources £	Resources expended £	Balance at 31 March 2023 £
Greater London Authority	279,212	-	-	279,212	-	-	279,212
Southwark Council	8,880,807	6,997,548	(6,997,548)	8,880,807	703,057	(703,057)	8,880,807
	<u>9,160,019</u>	<u>6,997,548</u>	<u>(6,997,548)</u>	<u>9,160,019</u>	<u>703,057</u>	<u>(703,057)</u>	<u>9,160,019</u>

The restricted funds relate to grant funding from the Greater London Authority and Southwark Council towards the development and construction of Marklake Court. Capital costs for Marklake Court of £9,160,019 (£279,212, and £8,880,807 relating to the funding from the Greater London Authority and Southwark Council respectively) have been treated as land and buildings.

LEATHERMARKET COMMUNITY BENEFIT SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

13 Restricted funds

(Continued)

14 Related party transactions

Transactions with related parties

During the year the CBS entered into the following transactions with related parties:

	Sale of goods		Purchase of goods	
	2023	2022	2023	2022
	£	£	£	£
Entities with control, joint control or significant influence over the company	3,278	34,950	788,058	7,046,306
	<u>3,278</u>	<u>34,950</u>	<u>788,058</u>	<u>7,046,306</u>
	<u><u>3,278</u></u>	<u><u>34,950</u></u>	<u><u>788,058</u></u>	<u><u>7,046,306</u></u>

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2023	2022
	£	£
Entities with control, joint control or significant influence over the company	94,347	915,759
	<u>94,347</u>	<u>915,759</u>
	<u><u>94,347</u></u>	<u><u>915,759</u></u>

LEATHERMARKET COMMUNITY BENEFIT SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

14 Related party transactions

(Continued)

An individual of the board of Leathermarket Community Benefit Society (CBS) is also a member of Leathermarket Joint Management Board (JMB). The JMB is Southwark's largest resident managed housing organisations, managing 1,500 homes on the Leathermarket estate.

During the year JMB recharged £89,692 (2022: £51,543) to the CBS for operating costs.

During the year CBS recharged £450,272 (2022: £212,307) to the JMB for the rent of Marklake Court and Joseph Lancaster House.

During the year CBS recharged £Nil (2022: £Nil) to the JMB for operating costs.

As at the year end date JMB provided loans to CBS in the sum of £Nil (2022 : £Nil) on an unsecured interest free basis, repayable on demand.

The company owns 100% of the issued share capital of Leathermarket Community Housing Limited (LCH). The LCH is responsible for project managing development of residential housing on the Leathermarket and other estates.

During the year LCH recharged £10,062 (2022: £52,424) to the CBS for management costs.

During the year LCH recharged £688,304 (2022: £6,993,882) to the CBS for capital expenses related to the planning, development and construction costs of the Joseph Lancaster, Elim and JMB office projects.

During the year CBS recharged £3,278 (2022: £34,950) to the LCH for administrative costs.

As at the year end date CBS owed to LCH the sum of £94,347 (2022 : £915,759) on an unsecured interest free basis, repayable on demand.

15 Auditor's liability limitation agreement

The company will, by resolution at the AGM, waive the need for annual approval of the auditors' limited liability, which has been set at £2,000,000 within the letter of engagement dated 31 August 2022. This approval has been confirmed in the letter of representation dated 9th October 2023.