Company number: 06540829

ZERO C HOLDINGS LIMITED

Annual Report and Financial Statements

For the year ended 31 March 2022

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Directors	A Winstanley S Black A Bohr (appointed 27 July 2021) J Cook (appointed 27 July 2021) J Harrison (appointed 27 July 2021) D Cowans (resigned 1 December 2021)
Company Secretary	C Martin
Registered Office	305 Gray's Inn Road London WC1X 8QR
Registered Auditor	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL
Registration of Company	The company is incorporated under the Companies Act 2006 (Company Number 06540829)

Business review and principal activities

Zero C Holdings Limited ("the company") (Zero C) is engaged in residential-led property development.

The results for the company show a pre-tax loss of £6,130k (2021: loss of £1,076k) for the year and sales of £35,408k (2021: £48,132k). The deterioration in the gross loss to £1,024k in the current year (2021: gross profit of £4,799k) is mainly due to significant cost increases on legacy sites. A provision for the replacement of communal Biomass boiler systems on two sites has increased to £899k from £721k during the year. Note 18 contains more details on the provision. Stock has decreased by 32% to £30,831k (2021: £45,023k) to reflect a number of sites being build complete during the year and finished units being sold. Of the total intercompany creditor, £26,852k is due to the parent company (2021: £32,352k).

Future outlook

Zero C's strategy of delivering highly sustainable homes on master planned developments has worked well in a competitive market. The company is therefore considered to be well placed to deal with current economic uncertainties, and will continue to work with responsible landowners to deliver high quality homes within the upper mid-market sector.

Greenhouse Gas Emissions

Zero C has not included a statement on greenhouse gas emissions as this has been included in the statutory accounts of Places for People Group Limited, the company's ultimate parent undertaking.

Principal risks and uncertainties

Risk description	**Mitigation**
Economic conditions. Zero C's business is sensitive to changes in market conditions, unemployment and general consumer confidence.	Levels of committed expenditure are assiduously monitored against secured sales and funding facilities, so as to ensure that the company is not unduly exposed to market fluctuations.
Sales An inability to match supply to demand in terms of product, location and price could result in high levels of completed /unsold stock which would impact on the company's cash flow.	A detailed market analysis of each site is undertaken before acquisition, and throughout the delivery of each scheme, to ensure that supply is matched to the perceived demand. Later phases of larger projects are adjusted when necessary to meet the customer demand. Design typology, house size, and the product specification are all assessed on a site-by-site basis to ensure that they meet the target market, and the customer aspirations for the project. Completed stock levels are reviewed at regular Board meetings.
Mortgage interest rates might adversely affect the Company's results. Currently mortgage rates are rising from historic lows, impacting the interest rate environment and the range of products available.	Deposits are taken to mitigate the financial impact on the Company in the event that sales do not complete despite the ratio of completions to applications.

Principal risks and uncertainties (continued)

Risk description	Mitigation
Build costs are affected by the availability of skilled labour and the price and availability of materials. Procurement inflation and long lead times for building materials could adversely impact on the profitability of each scheme.	Build cost reconciliations and build programmes dates are presented and reviewed in details at monthly cost review meetings. The Company has developed the expertise to deliver its schemes under both Design and Build contracts or through its own in house construction management.
Zero C has a reputation for delivering high quality, design led, sustainable homes. If the company fails to deliver against these standards, it could be exposed to reputational damage, as well as reduced sales and increased costs.	Every Zero C build is subjected to a detailed examination during the design stage and the delivery of the build. A dedicated Project Manager, who stays with the project from site acquisition through to the end of the post construction liability period, is allocated to each project.
Brexit On 23 June 2016, the UK public voted to leave the EU. There remains considerable political and economic uncertainty on the UK's future economic and political relationship with the EU, the timing and extent of any changes and the consequent impact on the UK economy.	The group has set a Brexit strategy to identify key risks, understand impacts and to prepare mitigations as appropriate. In considering mitigating actions, the group has assessed the proportion of its suppliers from the EU and continued to develop a dedicated procurement strategy designed to reduce the risk of increased costs or delays from suppliers. In addition the group has analysed it's exposure to non UK workers and found it to be low. In addition the stress testing of the Group's 10 year plan provides comfort that the business can continue to operate effectively if significant negative events occur.

Statement by the Directors in performance of their statutory duties in accordance with S172(1) Companies Act 2006

The Company is well known for building high quality homes and mixed use developments and for a long time has been at the forefront of sustainable, low-carbon design and construction. Our aim is to build aspirational new homes and inspirational new places that are efficient and cost-effective to live in and homes that respect both the environment and the people who live in them.

This is a long term business with a strategy of delivering highly sustainable homes on master planned developments. The Board approves and refreshes annually a three-year business plan reflecting its stategic ambitions.

There are no external shareholders - the parent company is limited by guarantee - and so the board considers a range of other stakeholders when assessing what direction to take in the immediate term and for the long term.

The key stakeholders are individual customers, the communities in which we operate, our colleagues, corporate clients, our suppliers, regulators and local government. We seek to maintain strong relationships with these stakeholders and to understand what matters to each of them. The board sets the direction of the Company with the benefit of insight gained through these relationships.

Reference to stakeholder engagement can be found in the following sections of the Stategic and Directors' Reports: Business review and principal activities, Employees and Principal risks and uncertainties.

The board promotes the Group's SPIRIT values which set the tone for the culture of the Group. This informs us how we do what we do.

The board supports the emphasis given by the Company to social impact through the places we serve. This is captured the in the work of individuals, contributions to communities and decisions taken for the longer term benefit of the

The board identifies and stress tests strategic risks. More details on straegic risks can be found in the Strategic Report section Principal risks and uncertainties.

Key performance indicators (“KPIs")

	Mar-22	Change	Mar-21
No. units sold	90	-42%	154
Sales turnover	£35,408k	-26%	£48,132k
Average selling price	£354k	+£57k	£297k
Gross margin	-2.9%	-13.4%	10.5%

The directors who served during the year and to the date of this report are shown on page 2.

This report was approved by the board on 23 September 2022 and signed on its behalf by:

A Winstanley
Director

The Board of Directors is pleased to present its report and financial statements for the year ended 31 March 2022.

Directors

The directors who served during the year are shown on page 2.

Statement of disclosure to the Auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Dividends

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

Charitable and political donations

The Company made no charitable or political donations during the period (2021: £nil).

Employees

We recognise that staff recruitment, training and retention are fundamental to the success of the business. Decisions are made in consultation with local management, job progression is actively encouraged and staff retention is continuously monitored and reported to the board.

Going concern

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

The going concern assessment considers whether it is appropriate to prepare the financial statements on a going concern basis. The global Covid-19 pandemic, price increases in the supply chain, availability of materials, the cost of living crisis and rising mortgage interest costs have introduced significant levels of uncertainty into most businesses. The board are paying close attention to the evolving situation and to mitigating the risks for the Group and have assessed the going concern in light of the risks raised.

At 31 March 2022 Zero C Holdings had cash of £206k and undrawn facilities of £18,148k. On 3rd May 2022 the company agreed an extension to the loan facility with its parent company for a total of £45m until 31st March 2024. The company continues to actively manage its cash flows in order to mitigate any reductions in income.

The directors have reviewed all of its business forecasts and projections and has produced a revised business plan for the 3 year period ending 31 March 2025. The directors have produced forecasts on the latest information and experience in the markets in which the business operates. In addition to the reviewed forecasts, the directors have also undertaken stress testing on these forecasts to understand the impact of an increasing severity of the risks raised above.

The directors have reviewed the projected cash flows and have overlaid a number of scenarios reflecting the potential impact of the current risk environment. These scenarios include price reductions across a number of sites and a 50% reduction in sales of unreserved units. As a result of these assumptions, and before any cost reductions are applied, the directors believe that there is sufficient headroom on the facility throughout the business plan period.

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

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year has been included in the Strategic Report on page 3. Throughout the year the Company has maintained Directors and Officers insurance cover.

Auditors

Following conclusion of the 2021/22 audit, recognising the requirement to rotate off the audit in the short term and taking account of commercial arrangements and resourcing constraints, KPMG has indicated that it does not wish to exercise the option to continue as the Company's auditor for the 2022/23 financial year. There will be a group wide tendering process to appoint new auditors for the 2022/23 financial year.

By order of the Board

A Winstanley
Director
23 September 2022

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.
Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgement and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

Opinion

We have audited the financial statements of Zero C Holdings Limited (“the company”) for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

· give a true and fair view of the state of the company’s affairs as at 31 March 2022 and of its loss for the year then ended;

· have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and

· have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (“the going concern period”).

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

· we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;

· we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations - ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment included;

· Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud including the Company's whistleblowing policy, as well as whether they have knowledge of any actual, suspected or alleged fraud.

· Reading board meeting minutes.

· Considering remuneration incentive schemes and performance targets for management/directors/sales staff.

· Using analytical procedures to identify any unusual or unexpected relationships.

Fraud and breaches of laws and regulations - ability to detect (cont'd)

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual account combinations or unusual account pairings.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation, (including related companies legislation) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequence of non-compliance alonecould have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law and regulation

Owing to the inherent limitations of an audit ,there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulationsis from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express and audit opinion theron.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

C. J. Griffiths

Caroline Griffiths **(Senior Statutory Auditor)**
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
26 September 2022

Zero C Holdings Limited
Statement of Comprehensive Income
For the year ended 31 March 2022

	Notes	2022 £'000	2021 £'000
Turnover	2	**35,408**	48,132
Cost of sales		**(36,432)**	(43,333)
Gross (loss)/profit		**(1,024)**	4,799
Administrative expenses		**(3,632)**	(3,846)
Other operating income	3	**9**	9
Operating (loss)/profit	4	**(4,647)**	962
Interest receivable and similar income	7a	**-**	1
Interest payable and similar charges	7b	**(1,483)**	(2,039)
(Loss) before taxation		**(6,130)**	(1,076)
Taxation on (loss)	8	**1,215**	199
(Loss) for the financial year		**(4,915)**	(877)

The notes on pages 14 to 26 form an integral part of these financial statements.

All operations are continuing.

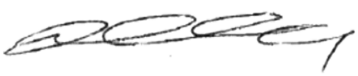
Company number: 06540829

Zero C Holdings Limited
Statement of Financial Position
As at 31 March 2022

	Notes	**2022**	2021
		£'000	£'000
Fixed assets			
Tangible fixed assets	10	**250**	289
Investments	11	**3,700**	3,700
		3,950	3,989
Current assets			
Stock	12	**30,831**	45,023
Debtors	13	**8,023**	8,014
Cash at bank and in hand		**206**	182
		39,060	53,219
Creditors: amounts falling due within one year	14	**(44,848)**	(54,131)
Net current (liabilities)/assets		**(5,788)**	(912)
Total assets less current liabilities		**(1,838)**	3,077
Creditors: amounts falling due after more than one year	15	**-**	-
Net (liabilities)/assets		**(1,838)**	3,077
Capital and reserves			
Called up share capital	16	**10**	10
Share premium account		**1,492**	1,492
Profit and loss account		**(3,340)**	1,575
Shareholders' Funds		**(1,838)**	3,077

The notes on pages 14 to 26 form an integral part of these financial statements.

The financial statements on pages 11 to 26 were approved by the board of directors on 23 September 2022 and signed on its behalf by:



A Winstanley
Director

	Called up Share Capital	Share Premium Account	Profit and Loss Account	Total
	£'000	£'000	£'000	£'000
Balance at 31 March 2020	10	1,492	2,452	**3,954**
Loss for the year	-	-	(877)	**(877)**
Balance at 31 March 2021	**10**	**1,492**	**1,575**	**3,077**
Loss for the year	-	-	(4,915)	**(4,915)**
Balance at 31 March 2022	**10**	**1,492**	**(3,340)**	**(1,838)**

The notes on pages 14 to 26 form an integral part of these financial statements.

1. ACCOUNTING POLICIES

Zero C Holdings Limited (the “Company”) is a private company limited by shares and incorporated, registered and domiciled in the UK.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements as the company's ultimate parent undertaking, Places for People Group Limited, includes the company in its consolidated financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Principal accounting policies

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”) as issued in March 2018. The presentation and functional currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

The Company’s ultimate parent undertaking, Places for People Group Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Places for People Group Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from 80 Cheapside, London, England, EC2V 6EE. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

a. Statement of cashflows and related notes; and
b. Disclosure of transactions or balances with other wholly owned subsidiaries which form part of the group.
c. Key management personnel disclosure

The Company is exempt from preparing consolidated accounts under section 400 of the Companies Act 2006. In addition, as the consolidated financial statements of the ultimate parent undertaking, Places for People Group Limited, include the equivalent disclosures, the Company has also taken the exemptions available in respect of the preparation of consolidated financial statements in accordance with FRS 102 section 1.10.

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

Going Concern

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

The going concern assessment considers whether it is appropriate to prepare the financial statements on a going concern basis. The global Covid-19 pandemic, price increases in the supply chain, availability of materials, the cost of living crisis and rising mortgage interest costs have introduced significant levels of uncertainty into most businesses. The board are paying close attention to the evolving situation and to mitigating the risks for the Group and have assessed the going concern in light of the risks raised.

At 31 March 2022 Zero C Holdings had cash of £206k and undrawn facilities of £18,148k. On 3rd May 2022 the company agreed an extension to the loan facility with its parent company for a total of £45m until 31st March 2024. The company continues to actively manage its cash flows in order to mitigate any reductions in income.

The directors have reviewed all of its business forecasts and projections and has produced a revised business plan for the 3 year period ending 31 March 2025. The directors have produced forecasts on the latest information and experience in the markets in which the business operates. In addition to the reviewed forecasts, the directors have also undertaken stress testing on these forecasts to understand the impact of an increasing severity of the risks raised above.

1. ACCOUNTING POLICIES (continued)

Going concern (continued)

The directors have reviewed the projected cash flows and have overlaid a number of scenarios reflecting the potential impact of the current risk environment. These scenarios include price reductions across a number of sites and a 50% reduction in sales of unreserved units. As a result of these assumptions, and before any cost reductions are applied, the directors believe that there is sufficient headroom on the facility throughout the business plan period.

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

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their residual value on a straight-line basis, over their expected useful lives on the following basis:

Land and buildings	40 years
Leasehold improvements	5 to 10 years
Motor vehicles	4 years
Fixtures and fittings	5 years
Computer equipment	5 years

Investments

Investments held as fixed assets are shown at cost less provision for impairment.

Operating leases

Rentals under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term. Classification of leases is based on the risks and rewards of ownership, in accordance with FRS 102 section 20.

Stock and work in progress

Stock comprise housing properties under construction. Stock is measured at the lower of cost and estimated selling price less costs to complete and sell. Stock consists of costs incurred on properties under development and completed developments ready for sale. Cost of stocks include all cost of purchases, cost on conversion and other costs incurred in bringing it to a saleable condition. These include labour costs where directly related to the delivery of projects.

Overage and Sectional costs

Overage and Sectional costs in relation to specific projects are accrued for in the financial statements at the point at which legal agreements become binding.

Turnover from sale of housing properties.

Turnover from the sale of housing properties is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Turnover is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of turnover can be measured reliably. The sale proceeds of part-exchange properties are not included in revenue.
The Company generally considers that risks and rewards have been transferred on the date when a buyer signs the act of acceptance of the property. However, transfer of risks and rewards may vary depending on the individual terms of the sales contracts.

1. ACCOUNTING POLICIES (continued)

Profit recognition

No profit is recognised on development projects until a sale contract has been completed. Provided a profitable outcome to a project can be forseen with reasonable certainty, and a sale contract has been completed, then profit is recognised by apportioning the direct development costs on a relative sales value basis.

Construction contracts

The Company distinguishes two types of construction contracts:
1) Contracts for provision of construction services;
2) Contracts for construction of an asset falling within the scope of FRS 102 section 23 'Revenue'.

For the first type of contracts turnover from construction services rendered is recognised in the statement of comprehensive income when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of turnover can be measured reliably.

For the second type of contracts turnover and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included only to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract turnover is recognised to the extent of contract costs incurred that it is probable to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

The Company recognises the following assets and liabilities related to construction contracts:

- gross amounts due from customers represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company’s contract activities based on normal operating capacity. Unbilled receivables are presented as part of trade and other receivables in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings;

- gross amounts due to customers are recognised as a part of trade and other payables if progress billings exceed costs incurred plus recognised profits.

Interest

Interest income and interest expense are recognised in the statement of comprehensive income as they accrue, using the effective interest rate method.

1. ACCOUNTING POLICIES (continued)

Financial assets

The Company's financial assets comprise investments in loan debtors, trade and other debtors, and cash and cash equivalents.

The Company initially recognises loans and debtors and deposits on the date that they are originated.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

An impairment loss in respect of a financial asset is calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the assets original effective interest rate. The impairment calculated is recognised immediately in the statement of comprehensive income. When a subsequent event causes the amount of the impairment to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

Loans and debtors

Loans and debtors are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and debtors are measured at amortised cost using the effective interest method, less any impairment losses. Loans and debtors comprise trade and other debtors.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company has the following non-derivative financial liabilities: loans and borrowings, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

Current tax is the expected tax payable or receivable on the profit or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to the tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable of tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the statement of financial position date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the statement of financial position date. Deferred tax assets and liabilities are not discounted.

Pensions

Employees are entitled to join a stakeholder pension scheme to which the company contributes. The costs of the stakeholder scheme are accounted for in the year in which they occur.

Accounting estimates, judgement and provisions

The preparation of financial statements requires management to exercise judgement in applying accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The accounting policies for revenue recognition, stock and taxation are disclosed above. Actual results may differ from these estimates.

The amount of material estimations to the company or financial information is limited. However a key area to consider is the assessment of the recoverability of WIP.

The Company has £30.8m of stock at 31 March 2022 (2021: £45.0m). FRS 102 section 13 requires stock to be measured at the lower of cost and estimated selling price less costs to complete and sell.

The Company monitors development projects and properties held for sale on an ongoing basis and uses rigorous appraisal techniques to estimate the recoverable amount of stock. Realistic financial projections are used on an individual site basis to allow management to estimate that land and property are held at the appropriate amount. The Company makes judgements to assess the achievable selling price for properties including assessing the views of specialist advisers on the UK housing market and future house price inflation. As such the Company judges that stock is held at the lower of cost and estimated selling price less costs to complete and sell.

2. TURNOVER

The whole of the turnover relates to the company's principal continuing activity. All turnover arises in the United Kingdom and is generated from the sale of properties.

3. OTHER OPERATING INCOME

	2022	2021
	£'000	£'000
Other operating income	**9**	9

Other operating income comprises intercompany management fees and rents receivable.

4. OPERATING PROFIT

	2022	2021
	£'000	£'000
This is stated after charging:		
Depreciation of tangible fixed assets	**39**	46
Auditor's remuneration: audit fees	**46**	41
Operating lease rentals:		
- land and buildings	**75**	75
- other	**6**	76

5. EMPLOYEES

The average number of employees (including directors) during the year was as follows:

	2022	2021
	No.	No.
Developing and selling houses	**4**	49

Total employee costs were as follows:	**£'000**	£'000
Wages and salaries	**207**	2,539
Severance costs	**-**	43
Social security costs	**23**	270
Pension costs	**19**	107
	249	2,959

During the year all employees were transferred to another group entity.

6. DIRECTORS & SENIOR STAFF EMOLUMENTS

	2022	2021
(a) Directors emoluments	**£'000**	£'000
Directors remuneration	**-**	-
Company contributions to money purchase pension plans	**-**	-
	-	-

The emoluments, excluding pension contributions of the highest paid director were £Nil (2021: Nil) and the company's contributions to money purchase pension plans were £Nil (2021: Nil).

The emoluments of six of the directors (2021: three) were not paid through Zero C Holdings Limited during the year, as they were paid through other companies within the Places for People Group Limited as services provided to the Company were incidental to their wider role in the group.

7. INTEREST

	2022	2021
(a) Interest receivable and similar income	**£'000**	£'000
Other interest receivable	**-**	1
(b) Interest payable and similar charges		
On inter-group loans	**1,483**	2,039

The amount of interest capitalised to work in progress during the year is £nil (2021: £nil).

8. TAX ON LOSS

	2022	2021
	£'000	£'000
a) Tax expense in profit and loss		
Current Tax		
Group relief	(1,128)	(235)
Total current tax	**(1,128)**	(235)
Deferred Tax		
Origination and reversal of timing differences	(42)	36
Effects of tax rate change on opening balance	(45)	-
Impact of change in rates	**(87)**	36
Tax on loss on ordinary activities	**(1,215)**	(199)

b) Reconciliation of tax expense

The tax assessed is lower than (2021: higher than) the standard rate of corporation tax of 19%. The differences are explained below:

	2022	2021
	£'000	£'000
Loss on ordinary activities before tax	**(6,130)**	(1,076)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	**(1,165)**	(204)
Effects of:		
Fixed asset differences	5	5
Remeasurement of deferred tax for changes in tax rate	(55)	-
Expenses not deductible for tax purposes	-	(3)
Group relief surrendered	1,128	235
Receipt for group relief	(1,128)	(235)
Deferred tax not recognised	-	3
Tax on loss	**(1,215)**	(199)

8. TAX ON PROFIT (*continued*)

c) Factors that may affect future tax charges

The main rate of corporation tax will be increased from 19% to 25% (effective 1 April 2023). This change will increase the company's future current tax charge accordingly. As this change in corporation tax has been substantively enacted at the Statement of Financial Position date, deferred tax has been calculated using the increased rate of 25% due to the expected reversal of the deferred tax asset.

9. PROVISION FOR DEFERRED TAX

	£'000
Capital Allowances	**(4)**
Short term timing differences	**(224)**
Deferred tax asset	**(228)**
At 1 April 2021	**(141)**
Expense in the year in profit and loss	**(87)**
At 31 March 2022	**(228)**

10. TANGIBLE FIXED ASSETS

	Freehold Land and buildings	Leasehold Improvements	Motor vehicles	Fixtures and fittings	Computer equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2021 and 31 March 2022	**193**	**81**	**11**	**109**	**161**	**555**
Depreciation						
At 1 April 2021	(21)	(23)	(11)	(80)	(131)	(266)
Charge for year	(4)	(8)	-	(12)	(15)	(39)
At 31 March 2022	**(25)**	**(31)**	**(11)**	**(92)**	**(146)**	**(305)**
Net Book Value						
at 1 April 2021 a	**168**	**50**	**-**	**17**	**15**	**250**
at 31 March 2021	172	58	-	29	30	289

11. FIXED ASSET INVESTMENTS

Urban Matrix (Ditton) LLP	Purchase consideration	Loan to group companies	Total
	£'000	£'000	£'000
Cost and Net Book Value			
At 31 March 2021 and 31 March 2022	**491**	**3,209**	**3,700**

The company holds 50% of the member's interest in Urban Matrix (Ditton) LLP for £3.7m (2021 : £3.7m). The LLP's principal activity during the year was that of property development. The registered address of Urban Matrix (Ditton) LLP is 80 Cheapside, London, England, EC2V 6EE.

The company holds a £1 (2021: £1) investment, being 100% of the share capital in Zero C Ventures Limited, a dormant company incorporated and domiciled in the UK having reserves of £1 (2021: £1). The registered address of Zero C Ventures Limited is 80 Cheapside, London, England, EC2V 6EE.

The company holds 100% of the share capital in Cornerstonezed Plymouth Limited, a dormant company that has an active proposal to stike it off the register. The registered address of Cornerstonezed Plymouth Limited is 80 Cheapside, London, England, EC2V 6EE.

The company holds a £2 (2021: £2) investment, being 100% of the share capital in Zero C Acheson Consortium Limited, a company incorporated and domiciled in the UK having reserves of £2 (2021: £2). The registered address of Zero C Acheson Consortium Limited is 80 Cheapside, London, England, EC2V 6EE.

12. STOCK

	2022	2021
	£'000	£'000
Land and work in progress	**30,831**	45,023

There are 4 outstanding charges (2021: 4) registered at Companies House. The outstanding securities against the company are there to ensure it fulfils all the contractual terms of the individual development agreements and the charges are satisfied once the final account of the project has been agreed and settled.

13. DEBTORS: amounts falling due within one year

	2022	2021
	£'000	£'000
Trade debtors	**528**	1,006
Other debtors	**815**	189
Amounts owed by group undertakings	**2,116**	3,714
Corporation tax	**-**	424
Deferred tax	**228**	141
Prepayments and accrued income	**4,336**	2,540
	8,023	8,014

All amounts shown under debtors fall due for payment within one year.

Included in 'Amounts owed by group undertakings' are loans of £452k (2021: £1,347k) against which interest is charged at a rate of 0% per annum (2021 - 0% per annum). The loan is repayable upon demand.

14. CREDITORS: amounts falling due within one year

	2022	2021
	£'000	£'000
Trade creditors	**50**	518
Land creditors	**-**	4,562
Amounts owed to group undertakings	**39,557**	44,823
Social security and other taxes	**-**	13
Other creditors	**125**	157
Accruals	**5,116**	4,058
	44,848	54,131

Included in 'Amounts owed to group undertakings' is a loan of £26,852k (2021: £32,352k) against which interest is charged at a rate of 4.5% per annum (2021: 4.5%). The loan is repayable upon demand.

15. CREDITORS: amounts falling due after more than one year

	2022	2021
	£'000	£'000
Land creditors	**-**	-

15. CREDITORS: amounts falling due after more than one year (*continued*)

	2022	2021
	£'000	£'000
Land creditors:		
Land creditors are liabilities with a payment profile:		
Due within 1 year	-	4,652
Due between 1 and 2 years	-	-
Due between 2 and 5 years	-	-
	-	4,652

16. CALLED UP SHARE CAPITAL

	2022	2021
	£'000	£'000
Allotted, called up and fully paid		
9,250 Ordinary shares of £0.10 each	1	1
85,000 A Ordinary shares of £0.10 each	9	9
	10	10

The A Ordinary shares and the Ordinary shares rank pari passu in all respects other than that the Ordinary shares benefit from superior rights on a sale of a controlling interest in the company, a listing or a winding up.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

17. OPERATING LEASE COMMITMENTS

At 31 March 2022 the company had total commitments under non-cancellable operating leases ending as follows:

	Land and buildings		Other	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
In one year or less	**75**	75	**6**	6
Between one and two years	**75**	75	**1**	6
Between two and five years	**225**	225	**-**	1
In more than five years	**59**	209	**-**	-

During the year £81,000 (2021: £151,000) was recognised as an expense in the statement of comprehensive income in respect of operating leases.

18. PROVISIONS

Biomass is a form of renewable energy that can reduce reliance on fossil fuels for energy, using organic materials instead. Faulty Biomass boilers had been installed on two of our development sites.

	Biomass
	£'000
At 31 March 2021	721
Additions	314
Utilised	(136)
At 31 March 2022	**899**

19. CONTINGENT LIABILITIES

The company, together with certain fellow subsidiaries of the Places for People Group Limited, has guaranteed to holders of the Places for People Finance plc 4.25% 2023 bond, the principal amount and interest accrued in respect of this bond in the event of default by the issuer. The total capital outstanding at 31 March 2022 for this bond was £65,000,000 (2021: £65,000,000). The total interest accrued at 31 March 2022 for this bond was £813k (2021: £813k).

This represents the maximum exposure for the company. The directors consider it extremely unlikely that the company would be required to make any payments in respect of this guarantee.

20. RELATED PARTY TRANSACTIONS

The company has utilised exemption not to report transactions with other Group members as permitted by FRS 102, Section 33.1A.

21. ULTIMATE PARENT COMPANY AND PARENT COMPANY OF LARGER GROUP

The Company is a 100% subsidiary undertaking of ZeroC Group (2008) Limited which is an indirect subsidiary of Places for People Group Limited, the company's ultimate parent undertaking and ultimate controlling party. The largest group in which the results of the Company are consolidated is that headed by Places for People Group Limited, incorporated in the UK. No other group financial statements include the results of the Company. The consolidated financial statements of this group are available to the public and may be obtained from its registered address, 80 Cheapside, London, England, EC2V 6EE. This address is also the registered address of ZeroC Group (2008) Limited.