Longhurst Group

Longhurst Group Limited
(A Company Limited By Guarantee)

Consolidated Financial Statements

Company Registration Number: 3958380

For The Year Ended 31 March 2013

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Board Members and Executive Staff

Board Members:

Mr D Armes (Chairman)

Ms A Adamthwaite – appointed 1/1/13

Ms L Bowen

Mr J Farrar

Mr E Hendricks – appointed 25/9/12

Mr R Lankey – appointed 25/9/12

Ms C McEwen (Vice Chair)

Mr S McFarlane MBE

Ms J Reader-Sullivan

Mr J Robson FCIH

Mr R Rudd

Ms R Weaver – resigned 25/9/12

Mr R Wilson – appointed 1/1/13

Mr D Young MBE, JP

Executive Officers:

Mr R V Walder BSc, FCIH
Group Chief Executive

Ms J Doyle DMS, MBA, ACIH
Managing Director – Spire Homes and Group Deputy Chief Executive

Mr R Griffiths FCCA
Executive Director - Group Financial Services

Mr M A Hardy BA (Hons), MBA, FCIH
Managing Director- Longhurst and Havelok Homes

Mr P Osborne
Managing Director –Longhurst Group

Mr J Driffill BA (Hons), MSc, MRTPI, ACI
Managing Director - Friendship Care and Housing

Senior Managers:

Mr I Jackson
Director of Development POD/LG

Mrs K North ACA
Director of Operational Finance

Mrs K A Wood MAAT
Director of Group Treasury

Mrs Z Wortley BA (Hons)
Group Strategy Director

Registered Head Office:
Leverett House, Gilbert Drive, Endeavour Park, Boston, Lincolnshire PE21 7TQ

Principal Bankers:
Lloyds TSB Bank Plc, Market Place, Boston, Lincolnshire

Auditors:
Beever and Struthers, Chartered Accountants and Statutory Auditor, St George's House, 215 - 219 Chester Road, Manchester M15 4JE

Solicitors:
Chattertons, 28 Wide Bargate, Boston, Lincolnshire PE21 6RT

Trowers and Hamlins, Heron House, Albert Square, Manchester M2 5HD

Langleys, Newporte House, Doddington Road Business Park, Lincoln LN6 3JY

Freeth Cartwright, Express Buildings, 29 Upper Parliament Street, Nottingham NG1 2AQ

Lawrence Graham, 190 Strand, London WC2R 1JN

Report of the Board

Introduction
The Board is pleased to present the thirteenth Annual Report and Audited Accounts for the year ended 31 March 2013.

Background
The Longhurst Group of Companies represents a united ambition to improve people's lives across the Midlands and East of England.

Our mission is to deliver high quality housing and care and support services that have a positive impact on individuals and their communities.

Longhurst Group Limited was first registered at Companies House on 23 March 2000 and started trading during the 2000/01 financial year. The Group was formed with the assistance of the Board of Longhurst Housing Association Limited (now Longhurst & Havelok Homes). The initial Group structure consisted of Longhurst Housing Association, East Northamptonshire Housing Limited - later known as Spire (LG) Homes - and Home from Home (Lincs) Limited.

Since then the Group has grown and evolved and now consists of 5 member companies, working across 43 Local Authorities, employing over 900 staff in total and servicing in excess of 50,000 customers. Spire Homes, L&H Homes, Friendship Care and Housing, and Keystone Developments own and manage just under 18,000 homes between them, and providing care and support services to thousands of customers throughout the region. Libra Treasury oversees the financial commitments of the Group and works to secure new funding to underpin our services.

Our shared strength affords our members the flexibility and freedom to focus on their individual goals, which fit with our Group-wide ethos and shared values of working with integrity and striving for excellence

Corporate Mission and Objectives
The Group's strategy and objectives are set out in a business plan, reviewed annually and approved by the Board.

The Group mission is – " to lead in the delivery of high quality, affordable homes and services." The corporate strategy is based on following overarching themes:

Excellence – to be a top performing business, providing sustainable homes and excellent services to our customers

Growth – we will secure viable growth by developing new homes and services, attracting new partners and acquiring properties from other providers.

Principal Activities
The Group is a leading provider of affordable housing in the East Midlands, now managing over seventeen thousand homes in the region.

The Company's principal role is that of parent company for the Longhurst Group of companies.

The Group consists of the following organisations:-

- Longhurst Group Limited (the parent)
- Longhurst and Havelok Homes Limited (subsidiary)
- Spire Homes (LG) Limited (subsidiary)
- Friendship Care and Housing Limited (subsidiary)
- Keystone Developments (LG) Limited (subsidiary)
- Libra (Longhurst Group) Treasury PLC (subsidiary)

Basis of consolidation
The results of the constituent members of the Group have been aggregated as this provides the most meaningful consolidated results for the Group.

The results for the Group are for the year ended 31 March 2013.

Board Members
The Members of the Board who served during the year are shown on page 5.

Disabled Employees
Applications for employment by disabled employees are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and appropriate training made available. It is the policy of the group that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employees
The group places considerable value on the involvement of its employees and continues its practice of keeping them informed on matters involving them as employees and on the various factors involving performance of the group. This is achieved through regular formal and informal meetings, briefings and the intranet.

Statement of the Board's Responsibilities in Respect of the Accounts
The Board is required to prepare financial statements for each financial year that give a true and fair view of the Company's state of affairs and of its income and expenditure for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Company and to enable it to ensure that the financial statements comply with the Companies Acts. The Board is also responsible for safeguarding the Company assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, by establishing, and maintaining a satisfactory system of control over the Company's accounting records, cash holdings and all its receipts and remittances.

As far as the Directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

Directors' Statement on Internal Controls
The Board acknowledges its ultimate responsibility in ensuring that the Company has an effective system of internal controls in place. The system of internal controls is designed to manage key risks and provide reasonable assurance that planned business objectives are achieved and well-managed.

Risk management is a key element of the system of internal controls in place across the Group. The Group has continued to develop the system which is used to assess, record and monitor risks, both at a company level and at an overall Group level.

It is the Board's responsibility to establish and maintain appropriate systems of internal control for Longhurst Group. The Group Board also has overall responsibility for ensuring that the appropriate level of internal control is in place throughout all Group companies. Such systems of control can only provide reasonable and not absolute assurance against material financial misstatement or loss.
The Group Board is supported in its responsibility in overseeing the adequacy and effectiveness of internal controls across the Group by the Audit Committee.

The Board and the Audit Committee receive an independent assessment on the overall quality and robustness of internal controls via the programme of work undertaken by the group's Internal Auditors. The Group's Internal Auditors are PWC LLP who were appointed as Internal Auditors at the beginning of the 2012/13 financial year. The focus of internal audit work in 2012/13 was aligned to key risks on the Group's risk map and was further informed via meetings with Board members and senior officers along with sector specific risks identified by PWC

The Board's approach to risk management includes the regular evaluation of the nature and extent of the risks to which the Company is exposed. This approach is consistent with the Turnbull principles and accepted best practice. Key elements of the system of internal control and approach to risk management include:

i) Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Company's assets.

ii) The Board has adopted a clear anti-fraud policy statement and approved a detailed fraud response plan. The policy statement has been communicated to staff and is part of the Governance Policy of the Company. The Audit Committee has reviewed the fraud register on a quarterly basis during 2012/13.

iii) The Board has approved a risk management strategy and continues to develop procedures to identify, assess and manage risks to which the Company is exposed.

iv) The Group has implemented an integrated Group wide risk management system to coordinate work on key risks across the Group and to ensure that risks are appropriately managed and reported to the Board and Audit Committee

v) Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established for both Board and members of staff to maintain standards of performance.

vi) Forecasts and budgets are prepared which allow the Board and management to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term; regular management accounts are promptly prepared, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.

vii) All significant new initiatives, major commitments and investment projects are subject to a robust risk assessment, formal authorisation procedures, through relevant sub-committees comprising Board members and others.

viii) The Audit Committee reviews reports from management, from the internal auditors and from the external auditors to provide reasonable assurance that control procedures are in place and being followed. This includes a review of the major risks facing each Company within the Group. The Audit Committee makes regular reports to the Boards.

ix) Formal procedures have been established for instituting appropriate action to correct weaknesses identified by the internal and external auditors as well as issues identified by the Audit Committee and individual Boards.

The Board has reviewed the effectiveness of the system of internal control in existence in the Group for the year ended 31 March 2013 and until the date of approval of these accounts. No weaknesses were found in internal controls that resulted in material losses, contingencies, or uncertainties that require disclosure in the financial statements or in the auditor's report on the financial statements.

Political and charitable

There were no political and charitable contributions during the financial year ended 31 March 2013 (2012: Nil).

Auditors
In accordance with Section 485 of the Companies Act 2006, a resolution to re-appoint the Company's auditors, Messrs Beever and Struthers, will be proposed at the Annual General Meeting.

Approved by the Audit Committee on 18 July 2013 under delegated authority from the Board on 22nd May 2013 and signed on its behalf by:

…………………………………………..

R V Walder

Company Secretary

Date: 18th July 2013

Operating and Financial Review for the Year Ended 31 March 2013

Together the Longhurst group of companies provide just under 18,000 homes in the Midlands and we are significant developers of new homes for rent and home ownership. The group also provides a number of related services such as Care and Support for elderly and vulnerable people, Leasehold management services and property development services. Longhurst Group Ltd, the parent company, provides strategic direction, support and corporate services to all member companies.

The group has grown through property development and stock acquisitions and through corporate amalgamations. Over 10,000 homes have been added to our stock since 2001 in these ways. The Group Board draws some membership from the member companies but has a majority of independent Directors. The Group Board approves the group-wide Business Plan, the consolidated financial accounts and all new borrowing arrangements and monitors the performance of all companies in the group. A group-wide Audit Committee oversees the detailed audit processes for the group and ensures conformity to good financial and governance procedures; each company has a business improvement process to ensure detailed oversight and continuous improvement measure are in place.

During 2012/2013 Libra (Longhurst Group) Treasury PLC was formed to assist the group in launching and managing its £250million listed bond and reserve issue and to act as Loans Manager for the bank debt which was refinanced at the same time as the Bond issue. The Board of Libra also have responsibility for scrutinising the financial performance and planning on behalf of all Group companies along with the development of the Group's Treasury strategy.

Summary of key events for 2012/13
The year progressed against a continued backdrop of economic crisis and our Government continuing to implement measures to reduce public spending and borrowing. Despite this uncertainty the Group's financial performance has again been very strong with continued improvements in operating surplus even after substantial exceptional costs connected with our refinancing arrangements.

Undoubtedly, the key achievement for the Group in 2012/13 was the completion of the work to refinance and restructure the loan facilities for L&H and Spire Homes. The bond issue which took place in July 2012 was the culmination of an 18 month strategy to restructure the Group's credit lines in order to continue developing new homes for rent and shared ownership properties for sale. At the time of the bond issue in July last year, Longhurst were the first midlands based housing group to issue a listed bond.

The funding and covenant structure that is now in place will enable the Group and its members to commence delivery on a significant development programme of over 2,300 units over the next 5-6 years. This programme will be in parts of the Midlands where there is continued high demand for affordable rent and low cost home ownership properties.

In recent years the Group's member companies have invested heavily in planned repairs and improvements. The level of investment in stock transferred from Local Authorities is steadily reducing each year as programmes complete, and through driving the value for money agenda the member companies are seeing further performance improvement through reduced operating costs

All Group companies continue to review their cost base. A new approach towards Value for Money was agreed over a year ago and adopted across the Group. The main business objective is 'To provide value for money, and maximise the value from our federal structure'. During the year the parent company underwent a significant review of its structure and resources. The changes resulting from the restructure will ensure that services are delivered to a high standard at an efficient cost.

Operating and Financial Review for the Year Ended 31 March 2013 (continued)

Examples of some of the other key achievements in the last 12 months include:

- L&H Homes received reaccreditation of the Customer Service Excellence Standard (awarded by the Cabinet Office) last year. They also delivered a significant development programme including making a strategic move into delivery of a major programme in the Peterborough and Huntingdonshire areas as well as acquiring 169 properties from the Guinness Partnership in Kings Lynn and West Norfolk.

- L&H continued to re-shape its Care & Support business. In June 2012 one residential care home was sold to a private sector operator. The remodelling of an existing care home was completed to create a specialist state of the art dementia care facility.

- Spire Homes were awarded a two star rating in the Best Companies to work for accreditation and were placed 20th in the Times top 100 companies to work.

- In July 2012 Spire completed the re-tendering of its day to day and void maintenance repair contract.

- Friendship achieved the Investors in Excellence accreditation and won the best provider of Learning and Development at the skills for care accolades.

- Last year Friendship delivered on their promise to 'build a better Beechdale', completing their first major project there. Working in partnership with Groundworks West Midlands, they built a state-of-the-art multipurpose recreation area at Lister Close in Walsall.

- Across the Group we have now completed the work to bring all ICT systems on to one common platform; this will help to reduce maintenance costs and work to develop the system in the future.

- The Group development team completed 265 homes for Group members and a further 141 homes for members of the development consortium. Following the completion of the funding work, the development team have now secured schemes that will deliver 1,300 new homes in the next 3 years. These committed schemes have been secured within the parameters set out in the Group's approved business plan.

Continued development activity

During 2012/13 Longhurst Group retained its status as a partner of the HCA. Longhurst were one of the first registered social landlords to be selected for partnering and have been proud to work closely with the government agency and its predecessor demonstrating a strong track record in exceeding established targets and supporting national objectives

Since 2005/06 the Group has led the Blue Skies Consortium and we continue to develop new homes on their behalf along with local authority customers, working in partnership with Nottingham Community Housing Association as part of POD, our specialist development consultancy. Blue Skies is a partnership of 14 housing organisations provides collective strength through shared skills, expertise and resources – enabling members to access development opportunities that would not be available to them individually.

During the year, both Consortium and Longhurst Group members continued to deliver to a substantial number of homes completing a programme of 406 homes overall.

To summarise our achievements during 2012/13, we:-

- Completed 265 homes on behalf of the member companies in the Group
- Completed 141 homes on behalf of the Blue Skies Consortium

Our development consultancy, POD (in equal partnership with Nottingham Community Housing

Operating and Financial Review for the Year Ended 31 March 2013 (continued)

Association) also continued to trade successfully during the year.

The Group's significant development programme aims to deliver in excess of 2,300 new homes on behalf of our member companies over the next six years. This sizable commitment is partly made possible by the £250 million funding from investors in the bond market alongside loan facilities from Lloyds, Barclays, Nationwide and RBS. Longhurst Group was the first midlands housing group to secure funding through a listed Bond. As a result of the bond issue and restructuring of bank facilities, a fifth member company, Libra (Longhurst Group) Treasury, was established to manage the allocation of the funding and oversee treasury arrangements and bank facilities on behalf of the Group and member companies. Further short term funding arrangements have since been agreed; most notably a £25 million deal with RBS has been secured. This funding will enable us to make a significant contribution to the housing needs of the Midlands over the next few years.

Strategy and objectives

The Group's strategic objectives are considered annually as part of the business planning process. During 2012/13 the Group Board agreed key objectives for the year ahead, and strategies that we believe will help to achieve those objectives.

The key objectives for Longhurst Group for 2012/2013, and our agreed strategies for achieving business success, are summarised as follows:

- **To maximise and protect our income streams**

  To effectively manage the impact of Welfare Reform, through increasing the advice and support that we provide for our tenants on money matters, helping them to get into work through initiatives such as apprenticeships, helping them to budget and ensuring they are receiving benefits where appropriate. We are also ensuring that our rent collection and rent arrears processes are robust and we are providing incentives and assistance for those tenants who would like to downsize.

  Our member companies are working to understand the full and far reaching impact of the Welfare Reforms across all of our areas of operation. We are actively exploring different models of provision, and alternative funding streams to enable key services to be maintained.

  Over the past three years, the care and support sector has undergone significant change with cuts being made to local authority budgets. Our member companies have worked collaboratively in reviewing our care and support provision across the Group and are now working alongside external partners to continue moving towards 'personalisation', allowing customers greater involvement in designing services and direct control over budgets.
  Our care and support strategy will continue to evolve accordingly and we will emerge from the confusion and challenges of today with our commitment to helping vulnerable people through the provision of good quality services intact.

- **To secure new funding streams**

  During 2012 we concluded a major piece of work which culminated in a £250m own name debut bond issue being completed in July.

  The work we undertook on Group funding last year also involved restructuring our existing bank facilities for L&H Homes and Spire Homes. These restructured facilities will help fund further growth for the Group over the next 3-4 years. The new funding we secured in 2012 will fund our development commitments for the next 18-24 months.

  Looking forward beyond the next 18 months, we are already starting to research funding opportunities to finance further growth for the Group.

Operating and Financial Review for the Year Ended 31 March 2013 (continued)

- **To continue to deliver excellent customer focused services supported by effective customer insight**
  Recent changes in the regulatory framework, with consequent focus upon 'co-regulation' and enhanced 'resident scrutiny', mean customers are making greater demands of the Group to deliver services which meet their needs and preferences while representing good value for money. As such, the stock-owning member companies continue to offer a range of involvement opportunities for customers, ensuring they carry on addressing customers' key priorities within the housing management and care and support environments. Member companies have established scrutiny groups and committees to ensure customers have the opportunity to examine services and hold the companies to account for quality and cost.

- **The customers of Longhurst Group Ltd (the parent company) are the member companies and others to whom we provide services.** We continue to strive for excellence in service provision, working hard to further develop our services to meet the needs of our customers and fulfill our desire to attract new members and grow.

- **To ensure we reduce our environmental impact**
  Through our environmental management focus, we hope to make a positive change to our environmental impact, as well as educate and influence others.

- **To ensure the Group's housing assets** are managed wisely, through investing in existing homes and growing the business by developing and acquiring new homes

  Managing our assets - The operating companies within the Group all have up to date asset management plans. Robust plans are in place to ensure that stock meets the Decent Homes Standard as an absolute minimum and has projected replacement programmes in place to ensure that properties are kept well maintained into the future.

Developing new homes - In 2012 Longhurst Group Ltd completed a significant development programme of 265 homes on behalf of the member companies. A total of 141 homes were also completed on behalf of the Blue Skies Consortium and local authority customers, working in partnership with Nottingham Community Housing Association (NCHA) as part of our development consultancy POD (Partnerships, Opportunities, Development).

All our member companies expect to meet their new homes targets for the next three years without having to rely on grant funding; any additional schemes which do receive grant funding will have a positive impact on the business plan profile. Attention has focused on the opportunities for commercial activity; whether that is within the member companies and their own schemes or through the Keystone Developments brand. Keystone Developments was originally formed within Longhurst Group to specialise in the development of private sale housing, particularly retirement properties and family homes.

A New Business Team was formed within the Development department to focus on new business opportunities and future growth. The dedicated team work in step with developers and key stakeholders, maximising development opportunities against the Groups' Business Plans. The team are also the primary contact with the HCA on funding streams, and the management and delivery of approved funded programmes for Blue Skies Consortium.

Corporate acquisition, amalgamation and partnerships – Over the next few years, there is likely to be opportunity for growth through corporate acquisitions, estate transfers, amalgamations and partnerships rather than traditional 'organic' development activities as outlined above. Led by the Chief Executive's Office, we proactively seek these exciting opportunities which will be essential in meeting our ambitious objectives, allowing us the benefits associated with a wider experience base.

Operating and Financial Review for the Year Ended 31 March 2013 (continued)

- **To ensure we achieve value for money and maximise value from the federal structure**
  To support our Group Strategy we have an established set of overarching principles, which companies across the Group work within to achieve value for money. These principles recognise that value is not always a quantitative or easily measurable calculation. For us, value for money is the relationship between desired quality, cost, efficiency of delivery and successful outcomes achieved. The weighting and balance of these three criteria differs depending on whose perspective of value we are considering.

  Working within our individual companies, and collaboratively where appropriate, we focus on:

  a) Our costs – we seek to understand the breakdown of our operating costs and identify business areas for the focus of our efforts in reviewing services, reworking processes or retendering arises. We use internal and external benchmarking to inform our reviews.

  b) The link between asset management and procurement – by ensuring we are investing in the right properties in a planned and fully-costed way, realising the benefits of investment and sharing knowledge around repairs contracting and service delivery.

  c) Our customers – who are involved in the process of delivering value for money, setting objectives with us and monitoring performance. We obtain feedback on value for money from our customers and this contributes to the culture of excellence we encourage in our companies.

- **To ensure we achieve value for money and maximise value from the federal structure**
  Our shared principles, outlined within our Business Plan, are applied by each of the Longhurst Group of Companies in their day to day work, ensuring that VFM is an important element and measure of business performance.

All group companies incorporate VFM performance measures and targets into their performance management structures, and there are transparent reporting mechanisms that are subject to regular scrutiny and review.

VFM objectives act as a driver for continuous improvement and this can be measured in conjunction with self assessments using a mixture of performance data, business intelligence, customer insight and external peer review and accreditation.

All Group companies use effective comparisons and benchmarking tools so that they can identify strengths and weaknesses and provide opportunity to learn from excellent performers. This includes a well developed process of internally benchmarking services, performance and costs with each other, as well as benchmarking externally through such as Housemark. We are also increasingly utilising specialist benchmarking services, appropriate to the business area, to access data at a regional and national level.

With VFM being largely a perception held by customers it is essential customers are involved in the process of defining VFM, setting VFM objectives and the monitoring of performance against these. Customers are increasingly being provided with information about the services they procure and receive, in relation to costs, service levels and performance against these. By understanding this intelligence it enables informed assessments of VFM and business decisions to be made.
Increasingly all staff are recognising their responsibility in taking account of these principles and achieving VFM within their day to day work, and this is supported by appropriate learning and development opportunities.

The Group's approach to VFM is fully compliant with the guidelines issued by the Homes and Communities Agency.

Operating and Financial Review for the Year Ended 31 March 2013 (continued)

- **To ensure that we have motivated high performing staff and that we encourage innovation**
  During 2012 a Group-wide People Strategy was produced which sets out our commitment and approach to our people. A key priority in the year ahead will be to implement the Strategy, identifying work that can be taken forward collectively and at an individual company level.

- **To ensure we communicate effectively**
  We will continue to develop the Group-wide intranet as a central hub for communications and information-sharing, increasing opportunities for sharing good practice and discussing key issues. This will include developing the Board Member area to help improve the flow of information across all Group Boards and committees.
  We will continue to work with our senior management teams to collectively consider the operating environment and develop future plans and strategies.

  Following the review of the Group's Digital Media Strategy, and with the support of the Board, we have continued to develop social media channels such as Twitter and Facebook to promote the work of the Group and further develop customer and stakeholder relationships.

Operating and Financial Review for the Year Ended 31 March 2013 (continued)

Financial Performance in the Year

Longhurst Group turnover and operating surplus performance for 2012/13 are shown in the table below.

	2013	2012
	£000	£000
Income and Expenditure Account		
Turnover	**86,869**	82,527
Operating costs and cost of sales	**(64,237)**	(66,488)
Operating Surplus	**22,632**	16,039
Surplus on the sale of assets	**966**	3,362
Net Interest Costs / Restructure Cost	**(22,900)**	(15,701)
Tax	**(12)**	(59)
Surplus for the year after tax	**686**	3,641
Balance Sheet		
Housing properties at cost less depreciation	**666,381**	620,345
Social Housing Grant	**(273,449)**	(268,463)
	392,932	351,882
Other tangible Fixed Assets	**15,789**	15,920
Net Current Assets	**37,196**	(343)
	445,917	367,459
Creditors due after one year	**398,115**	320,320
Other long term liabilities (pensions)	**2,975**	2,543
Reserves	**44,827**	44,596
	445,917	367,459

Income and Expenditure

We are pleased to present the consolidated Group Financial Statements for the year ending 31 March 2013. The consolidated Group surplus for the year was £686k compared to a surplus in 2011/12 of £3.64m. The reduction in surplus was primarily due to a one-off restructuring cost on one of the Group's loan facilities of £2.3m.

The notes to the Financial Statements are shown in detail on pages 31 to 68, some key areas of performance during the year were:

Income

- Group turnover increased from £82.5m in 2011/12 to £86.9m in 2012/13. The increase in turnover was achieved through an increase in income from social housing lettings of £3.7m and open market sales of £2.3m that were achieved in Keystone. The increase in turnover from Social Housing Lettings was due to inflationary increases on rents and an increase in rental income through new properties coming into management.
- The operating surplus on social housing lettings moved up from £15.2m in 2011/12 to £21.7m in 2012/13. The improvement in operating surplus was due to an increase in rental income with associated

Operating and Financial Review for the Year Ended 31 March 2013 (continued)

costs remaining fairly static. Depreciation of housing properties reduced to £7.5m which also contributed to the improving operating surplus.
- Net operating surplus was £22.6m compared to £16m in the previous year.
- Surpluses generated from the sale of fixed assets reduced from £3.4m in 11/12 to just under £1m in 2012/13.

Expenditure
- Total Group operating costs reduced from £63.3m to £59.3m. Operating costs on social housing lettings remained fairly static when compared with 2011/12, other than housing depreciation where there was a £2.3m reduction
- Operating costs on other social housing activities were also lower with a reduction in management costs on Supporting People contracts and management service contracts.
- Net interest payable for the Group went up by £4.9m to £21.2m in 2012/13. The increase in interest costs was due to three main factors. Firstly, the bond issue and restructuring of loan facilities last July resulted in more cash being held by the Group than had been the case in previous years. The other reason for the increase in interest costs was a reduction in the amount of variable rate debt that was held and the cost of the Swap contracts that remained in place post the restructuring of loan facilities.
- As a result of the loan restructuring in July 2012 the average cost of borrowing increased from 4.99% in 2012 to 5.67% in 2013.

Balance Sheet
- The historic cost of the Group's housing assets increased by £46m in the last year to just over £666m by the end of March 2013.
- Social Housing Grant saw a small increase of £5m in the year to £273.5m.
- Housing properties available for sale and in the course of construction totalled £7.6m at the end of March, an increase of £2.1m on the previous year.
- Cash at bank at the end of March 2013 was £45.1m up from £12.1m the previous year. The high cash balance was due to the bond issue and re-financing of loan facilities in July 2012.
- The total loans outstanding across the Group increased from £324.3m at the start of the year to £406m by the end of March.
- Total Reserves saw a small increase from £44.6m at the start of the year to £44.8m at the end of March.

Treasury Management
During 2012/13 the Group completed the Issue of its £250m (26 Yr) Bond Issue (£25m Reserve) which was issued by Libra (Longhurst Group) Treasury plc (Libra).

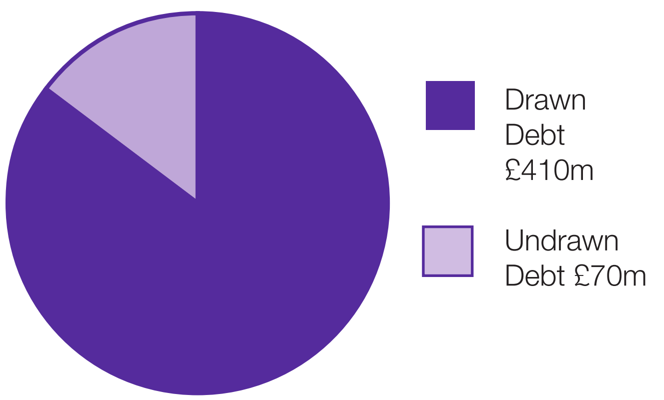
Simultaneously, a significant proportion of Bank Debt within L&H and Spire were restructured as Group Facilities, with Libra acting as Loans Manager.

Operating and Financial Review for the Year Ended 31 March 2013 (continued)

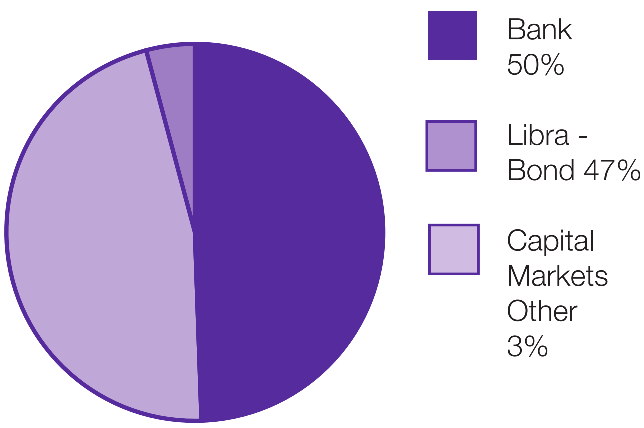
Review of Key objectives of Financial Strategy 2012-13		
Achieve a Credit Rating from Moodys Credit Rating Agency for Longhurst Group and Libra Bond Issue	✓	Longhurst Group received an Aa3 Credit rating in July 2012, which was subsequently downgraded to A1 (Possible Downgrade) in Feb 2013 in response to the UK Sovereign downgrade and again in May 2013 to A2 Stable Outlook
Deliver new funding for the Group with the ability to raise additional funding in the future without the current restrictions	✓	New ‘Group’ funding completed with consistent ‘Group’ Loan Covenants.
Funding to be delivered through a new Special Purpose Funding Vehicle; Libra (Longhurst Group) Treasury plc “Libra”.	✓	Libra incorporated in May 2012 to issue the Longhurst Group Bond and act as Loans Manager for the Group’s Loan Facilities
Is focused on an own-named public bond issue of up to £250m	✓	£250m (£25m Reserve) – 26 Yr Bond (5.125%) – Aug 12
Provide a group funding facility that will be secured by a new Group security trustee	✓	Group Security arrangements in place with the Prudential Trustee Company Ltd
Involves the repayment/cancellation of a proportion of existing bank debt	✓	Completed between – Aug 12 – Mar 13
Involves the re-structuring of a part of the current hedging portfolio	✓	£23.8m Swaps Cancelled – remaining Swaps novated to Libra – Aug 12
Involves the shortening of existing maturities and re-structuring of hedging	✓	Completed Aug 12

Group Loan Facilities
At the 31st March 2013 the Group had total loan facilities available of £480m of which £70m was undrawn.

Total committed funding



Bank v Capital Market Debt



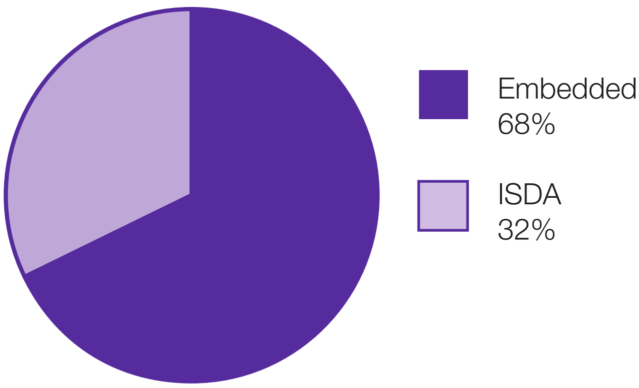
Operating and Financial Review for the Year Ended 31 March 2013 (continued)

The Group aims to maintain its hedging activity within flexible parameters, as defined within the Treasury Management Policy being:

- between 70% and 90% of drawn funds should be fixed or hedged for periods ranging from 2 – 30 years
- the remaining 10% - 30% should be held as variable rate debt or hedged on a short-term basis however, if appropriate, the Libra Board can approve operating outside of these parameters for a defined period.

Due to the Group funding restructuring and Bond Issue in 2012-13 the Group's hedging activity is currently in excess of the defined maximum of 90% as approved by the Libra Board. It is anticipated the ratio of Fixed to Variable debt will return to the usual parameters during 2014.

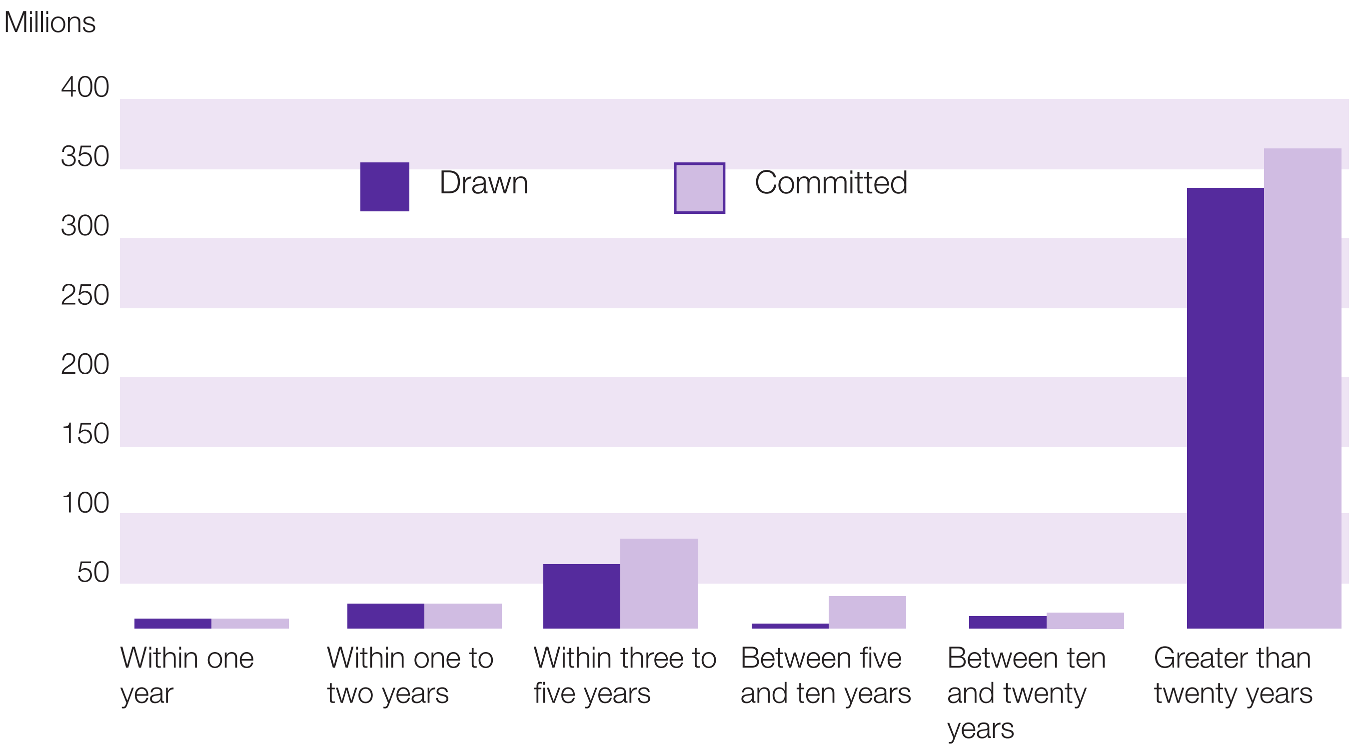
Hedging Activity



77% of the Group's Loans have been arranged under long term facility periods with 23% being arranged as short term facilities with a final repayment date of between two and seven years.

Operating and Financial Review for the Year Ended 31 March 2013 (continued)

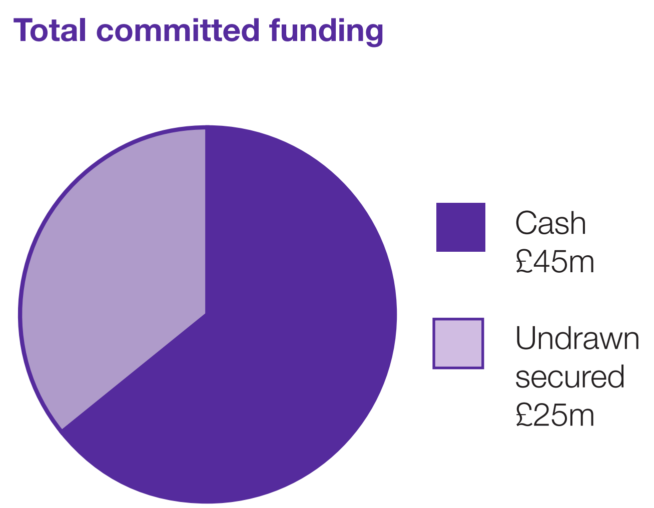
Group Loan Facilities
The repayment profile for the debt held across the Group is summarised in the chart below:



The Group has limited refinancing risk during the next five years with over 75% of committed facilities maturing in more than twenty years a majority of which (63%) relates to our £225m – 26 Yr (2038) Bond issue.

Liquidity
At the 31st March 2013 the Group had available cash of £45m and £70m of undrawn loan facilities, £25m of which is available to draw with two day's notice.

For the remaining £45m of undrawn facilities a planned programme of security charging is in progress with phased completions over the next one to six months.



Operating and Financial Review for the Year Ended 31 March 2013 (continued)

Loan Structure
A majority of loan facilities for L&H and Spire are now held and/or managed within Libra with the exception of long standing THFC and Housing Corporation (Orchardbrook) loans which are held at company level.

L&H and Spire are both party to the Group Security structure with all lenders and Libra being beneficiaries of their respective Security Trust Deeds allowing for cross collateralisation for all Group facilities.

Friendship Care & Housing Loans are currently held at company level.

Loan Covenants & Compliance
The loan covenants are based on interest cover, loan gearing and asset cover ratios. Following the Group's Loan restructuring during 2012-13 these consistent Loan Covenants are measured on a Group Consolidated basis with the exception being Friendship Care & Housing Ltd where Loan covenants are measured at individual company level.

Compliance against Loan Covenants is monitored by the Group's Treasury Team and reported to the Libra Board. There were no breaches of any Loan Covenants during the year.

Interest Rate Exposure
At the 31st March 2013, the Group had a negative stand-alone interest swap exposure of £29.5m (2012:£26.5m), based on £95.5m (2012:£115.3m) of notional paying fixed rate/receiving 3m LIBOR swaps.

All of the Group's interest rate swaps allow for the Mark to Market (MTM) position to be covered by either property assets or cash. At the 31st March 2013 the Group's position was covered by property security for the MTM position in excess of the agreed threshold.

The weighted duration of swaps was 12.5 years (2012:11.5 years) and the weighted interest paid was 4.65% (Fixed) (2012:4.49%). At the 31st March 2013 3m LIBOR was 0.51%.

The Treasury Management function for all Group members is managed by a dedicated team within Group Financial Services. The guiding principle of the Group's approach to Treasury Management is to ensure that member companies have sufficient cash to meet on-going capital and revenue commitments, to protect the Group against adverse movements in interest rates and ensure compliance with the Groups loan covenants.

The Group's Treasury Policy is approved annually and reviewed quarterly incorporating the Group's objectives, relating to treasury management activities, together with their policies and practices including:

Operating and Financial Review for the Year Ended 31 March 2013 (continued)

Treasury Management Policy	
Treasury risk management	Liquidity Risk Management Parameters Interest Rate Management Strategy Counterparty Policy (Investments) Counterparty Policy (Lenders) Exposure to Refinancing Risk Legislative and Regulatory Framework Systems and Procedures to protect against Fraud, Error and Corruption Market Risk Management
Best value and performance measurement	
Decision–making and analysis	
IApproved instruments, methods and techniques	
Organisation, clarity & segregation of responsibilities, & dealing arrangements	
Reporting requirements and management information arrangements	
Budgeting, accounting and audit arrangements	
Cash and cash flow management	
Money laundering	
Staff training and qualifications	
Use of external service providers	
Corporate governance	

Risk management
Risk management is an important part of the overall internal control system across Longhurst Group and its member companies. The continued difficult economic climate and the fast-evolving business environment reinforces the need for effective risk management (including analyses of changing government policy and its implications for the housing sector); at the same time, challenging economic conditions have created numerous business opportunities within the Group.

We have developed robust systems to identify, evaluate and manage key business risks. Any new areas of business or major projects are individually risk-assessed and reported to the Board prior to work commencing. This process includes a prudent financial assessment, sensitivity analysis and exploration of whether additional management controls or insurance is required to mitigate against significant loss.

The Group has now implemented a risk management database system across all companies. This has refined the quality of management reporting, enabling more effective co-ordination of risk management activities and providing efficiencies in the administration of risks.

Operating and Financial Review for the Year Ended 31 March 2013 (continued)

The risks identified below are the five risks which are currently those seen as presenting the greatest potential impact to our operations and as such requiring extra monitoring and management.

RISK	RESPONSE
Welfare Reform Act	The changes being introduced from October 2013 will result in the housing element of benefits being paid direct to some of our tenants. A reduction in benefits will also be applied where some of our properties are deemed as being under-occupied. Main controls in place include: • Conservative assumptions in the BP on potential impact of changes and sensitivity analysis • Money and benefit guidance in place to help our tenants with the changes. • Data profiles of tenants completed • Income collection Teams prepared for higher volume of support to tenants and work required • IT systems have been reviewed to ensure they support these changes to the fullest extent • Extensive communication plan has been carried out to inform and help our tenants with these changes • Under occupation changes will only affect between 10% to 14% of tenants depending on which subsidiary company is identified
Constraints on future development funding and the availability of section 106 opportunities	Through the 2010 Comprehensive spending Review there is now limited Social Housing Grant (SHG) available for new developments Main controls in place include: • Viable development programme in place for next three to five years • Development partnering status retained with the HCA and Group will consider bidding for allocations if the opportunity is suitable • Half the forecast programme now committed and below BP assumptions • The Group continues to be able to access s106 schemes • Rents on new developments to be let at affordable / intermediate rents
Changes to pension legislation and performance of current schemes	The latest triennial valuation for the Social Housing Pension Scheme and the introduction of Auto-enrolment in early 2014 and potential removal of National Insurance contracting-out in 2016 will increase costs to the Group. Main controls in place include: • Increased costs have been allowed for in the budgets and Group's Business Plan • Working Group to review and to make recommendations on what schemes to be offered at auto enrolment • Independent professional actuarial advice has been engaged and will continue to be accessed as required

Operating and Financial Review for the Year Ended 31 March 2013 (continued)

Care and Support Services	This is an area of our work that continues to remain financially challenging with continued cuts in Local Authority funding Main controls in place include: • On-going Board review of care and support strategy • Current strategy focusing on enhanced services and less on residential bed numbers • Sale of one residential care home completed in June 2012 • Inspection results and reputation for these services continue to be rated highly
Financial Markets and availability of private finance, credit rating and financial performance	The ability to raise finance from the banking sector continues to be more expensive and difficult, the bond markets have therefore become an important source of funding and with this the requirement to have a credit rating Main controls in place include: • The Group successfully issued a £225m bond in July 2012 • The Group has an A2 credit rating with Moody's • Financial performance is monitored closely and budgets and BP's have been set so as to maintain or improve the current rating • Robust Treasury Management policies are used to manage cash and loan portfolios • Continued use of independent professional advisors

Regulation

The current Regulatory Framework came into effect in April 2012 as the regulator's role was passed to a new Regulation Committee within the Homes and Communities Agency from the TSA which had been abolished in March 2012.

The "Framework" provides for three "Economic Standards" covering governance and financial viability, value for money and rents all of which are subject to the enforcement powers of the regulators. There are also "Consumer Standards" which cover tenant involvement, the Home, Tenancy and Community matters. These standards are only subject to enforcement powers where a breach leads to "serious detriment" normally co-regulation is the route to improvement or to address minor breaches.
Each standard is defined by "required outcomes" and "specific expectations" and the emphasis is on providers addressing these standards and working with customers and stakeholders in a transparent and accountable approach to work and outcomes.

The Longhurst group of companies is committed to meeting these standards and the involvement of our customers in defining and developing our service standards to suit their needs and circumstances. We have been developing our corporate governance to ensure that we are open and accountable in all aspects of our work and that we deliver and evidence value for money and continuous improvement.

The Regulator has recently issued a discussion document aimed at further development of the Framework and a formal consultation process is expected in the Autumn of 2013. The discussion paper is focussed on the protection of public assets and envisages greater ring fencing of assets, the restriction of non-social housing activities and the introduction of "recovery plans" to demonstrate how any major viability breach could be overcome. We have joined in with this debate and we are very keen to ensure that any

Operating and Financial Review for the Year Ended 31 March 2013 (continued)

development of good practice does not ignore the substantial success of the sector in attracting and servicing £50billion of private finance into housing investment in the last 20 years and that our ability to continue to provide new homes is maintained or improved.

Governance

In April 2012, the Homes and Community Agency (HCA) assumed responsibility for the regulation of social housing providers in England. A new regulatory framework was introduced that places greater responsibility on the shoulders of registered providers, requiring them to be partially self-regulatory or "co-regulatory"

We have always prided ourselves on our robust governance structures however strong governance with a confident regulatory strategy is now even more crucial to the success of our business. The HCA framework states that we must operate in an effective, transparent and accountable manner and so our governance arrangements must be reflective of these requirements.

The Group has in place a robust Board Development and Interview (BDI) process that assesses individual Board Members performance and identifies development needs. In the last year we have also carried out a whole Board assessment process to review the performance of the Board as a collective. Using the information provided through these processes we identified the competencies of our existing members and recruited to diversify our core skills A Board observation exercise is planned later in the year which will help us assess a range of areas including how well our meetings work, how our Board Members perform, how well are meetings supported and chaired, and what we can do to improve further.

Through these processes, individual and whole Board training and development needs are identified and plans are agreed with members annually. We also reviewed our strategic direction in a series of Board Meetings and away days during 2012/13.

The format of Group Board meetings been further honed to provide greater time to discuss strategy and for board development and ensuring that the service provision of the parent corporate services is open to scrutiny. A separate Committee is being established to take the lead on monitoring the performance of the parent companies corporate services, leaving the main Board to focus more on the Group wide strategic issues. We continue to work closely with our member companies to provide governance support, including carrying out reviews of their current arrangements, supporting them in the consideration of board payment, reviewing board assessment processes and competencies, providing policy guidance, developing training plans, ensuring that effective succession planning measures and development/training programmes are in place.

The Group's Audit Committee and Finance & Treasury Committee supported the work of the Group Board during 2012/13. The Finance & Treasury Committee was established during in 2010 in recognition of the increasing complexity of the Group's finances and to reduce the burden of work of the Audit Committee. In May 2012 the Finance & Treasury Committee was disbanded with the responsibilities of the Finance & Treasury Committee transferring to the Board of Libra (LG) Treasury Plc. The Audit Committee now concentrates on work associated with Internal and External Audit, Risk Management.

Economic and Political Context

In 2012 the economy flat-lined as we had expected, early in the year the Eurozone problems affecting Greece began to spread to other economies including some of the larger countries in the EC. As a result financial markets in Britain became very unpredictable but, on the whole, the capital markets were providing substantial funds to our sector at very good rates. This uncertainty made our decision to issue our bond in July difficult to judge but the outcome was very positive.

Operating and Financial Review for the Year Ended 31 March 2013 (continued)

The uncertainty in economic performance led to the eventual downgrade of the British economy rating by Moodys and concern over a 'triple-dip' recession. The Chancellor of the Exchequer has held to his original budgetary strategy of deficit reduction but there is considerable discussion around switching public spending toward capital investment and infrastructure projects as a means of stimulating recovery while still tackling the structural deficit. In housing terms the most significant policy change was the introduction of "Help to Buy" a scheme designed to stimulate the housing market by offering a 20% loan guarantee to enable people to buy homes on lower deposits and provide five years of interest free subsidy on the 20% guaranteed portion of funding.

There is some concern that the scheme may simply fuel house price inflation by stimulating demand in a market which is still massively short on supply. Certainly there are signs of prices increasing significantly in London, the most overheated area of the housing market.

The overall supply of homes for sale or rent has remained disappointingly low and many housing associations and groups have been slow to develop new schemes because of difficulties in securing new finance without repricing existing facilities. It was our strategy to avoid such a pressure and cost which led us to simultaneously issue our bond and put in place new short term banking facilities to ensure we could continue our provision of new homes and help to create jobs and stimulate the local economy. Longhurst group will provide over 1,000 completed homes in the next two years as a consequence.

Politically we are at a very important point in the life of the government. The coalition remains in place but the different views of the Parties involved are beginning to be voiced and election results and polls indicate a very complex reaction of the public. Positioning for the next general election looks likely to dominate the political environment in the year ahead. Housing in general and our customers in particular have been at the heart of the Welfare Reforms which have reached implementation stage. Whilst many measures to reduce benefit payments have been politically popular the implementation is complex and is only at the beginning of a four year process. We have invested in our systems and staffing to enable us to manage our income risks resulting from the benefit reductions our customers face but there is already doubt as to whether the governments systems and plans can be effectively deployed on the intended basis as pilot schemes have been delayed and very limited.

These economic and political circumstances have led us to plan on the following assumptions:-

- We expect inflation (CPI) to be at or around 2% for the next year
- We expect Base Rate to remain below 1% for the next year
- We expect wages and salaries to be constrained for at least another year
- We expect house prices to rise in the southern areas of the Midlands
- We expect private market renting to expand and for market rents to increase throughout our area of operation
- We expect population growth in the Midlands to continue at the very high rates of recent years placing great pressure on social and care services
- We expect employment levels to increase but for unemployment to remain stable. This reflects the trend for people to return to the workforce in part time roles

Overall our view is that the economy will be relatively stable but with little sign of significant growth for some time and this will put pressure on people's ability to meet their housing needs in an expensive and under supplied private market.

Corporate Social Responsibility
Corporate Social Responsibility (CSR) is at the heart of our operations. From community engagement programmes to the latest advances in development, we place a lot of emphasis on caring for the

Operating and Financial Review for the Year Ended 31 March 2013 (continued)

environment and the communities in which we work. We are committed to running our business in an ethical and socially responsible way to contribute positively to the communities in which we operate. This is in relation to all aspects of our business for our residents, our staff, our partners and our suppliers.

We understand the importance of managing the economic, social and environmental impacts of our business, in order to create thriving, sustainable communities for society both now and in the future. In developing a Sustainability Strategy we are embracing the challenges of climate change. Our objectives are to manage our business to provide the 'Triple Bottom Line' of environmental, economic and social improvement for the Group and to educate and encourage our contracting, procurement and supply chain to follow suit.

Our work in 2012-13 concentrated on proving the value of an Environmental Management System (EMS) approach to sustainability issues and generating cost savings across the Group. All work undertaken has had the desired triple bottom line effect achieving environmental, social and economic successes.

Our work to date has focussed heavily on developing trials of technology, reviewing and renegotiating existing environmental contracts and evaluating existing business practices and processes. We will continue with these objectives in the year ahead. We will:

- Promote the wider benefits of an EMS through committing to implementing and embedding it within Longhurst Group Corporate Services.

- Start the accreditation process for the EMS by utilising the Investor in the Environment accreditation process

We continue to encourage staff to choose green cars by incentivising our lease arrangements: we have provided driver training to help staff with both safer and greener driving techniques and our car fleet is now significantly greener and more efficient.

Statement of Compliance
The Board confirms that this Operating and Financial Review has been prepared in accordance with the principles set out in Part 2 of the SORP for Registered Providers.

Independent Auditors Report To the Members of Longhurst Group Limited

We have audited the financial statements of Longhurst Group Limited for the year ended 31 March 2013 on pages 31 to 68. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 and section 137 of the Housing and Regeneration Act 2008. 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.

Respective Responsibilities of Directors and Auditor
As explained more fully in the Statement of the Directors' Responsibilities 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. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board Report and in the Operating and Financial Review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on Financial Statements
In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and the Company as at 31 March 2013 and of their 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 the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

Opinion on Other Matters Prescribed by the Companies Act 2006
In our opinion the information given in the Board Report and in the Operating and Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on Which We are Required to Report by Exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Independent Auditors Report To the Members of Longhurst Group Limited

- we have not received all the information and explanations we require for our audit.

In addition, we have nothing to report in respect of the following matter where the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained.

MARIA HALLOWS (Senior Statutory Auditor)
For and on behalf of
BEEVER AND STRUTHERS
Chartered Accountants
& Statutory Auditor

St. George's House
215 - 219 Chester Road
Manchester

Income and Expenditure Account for the year ended 31 March 2013

	Notes	Group 2013 £'000	Parent Company 2013 £'000	Group 2012 £'000	Parent Company 2012 £'000
Turnover	3	86,869	7,728	82,527	7,413
Cost of sales	3	(4,960)	-	(3,226)	-
Operating costs	3	(59,277)	(7,714)	(63,262)	(7,305)
Operating surplus		22,632	14	16,039	108
Surplus on sale of fixed assets	6	966	-	3,362	-
Interest receivable and other income	7	584	1	19	1
Interest payable and similar charges	8	(21,161)	-	(15,720)	-
Surplus on ordinary activities before taxation for the year	9	3,021	15	3,700	109
Exceptional Item – Loan Restructuring	31	(2,323)	-	-	-
Tax on surplus on ordinary activities	10	(12)	(4)	(59)	(35)
Surplus for the year		686	11	3,641	74

All amounts relate to continuing activities.

All recognised surpluses and deficits are included in this statement (or see page 32).

The above surpluses are the historical cost surpluses.

The notes on pages 35 to 68 form an integral part of these financial statements.

Statement of total recognised surpluses and deficits for the year ended 31 March 2013

	Notes	Group 2013 £'000	Parent Company 2013 £'000	Group 2012 £'000	Parent Company 2012 £'000
Surplus for the year		686	11	3,641	74
Actuarial (deficit) on pension schemes	28	(455)	-	(536)	-
Total surpluses recognised since the last annual report		231	11	3,105	74

The notes on pages 35 to 68 form an integral part of these financial statements.

Statement of total recognised surpluses and deficits for the year ended 31 March 2013

	Notes	Group 2013 £'000	Parent Company 2013 £'000	Group 2012 £'000	Parent Company 2012 £'000
Fixed assets					
Housing properties at cost less depreciation	13	666,381	-	620,345	-
Less: Social Housing and other Grants	13	(273,449)	-	(268,463)	-
		392,932	-	351,882	-
Other tangible fixed assets	14	15,789	849	15,920	787
Total fixed assets		408,721	849	367,802	787
Current assets					
Housing Properties and other assets for sale	15	7,595	-	5,468	-
Debtors	16	5,074	608	6,344	779
Cash at bank and short term deposits	17	45,147	460	12,647	247
		57,816	1,068	24,459	1,026
Less Creditors					
Amounts falling due within one year	18	(20,620)	(880)	(24,802)	(787)
Net current assets/(liabilities)		37,196	188	(343)	239
Total assets less current liabilities		445,917	1,037	367,459	1,026
Creditors					
Amounts falling due after more than one year	19	398,115	-	320,320	-
Pension liability	28	2,975	-	2,543	-
Capital and reserves					
Share capital	21	-	-	-	-
Designated reserves	22	1,000	-	1,000	-
Revenue reserves	22	43,827	1,037	43,596	1,026
Accumulated reserves		44,827	1,037	44,596	1,026
		445,917	1,037	367,459	1,026

The financial statements on pages 31 to 68 were approved by the Audit Committee on 18th July 2013 under delegated authority from the Board on 22nd May 2013 and were signed on its behalf by:

Director

Director

R V Walder
Company Secretary

Consolidated cash flow statement for the year ended 31 March 2013

	Notes	2013 £'000	2012 £'000
Net cash inflow from operating activities		**34,072**	24,656
Returns on investments and servicing of finance	23	**(20,796)**	(15,133)
Taxation		**(56)**	(131)
Capital expenditure and financial investment	23	**(50,986)**	(40,478)
Net cash (outflow) before use of liquid resources and financing		**(37,766)**	(31,086)
Management of liquid resources	23	**(500)**	500
Financing	25	**71,266**	32,761
Increase in cash		**33,000**	2,175

Reconciliation of Operating Surpluses to net cash inflow from operating activities	2013 £'000	2012 £'000
Operating surplus	**22,632**	16,039
Depreciation charges	**8,668**	10,590
Impairment charges	**361**	-
Movement in properties/other assets in the course of sale	**(564)**	(291)
Movement in stocks	**(1,819)**	145
Movement in debtors	**(449)**	722
Movement in creditors	**4,277**	813
Surplus on sale of fixed assets	**(966)**	(3,362)
Net cash inflow from operating activities	**34,072**	24,656

Reconciliation of net cash flow to movement in net debt	Notes	2013 £'000	2012 £'000
Increase in cash	24	**33,000**	2,175
(Increase) in debt	24	**(74,355)**	(32,866)
(Decrease)/Increase in liquid resources	24	**(500)**	500
Change in net debt	24	**(41,855)**	(30,191)
Net debt at start of the year		**(309,233)**	(279,042)
Net debt at end of the year	24	**(351,088)**	(309,233)

Notes to the financial statements for the year ended 31 March 2013

1. Legal Status

The Company is incorporated under the Companies Act 1985 as a company limited by guarantee without share capital (registered number 3958380) and is registered with the Homes and Communities Agency as a Registered Provider, of social housing by the Housing and Regeneration Act 2008, (registration number L4277).

2. Accounting Policies

Basis of accounting
The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and Statements of Recommended Practice. The financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2012 and the Statement of Recommended Practice: accounting by Registered Social Housing Providers Update 2010 published by the National Housing Federation. The accounts are prepared under the historical cost basis of accounting.

Basis of consolidation
These financial statements are Group statements and have been prepared by consolidating the results of Longhurst Group Ltd and its subsidiary companies (see note 30) from 1 April 2012 to 31 March 2013.

Turnover
Turnover represents rental income receivable, fees and revenue grants from local authorities and the Homes and Communities Agency, income from the sale of shared ownership and other properties developed for outright sale and other income.

Non Housing Assets
Equipment - Depreciation
Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:

Freeholder offices	1% per annum on cost
Furniture and Fittings	15% per annum on cost
Office Equipment	20% per annum on cost
Motor Vehicles	20% per annum on cost
Computer Equipment	25% per annum on cost

Housing Properties and Depreciation
Housing properties for rent are stated at cost less accumulated depreciation and related social housing grant. Houses are transferred to completed properties when they are ready for letting.

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties upon practical completion of construction.

Freehold land is not depreciated.

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual useful economic life. Expenditure relating to the subsequent replacement or renewal of components is capitalised as incurred.

The Association depreciates freehold housing properties by component on a straight line basis over the estimated useful economic lives of the component categories. Useful economic lives for identified components are as follows:

	Years
Structure	120
Roof	60
Heating	15
Windows	30
Electrical	30
Bathrooms	30
Kitchen	20
Lifts	15
Doors	30

Social Housing and Other Grants
Where developments have been financed wholly or partly by social housing and other grants, the cost of those developments has been reduced by the amount of the grant received.

When Social Housing Grant (SHG) in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

SHG received for items of cost written off in the Income and Expenditure Account are matched against those costs as part of turnover.

SHG can be recycled by the Association under certain conditions, if a property is sold or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Homes and Communities Agency. However, SHG may have to be repaid if certain conditions are not met.

In certain circumstances, SHG may be repayable, and in that event, is a subordinated, unsecured, repayable debt.

Shared Ownership Properties
The costs of shared ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset and subsequent sales treated as sales of fixed assets. The fixed asset element of the shared ownership property is split into land and structure, any social housing grant received is allocated against the structure element, and the net cost after grant is depreciated over 120 years.

Loan Finance Issue Costs
These are written off evenly over the life of the related loan. Loans are stated in the balance sheet at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts written off. Where loans are redeemed in the year, any redemption penalty and any connected loan finance issue costs, are recognised in the income and expenditure account in the year in which the redemption took place.

Capitalisation of Interest and Administration Costs
Interest on loans financing development is capitalised up to date of the completion of the scheme and only when development activity is in progress.

Specific administration costs relating to development activities are capitalised based on an apportionment of the management time spent on this activity. Non specific administration costs relating to the development department have not been capitalised.

Value Added Tax
The Company charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. All amounts disclosed in the accounts are inclusive of VAT to the extent that it is suffered by the Group and not recoverable.

Properties managed by agents
Where the Company carries the majority of the financial risk on property managed by agents, all the income and expenditure arising from the property is included in the Income and Expenditure Account.

Where the agency carries the majority of the financial risk, the Income and Expenditure Account includes only that income and expenditure which relates solely to the Company.

In both cases, the assets and associated liabilities are included in the Company's balance sheet.

Sale of housing properties
Properties developed for outright sale are included in turnover and cost of sales. Properties not developed for outright sale are divided into first tranche sales and other sales. The appropriate proportion of costs of housing properties that are built with the intention of full or partial sale, including equity share and shared ownership properties, are disclosed as current assets and stated at the lower of cost or net realisable value.

First tranche sales proceeds and the relative proportion of the property cost are recognised in turnover and cost of sales respectively. Subsequent tranches are not included within turnover and cost of sales but are shown as a separate item after the operating surplus in the income and expenditure account. All other sales of fixed asset properties are dealt with in this way.

Where a property is part of a distinct development scheme with mixed tenure elements, the surplus recognised on the elements sold is limited to the surplus calculated on the entire scheme. For the elements that are retained as fixed assets, the surplus or deficit is calculated by reference to the assets' existing use value for social housing.

Impairment
Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income generating unit is recognised by a charge to the income and expenditure account. Impairment is recognised where the carrying value of an income generating

unit exceeds the higher of its net realisable value or its value in use. An income generating unit could be a single property, but it is normally a group of properties whose income and expenditure can be separately identified.

Improvements to properties and major repairs
The Group capitalises expenditure on housing properties that results in an increase in net rental income over the life of the property. This increase may be a result of an increase in rental income, reduction in maintenance costs or significant extension of the life of the property.

Major repairs expenditure of a capital nature has been capitalised in line with the above.

Major repairs expenditure of a revenue nature is reflected in the income and expenditure account together with any related grant funding.

Leased Assets
Within the housing stock of Longhurst Group Limited there are a number of properties held on short-term leases. The lease costs are written off to the income and expenditure account as incurred.

Retirement Benefits
The Group operates five defined benefit schemes. The cost of providing retirement pensions and related benefits is charged to management expenses over periods benefiting from the employees services.

As the Pensions Trust is unable to identify the Group's underlying share of assets and liabilities, the Group has therefore accounted for contributions made to the Social Housing Pension Scheme as if it were a defined contribution scheme.

In respect of the pension schemes with Northamptonshire County Council, Leicestershire County Council and West Midlands Pension Fund, the liabilities are shown in the accounts in line with FRS17.

Deferred Tax
The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Except as noted below, full provision for deferred income is made under the liability method on all timing differences that have arisen, but not reversed by the balance sheet date.

In accordance with FRS 19, deferred tax is not provided for gains on sale of non- monetary assets, if the taxable gain will probably be rolled over.

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 balance sheet date. Deferred tax assets and liabilities are not discounted.

Stock and Work In Progress
Stock and work in progress are stated at the lower of cost and net realisable value.

Disposal Proceeds Fund
Voluntary Purchase Grant net disposal proceeds are credited to this fund which appears as a creditor until spent.

Recycling of Capital Grant
Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund which appears as a creditor until spent.

Loan Interest Costs
The full costs of deferred interest rate and indexation loans are shown in the Income and Expenditure Account.

Corporation Tax
The Group pays corporation tax at the rate applicable at 31 March 2013.

Support Income and Costs including Supporting People Income and Costs
Supporting People (SP) contract income received from Administering Authorities is accounted for as SP income in the turnover note 3. The related support costs are matched against this income in the same note.

Support charges included in the rent are included in the income and expenditure from social housing lettings note 4 and matched against the relevant costs.

Designated Reserves
A mixed funded major repairs reserve has been established to provide for the cost of future major repairs on properties developed with fixed SHG following the Housing Act 1988.

Operating Leases
Rentals paid under operating leases are charged to the Income and Expenditure Account as incurred.

Commitment to the Supply of Qualifying Works
Spire Homes (LG) Limited received the transfer of 1,242 properties from Rutland County Council District Council on 9 November 2009. As part of the transfer, the Council has made a commitment to Spire Homes (LG) Limited to have the properties refurbished and modernised and brought into a good state of repair. Immediately prior to transfer, the Council contracted with Spire Homes (LG) Limited to carry out the refurbishment works on its behalf. The Council's obligation to carry out the works is in effect matched by Spire Homes (LG) Limited's obligations to bring the properties into a good state of repair. As a specific right of set off exists, a net basis has been adopted in respect of these obligations and neither the assets or liabilities have been recognised.

3. Turnover, costs of sales operating costs and operating surplus - group

	2013			
	Turnover £'000	Cost of Sales £'000	Operating costs £'000	Operating surplus/ (deficit) £'000
SOCIAL HOUSING LETTINGS (note 4)	72,764	-	(51,075)	21,689
OTHER SOCIAL HOUSING ACTIVITIES				
Managed operations	1,912	-	(1,888)	24
Supporting People Contract Income	3,034	-	(2,881)	153
Development – First tranche shared ownership sales	3,320	(3,044)	(113)	163
Development – Other	1,160	-	(850)	310
Management Services	32	-	(39)	(7)
Other Activities	1,046	(22)	(321)	703
TOTAL	10,504	(3,066)	(6,092)	1,346
NON-SOCIAL HOUSING ACTIVITIES				
Sale of properties	1,917	(1,894)	-	23
Lettings – market rented	99	-	(29)	70
Community Based Activities	986	-	(1,189)	(203)
Other	599	-	(892)	(293)
	3,601	(1,894)	(2,110)	(403)
TOTAL	86,869	(4,960)	(59,277)	22,632

	2012			
	Turnover £'000	Cost of Sales £'000	Operating costs £'000	Operating surplus/ (deficit) £'000
SOCIAL HOUSING LETTINGS (note 4)	69,358	-	(54,145)	15,213
OTHER SOCIAL HOUSING ACTIVITIES				
Managed operations	1,926	-	(2,192)	(266)
Supporting People Contract Income	3,251	-	(3,331)	(80)
Development – First tranche shared ownership sales	841	-	(594)	247
Development – Other	3,319	(3,179)	(140)	-
Management Services	328	-	(326)	2
Other Activities	1,512	(47)	(321)	1,144
TOTAL	11,177	(3,226)	(6,904)	1,047
NON-SOCIAL HOUSING ACTIVITIES				
Sale of properties	97	-	(74)	23
Lettings – market rented	1,283	-	(1,456)	(173)
Community Based Activities	25	-	-	25
Other	587	-	(683)	(96)
	1,992	-	(2,213)	(221)
TOTAL	82,527	(3,226)	(63,262)	16,039

3. Turnover, costs of sales operating costs and operating surplus - Parent Company

	2013			2013		
	Turnover £'000	**Operating costs £'000**	**Operating surplus/ (deficit) £'000**	Turnover £'000	Operating costs £'000	Operating surplus/ (deficit) £'000
OTHER SOCIAL HOUSING ACTIVITIES						
Development	**1,425**	**(1,418)**	**7**	1,338	(1,379)	(41)
General Management	**890**	**(829)**	**61**	947	(901)	46
Health & Safety	**332**	**(273)**	**59**	245	(292)	(47)
IT	**1,864**	**(1,879)**	**(15)**	1,735	(1,676)	59
Marketing	**542**	**(498)**	**44**	503	(488)	15
Human Resources	**752**	**(864)**	**(112)**	727	(782)	(55)
Group Financial Services	**1,870**	**(1,953)**	**(83)**	1,877	(1,787)	90
Other	**53**	**-**	**53**	41	-	41
	7,728	**(7,714)**	**14**	7,413	(7,305)	108

4. Turnover, operating costs and operating surplus/(deficit) from social housing lettings - Group

	2013					
	General Needs Housing £'000	Supported Housing and Housing for older people £'000	Residential Care Homes £'000	Low Cost Home Ownership £'000	2013 £'000	2012 £'000
Income from social housing lettings						
Rents receivable net of identifiable service charges	56,956	3,999	1,480	2,009	64,444	60,771
Service charge income	321	863	177	26	1,387	3,486
Charges for support services	2,047	925	3	185	3,160	866
Net rents receivable	59,324	5,787	1,660	2,220	68,991	65,123
Revenue grants from Local Authorities and other agencies	-	349	3,410	-	3,759	4,021
Other	14	-	-	-	14	214
Total income from social housing lettings	59,338	6,136	5,070	2,220	72,764	69,358
Expenditure						
Management	10,366	2,105	1,010	700	14,181	14,240
Services	3,606	1,883	5,183	99	10,771	11,706
Routine Maintenance	9,893	1,069	99	6	11,067	11,584
Planned Maintenance	2,832	165	21	1	3,210	2,909
Major repairs expenditure	3,103	94	5	-	2,931	3,207
Rent losses from bad debts	608	34	38	8	688	553
Depreciation of Housing Properties	6,664	526	106	170	7,466	9,659
Impairment of Assets	333	-	-	28	361	44
Lease amortisation	139	-	-	-	139	29
Property Lease Costs	261	-	-	-	261	254
Other Costs	-	-	-	-	-	(40)
Total operating costs on social housing lettings	37,725	5,876	6,462	1,012	51,075	54,145
Operating surplus on social housing lettings activities	21,613	260	(1,392)	1,208	21,689	15,213
Void losses	391	292	35	3	721	1,179

5. Group accommodation in management

At the end of the year accommodation owned for each class of accommodation was as follows:

	2013 No.	2012 No.
Units in Management owned by the Group		
General housing*	***12,997**	12,706
Supported and Sheltered Housing	**1,990**	2,030
Shared Ownership	**1,282**	1,011
Care Homes	**177**	230
Leasehold Schemes	**1,038**	974
Total Social Housing Properties	**17,484**	16,951
Market Rented Properties	**12**	13
Student Accommodation	**7**	18
Total Non-Social housing	**19**	31
Units in Management on stock not owned by the Group	**474**	722
Total owned and managed	**17,977**	17,704

At 31 March 2013 the Group owned 98 units (2012: 79 units) which were managed by agents (Parent Company: Nil).

*Includes 30 units at affordable rent.

6. Sale of properties

At the end of the year accommodation owned for each class of accommodation was as follows:

	Shared Ownership Staircasing £'000	Right to Buy and Voluntary Sales £'000	Other Sales £'000	Total 2013 £'000	Total 2012 £'000
Proceeds of Sale	**627**	**5,131**	**360**	**6,118**	7,835
Less: Cost of Sales	**(477)**	**(4,477)**	**(198)**	**(5,152)**	(4,473)
Surplus	**150**	**654**	**162**	**966**	3,362

7. Interest receivable and other income

	Group 2013 £'000	Parent Company 2013 £'000	Group 2012 £'000	Parent Company 2012 £'000
Interest receivable and similar income	584	1	19	1

8. Interest payable and similar charges

	Group 2013 £'000	Parent Company 2013 £'000	Group 2012 £'000	Parent Company 2012 £'000
On loans repayable within five years	3,679	-	5,568	-
On loans repayable wholly or partly in more than five years	18,045		10,090	
Other	774	-	573	-
Less: Interest payable capitalised on housing properties under construction	(1,337)	-	(511)	-
	21,161	-	15,720	-
The weighted average interest on borrowings used to determine the amount of finance costs capitalised during the year was	5.67%	N/A	4.99%	N/A

9. Surplus on ordinary activities before taxation for the year

	Group 2013 £'000	Parent Company 2013 £'000	Group 2012 £'000	Parent Company 2012 £'000
This is stated after charging/(crediting):				
Impairment losses	361	-	-	-
Depreciation of housing properties	7,376	-	9,493	-
Depreciation of other tangible fixed assets	1,292	534	1,097	403
(Surplus) on disposal of fixed assets	(966)	-	(3,362)	-
Lease charges HAMA	139	-	-	-
Auditors remuneration (exclusive of VAT):				
In their capacity as auditors	58	9	72	5
In respect of other services	16	16	7	7
Operating lease payments	136	-	96	-

10a. Tax on surplus on ordinary activities Analysis of the tax charge in the year

	Group 2013 £'000	Parent Company 2013 £'000	Group 2012 £'000	Parent Company 2012 £'000
Current Tax:				
Corporation Tax at 24%	49	40	64	40
Under/(over) provision in previous years	(2)	(1)	(5)	(5)
	47	39	59	35
Deferred Tax:				
Origination and reversal of timing differences	(35)	(35)	-	-
Tax on UK surplus on ordinary activities	12	4	59	35

10b. Tax on ordinary activities Current tax reconciliation

	Group 2013 £'000	Parent Company 2013 £'000	Group 2012 £'000	Parent Company 2012 £'000
Surplus on ordinary activities before tax	3,021	15	3,700	109
(Deficit)/surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24% (2012: 26%)	725	4	962	28
Effects of:				
(Profits)/losses arising in non taxable entities	(710)	-	(908)	-
Expenses not deductible for tax purposes (primarily property depreciation and capital items included in expenditure)	1	3	3	3
Movement on deferred tax other fixed assets	35	35	9	9
Adjustments to tax charge in respect of previous periods	(2)	(1)	(5)	(5)
Increase in losses c/fwd				
Capitalised interest				
Marginal relief	(2)	-	(2)	-
Current tax charge for the year	47	39	59	35

11. Staff costs
Group and Parent Company

	Group 2013 £'000	Parent Company 2013 £'000	Group 2012 £'000	Parent Company 2012 £'000
Staff costs, including the Executive Officers:				
Wages and salaries	**20,022**	**4,426**	20,821	4,330
Social security costs	**1,465**	**353**	1,541	355
Other pension costs	**1,437**	**362**	1,433	345
	22,924	**5,141**	23,795	5,030

	Group 2013	Parent Company 2013	Group 2012	Parent Company 2012
The average monthly number of persons (including the Executive Officers) employed during the year expressed as full time equivalents (36.25 hours per week) was:				
	Number	**Number**	Number	Number
Office staff	**402**	**133**	377	131
Wardens, caretakers and cleaners	**428**	**-**	497	-
Total employees	**830**	**133**	874	131
Aggregate number of full-time equivalent staff whose remuneration exceeded £60,000 in the period				
£60,000 - £70,000	**10**	**8**	11	8
£70,000 - £80,000	**4**	**1**	4	1
£80,000 - £90,000	**1**	**-**	1	-
£90,000 - £100,000	**-**	**-**	-	-
£100,000 - £110,000	**-**	**-**	4	2
£110,000-£120,000	**4**	**2**	1	-
£120,000-£130,000	**-**	**-**	-	-
£130,000-£140,000	**1**	**-**	-	-
£140,000-£150,000	**-**	**-**	1	1
£150,000-£160,000	**-**	**-**	-	-
£160,000-£170,000	**1**	**1**	-	-
	21	**12**	22	12

12. Directors

Directors are defined as the Board Members together with the Executive Officers who are employed by the Longhurst Group Limited identified on Page 1.

	2013 Number	2012 Number
The number of Executive Officers, including the highest paid executive, who received emoluments	**3**	3

	2013 £'000	2012 £'000
Emoluments, including pension contributions and benefits in kind		
Board Members	**53**	49
Executive Officers	**416**	382
	460	431

The emoluments of staff disclosed above (excluding pension contributions) include amounts paid to :	**2013 £'000**	2012 £'000
The highest paid Director (the Chief Executive):	**Mr R V Walder**	Mr R V Walder
Total owned and managed	**161**	149

The Chief Executive is an ordinary member of the Social Housing Pension Scheme. Contributions are payable in line with other members of the Longhurst Group Limited and no enhanced or special terms apply. A contribution by the Company of £11,556 (2012: £10,353) was paid in addition to the personal contribution of the Chief Executive.

Benefits in kind relate to leased cars, professional subscriptions and health care insurance.

13. Tangible fixed assets – housing properties (Group)

	Housing properties held for letting £'000	Housing properties under construction £'000	Shared ownership housing properties £'000	Shared ownership housing properties under construction £'000	Total £'000
COST					
At 1 April 2012	606,009	9,481	43,613	10,225	669,328
Additions to new properties	631	39,015	60	5,479	45,185
Capitalisation of components	15,305	-	115	-	15,420
Components replaced	(1,764)	-	-	-	(1,764)
Disposals	(7,455)	-	(743)	-	(8,209)
Transfers	6,533	(4,622)	(985)	(926)	-
Completed in year	28,107	(28,107)	3,878	(3,878)	-
At 31 March 2013	**647,355**	**15,767**	**45,938**	**10,900**	**719,960**
DEPRECIATION AND IMPAIRMENT					
At 1 April 2012	47,838	-	1,145	-	48,983
Charge for the year	6,796	-	199	-	6,995
Disposals	(2,381)	-	(18)	-	(2,399)
At 31 March 2013	**52,253**	**-**	**1,326**	**-**	**53,579**
DEPRECIATED COST AT 31 MARCH 2013	**595,102**	**15,767**	**44,612**	**10,900**	**666,381**
SOCIAL HOUSING AND OTHER GRANTS					
At 1 April 2012	247,219	3,674	15,910	1,660	268,463
Disposals – SHG recycled	(3,183)	-	(272)	-	(3,455)
SHG - Received	39	8,099	1	302	8,441
Transfers	667	-	(399)	(268)	-
Schemes completed in year	9,074	(9,074)	831	(831)	-
At 31 March 2013	**253,816**	**2,699**	**16,071**	**863**	**273,449**
NET BOOK VALUE AT 31 MARCH 2013	**341,286**	**13,068**	**28,541**	**10,037**	**392,932**
Net Book Value At 31 March 2012	310,952	5,807	26,558	8,565	351,882

13. Tangible fixed assets – housing properties (continued) (Group)

The Net Book Value of these properties is made up as follows:	**2013 £'000**	2012 £'000
Freehold	**391,005**	349,798
Long leaseholds	**1,733**	1,752
Short leaseholds	**194**	332
	392,932	351,882

Expenditure on works to existing properties in the year	**2013 £'000**	2012 £'000
Replacement of components	**15,420**	9,751
Amounts charged to Income and Expenditure Account	**2,931**	3,207
	18,351	12,958

The cost of properties includes direct administrative costs capitalised during the year	**2013 £'000**	2012 £'000
	2,792	2,601

14. Tangible fixed assets – other (Group)

COST	**Scheme Furnishings and Equipment £'000**	**Freehold Offices £'000**	**Computer Equipment £'000**	**Motor Vehicles £'000**	**Office Furnishings and Equipment £'000**	**Total Other Fixed Assets £'000**
At 1 April 2012	1,898	15,549	4,015	218	746	22,426
Additions	1,090	-	660	-	26	1,776
Disposals	(162)	(293)	(25)	(15)	(44)	(539)
At 31 March 2013	**2,826**	**15,256**	**4,650**	**203**	**728**	**23.663**
CAPITAL GRANTS At 1 April 2012 and 31 March 2013	**-**	**150**	**-**	**-**	**-**	**150**
DEPRECIATION						
At 1 April 2012	804	1,860	2,882	204	606	6,356
Charge for the period	395	100	734	7	56	1,292
Disposals	(73)	(98)	(17)	(12)	(44)	(244)
Impairment	-	320	-	-	-	320
At 31 March 2013	**1,126**	**2,182**	**3,599**	**199**	**618**	**7,724**
NET BOOK VALUE At 31 March 2013	**1,700**	**12,924**	**1,051**	**4**	**110**	**15,789**
At 31 March 2012	1,094	13,539	1,133	14	140	15,920

14. Tangible fixed assets – other (parent company)

	Computer Equipment £'000	Office Furniture Fittings £'000	Total £'000
COST			
At 1 April 2012	1,647	45	1,692
Additions	592	4	596
Disposals	-	-	-
At 31 March 2013	**2,239**	**49**	**2,288**
DEPRECIATION			
At 1 April 2012	881	24	905
Charge for the year	526	8	534
Disposals	-	-	-
At 31 March 2013	**1,407**	**32**	**1,439**
NET BOOK VALUE			
At 31 March 2013	**832**	**17**	**849**
At 31 March 2012	766	21	787

15. Housing properties and other assets held for sale (Group)

	2013 £'000	2012 £'000
Shared ownership properties held for sale:		
Completed	**1,645**	2,740
In course of construction	**1,760**	288
Other units for Sale	**4,190**	2,440
At 31 March 2013	**7,595**	5,468

16. Debtors
Amounts falling due within one year

	Group 2013 £'000	Parent Company 2013 £'000	Group 2012 £'000	Parent Company 2012 £'000
Rental arrears	**4,136**	**-**	4,110	-
Less: Provision for bad and doubtful debts	**(1,887)**	**-**	(1,914)	-
	2,249	**-**	2,196	-
SHG receivable	**81**	**-**	1,247	-
Other debtors	**845**	**30**	1,043	10
Prepayments and accrued income	**1,796**	**238**	1,792	290
Deferred Tax	**103**	**103**	66	66
Intercompany debtor	**-**	**237**	-	413
	5,074	**608**	6,344	779

17. Cash at bank and short term deposits

	Group 2013 £'000	Parent Company 2013 £'000	Group 2012 £'000	Parent Company 2012 £'000
Short term money market deposits	**17**		517	-
Cash at bank	**45,130**	**460**	2,130	247
	45,147	**460**	12,647	247

18. Creditors: Amounts falling due within one year

	Group 2013 £'000	**Parent Company 2013 £'000**	Group 2012 £'000	Parent Company 2012 £'000
Loan repayments and overdrafts	**869**	**-**	3,822	-
Funders interest	**4,124**	**-**	3,033	-
Rents and service charges received in advance	**1,104**	**-**	971	-
Trade creditors	**3,447**	**367**	3,653	336
Service charge balances due to leaseholders	**2,665**	**-**	2,673	-
Other taxation and social security costs	**860**	**152**	683	175
Recycled Capital Grant Fund (note 20)	**1,108**	**-**	1,900	-
Disposal Proceeds Fund (note 20)	**68**	**-**	-	-
Accruals and deferred income	**5,402**	**300**	7,447	164
Other Creditors	**924**	**18**	561	12
Corporation tax	**49**	**40**	59	35
Inter company creditors	**-**	**3**	-	65
	20,620	**880**	24,802	787

19. Creditors: Amounts falling due after one year (Group)

	2013 £'000	2012 £'000
Housing loans	**395,366**	318,058
Recycled Capital Grant Fund (note20)	**2,727**	2,262
Disposal Proceeds Fund (note 20)	**22**	-
	398,115	320,320
Loans repayable by instalments:		
Repayable within one year	**869**	3,822
Repayable between one to two years	**11,630**	4,039
Repayable between two to five years	**55,202**	23,572
Repayable after five years	**338,380**	292,910
	406,081	324,343
Add: Loan premium	**-**	-
Less: issue costs	**(9,846)**	(2,463)
	396,235	321,880

Loans from banks and building societies are secured by specific charges on the Group's housing properties. The loans are repayable at varying rates of interest. The average rate of interest at 31 March 2013 was 5.67% (2012: 4.99%).

20. Recycled capital grant fund (RCGF) and disposal proceeds fund (DPF)

	RCGF £'000	DPF £'000	TOTAL £'000
Opening Balance at 1 April 2012	4,064	98	4,162
Grants recycled	1,179	-	1,179
Recycled grant utilised	(1,430)	(8)	(1,438)
Interest Accrued	22	-	22
AT 31 March 2013	**3,835**	**90**	**3,925**

21. Share capital

The Company is limited by guarantee and has no equity or non-equity share capital. Members of the Company guarantee to contribute a maximum of £1 should there be a call on their guarantee.

22. Reserves – Group
Designated Reserves (Group)

	TOTAL £'000
Major repairs reserve at 1 April 2012 and 31 March 2013	**1,000**

Revenue Reserve (Group)

	Revenue Reserve £'000
Revenue Reserve at 1 April 2012	43,596
Surplus for the year	686
Actuarial gains / (loss)	(455)
Revenue Reserve at 31 March 2013	**43,827**

Revenue Reserve (Parent Company)

	Revenue Reserve £'000
Revenue Reserve at 1 April 2012	1,026
Deficit for the year	11
Revenue Reserve at 31 March 2013	**1,037**

Although under its rules the Association does not trade for profit, its financial affairs are planned so that each year income exceeds expenditure. The annual surplus is vital to enable the Association to meet its commitments to providers of loan finance, continue to raise further loan finance and have reserves to provide for unexpected situations.

The Board regularly reviews the Association's finances to determine the minimum amount of reserves required for day-to-day management and to provide for the future. Any amounts over and above this minimum are invested in the provision of social housing. The majority of the Association's reserves are not normally cash backed.

23. Analysis of changes in cash and equivalents

	2013 £'000	2012 £'000
Returns on investments and servicing of finance		
Interest received	**150**	24
Interest paid	**(20,946)**	(15,157)
	(20,796)	(15,133)
Capital expenditure and financial investment		
Purchase of housing properties	**(57,524)**	(52,801)
Sale of housing properties (net of cost of sales)	**5,835**	7,660
SHG received	**2,479**	5,736
Purchase of other fixed assets	**(1,776)**	(1,073)
	(50,986)	(40,478)
Management of liquid resources		
Short term deposits	**(500)**	500
Financing		
Increase in debt due after one year (note 25)	**(71,266)**	(32,761)

24. Analysis of net borrowings

	At 1 April 2012 £'000	Cash Flows £'000	At 31 March 2013 £'000
Cash at bank and in hand excluding short term deposits	12,130	**33,000**	**45,130**
Short term deposits	517	**(500)**	**17**
Housing & non - housing loans < 1 year	(3,822)	**2,953**	**(869)**
Housing & non - housing loans > 1 year	(318,058)	**(77,308)**	**(395,366)**
Total	(309,233)	**(41,855)**	**(351,088)**

25. Analysis of changes in financing

	2013 £'000	2012 £'000
Loans received	**320,582**	37,432
Loans repaid	**(241,234)**	(4,188)
Issue costs incurred / (amortised)	**(8,082)**	(483)
Balance at 31 March 2013	**71,266**	32,761

26. Capital commitments

	Group 2013 £'000	Parent Company 2013 £'000	Group 2012 £'000	Parent Company 2012 £'000
Capital expenditure Capital expenditure that has been contracted for but not provided for in the accounts	45,822	-	22,969	-
Capital expenditure that has been authorised by the Board but has not yet been contracted for	49,518	-	18,071	-
	95,340	-	41,040	-
The Group expects these commitments to the financed with:				
Social Housing Grant	449	-	2,932	-
Private Finance	94,891	-	38,108	-
	95,340	-	41,040	-

Spire Homes (LG) Limited received the transfer of 1,242 properties from Rutland County Council District Council on 9 November 2009. As part of the transfer, the Council has made a commitment to Spire Homes (LG) Limited to have the properties refurbished and modernised and brought into a good state of repair. Immediately prior to transfer, the Council contracted with Spire Homes (LG) Limited to carry out the refurbishment works on its behalf. The Council's obligation to carry out the works is in effect matched by Spire Homes (LG) Limited's obligations to bring the properties into a good state of repair. As a specific right of set off exists, a net basis has been adopted in respect of these obligations and neither the assets or liabilities have been recognised.

27. Operating leases

At 31 March 2013 the Group was committed to making the following payments under non-cancellable operating leases in the year to 31 March 2014.

	Group 2013 £'000	Parent Company 2013 £'000	Group 2012 £'000	Parent Company 2012 £'000
Land and Buildings Operating leases which expire:				
Within 1 year	65	-	39	-
Within 2 to 5 years	-	-	174	-
Over 5 years	48	-	80	-
	113	-	293	-
Equipment and Vehicles Operating leases which expire:				
Within 1 year	71	16	57	25
Within 2 to 5 years	848	460	660	388
Over 5 years	3	-	3	-
	922	476	720	413

28. Pensions

Social Housing Pension Scheme

Longhurst Group participates in the Social Housing Pension Scheme (SHPS). This Scheme is a multi-employer defined benefit scheme which is contracted out of the state scheme. Longhurst Group has elected to operate a final salary with a 1/60 accrual rate and the career average revalued earning with a 1/60 accrual rate benefit for active members as at 1st April 2007. For new entrants to the scheme from 1st April 2007, the career average revalued earnings structure is the only option available.

During the year under review, Longhurst Group paid contributions at the rate of 6.95% for the final salary scheme and 7.25% for the career average scheme plus a monthly lump sum to fund past deficit amounts. Contributions by members varied between 6.05% and 11.25% depending on their age.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the scheme is a multi employer scheme where the scheme assets are co-mingled for investment purposes, and benefits are paid from total scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67%.

Following a change in legislation in September 2005, there is a potential debt on the employer that could be levied by the Trustee of the scheme. The debt is due in the event of the employer ceasing to participate in the scheme, or the scheme winding up. The estimated amount of employer debt on withdrawal liability for Longhurst Group as at 30th September 2012 has been calculated as £53,943,597.

Growth Plan

Longhurst Group participates in the Pension Trust's multi-employers Growth Plan. The plan is funded and is not contracted out of the state scheme.

The rules of the Growth Plan state that the proportion of obligatory contributions, to be borne by the member and the member's employer, shall be determined by agreement between them. Longhurst Group paid contributions at the rate of 0% during the accounting period. Members paid contributions at varying rates during the accounting period. As at the Balance Sheet date, there were five active members of the plan employed by Longhurst Group. Longhurst Group continues to offer membership of the plan to its employees.

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The last formal valuation of the scheme was carried out at 30th September 2011 by a professionally qualified actuary, using the Technical Provisions valuation Method. The market value of the Scheme's assets at the valuation date was £780m, compared to past service liabilities of £928m. The valuation therefore revealed a shortfall in assets of £148m, equivalent to a funding level of 84%.

The estimated amount of employer debt on withdrawal liability for Longhurst Group Ltd as at 30 September 2012 has been calculated as £196,823

Pensions (continued)

Spire Homes (LG) Limited

Spire Homes (LG) Limited contributes to the Northamptonshire County Council Pension Fund (NCC) and the Leicestershire County Council Pension Fund (LCC) schemes which are defined benefit schemes.

Pensions (continued)

Contributions
The defined benefit scheme employers' contributions for the year ended 31 March 2013 were £122k (2012: £138k) and the employers contribution rate has been fixed at 36.9% (NCC) and 18% (LCC) of pensionable pay until 31 March 2013.

Assumptions
The major assumptions used by the actuary in assessing scheme liabilities on a FRS 17 basis were:

	At 31 March 2013 %	At 31 March 2012 %
Rate of increase in salaries	5.1	4.8
Rate of increase in pensions in payment	2.8	2.5
Discount rate	4.5	4.8
Inflation assumptions	1.0	3.6

Fair value and expected returns on assets

The fair value of the expected rate of return were:

	Fair Value 31 March 2013 £'000	Expected Return 31 March 2013 %	Fair value 31 March 2012 £'000	Expected Return 31 March 2012 %
Equities	2,695	5.8	2,344	6.2
Bonds	866	3.5	670	3.5
Property	222	3.9	237	4.4
Cash	-	3.0	110	4.6
	3,783		3,361	

There is no provision for unitising the assets of a fund under the Local Government Pension Scheme. The above assets as a whole are allocated to participating bodies on a consistent and reasonable basis.

	Value at 31 March 2013 £'000	Value at 31 March 2012 £'000
Fair value of assets related to the Company	3,783	3,361
Value placed on liabilities related to the Company	(5,711)	(5,087)
Value placed on unfunded liabilities related to the Company	(1,928)	(1,726)
Deficiency related to the Company	(4)	(3)
Net pension liability	(1,932)	(1,729)

Pensions (continued)

Recognition in the profit or loss

	2013 £'000 NCC	**2013 £'000 LCC**	**2013 % of pay NCC**	**2013 % of pay LCC**
Current service costs	**34**	**20**	**20.9**	**20.3**
Interest cost	**200**	**41**	**124.2**	**42.7**
Expected return on employer assets	**(144)**	**(39)**	**(89.4)**	**(40.6)**
Past service cost / (gain)	**-**	**-**	**-**	**-**
Total	**90**	**22**	**55.7**	**22.4**
Actual return on plan assets	**378**	**103**		

	2013 £'000 NCC	2013 £'000 LCC	2013 % of pay NCC	2013 % of pay LCC
Current service costs	37	34	20.4	19.2
Interest cost	214	41	118.9	23.2
Expected return on employer assets	(179)	(49)	(99.4)	(27.7)
Total	72	26	39.9	14.7
Actual return on plan assets	48	4		

Pensions (continued)

Reconciliation of defined benefit obligation

	2013 £'000	2012 £'000
Opening defined benefit obligation	**5,090**	4,684
Current service cost	**54**	71
Interest cost	**241**	255
Contribution by members	**17**	23
Actuarial losses / (gains)	**509**	234
Past service costs / (gains)	**-**	-
Estimated benefits paid	**(196)**	(177)
Closing defined benefit obligation	**5,715**	5,090

Reconciliation of fair value of employer assets

	2013 £'000	2012 £'000
Opening fair value of employer assets	**3,361**	3,326
Expected return on assets	**183**	228
Contributions by members	**17**	23
Contributions by the employer	**122**	138
Contributions in respect of unfunded benefits	**-**	-
Actuarial gains / (losses)	**296**	(177)
Unfunded benefits paid	**-**	-
Benefits paid	**(196)**	(177)
Closing defined Benefit Obligation	**3,783**	3,361

Pensions (continued)

Analysis of amount recognised in statement of total recognised surpluses and deficits (STRSD)

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Actuarial gains / (losses) recognised in STRSD	**(213)**	(411)	884	1,166)	(74)
Cumulative actuarial gains and losses	**(1,201)**	(988)	(577)	1,461)	(295)

Amounts for the current and previous accounting periods

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Fair value of employer assets	**3,783**	3,361	3,326	3,233	2,347
Present value of defined benefit obligation	**(5,715)**	(5,090)	(4,684)	(5,969)	(3,886)
Deficit	**(1,932)**	(1,729)	(1,358)	(2,736)	(1,539)
Experience Gains / Losses on assets	**296**	(177)	(77)	(714)	(891)
Experience Gains / Losses on liabilities	**9**	-	-	(3)	-

Principal Actuarial Assumptions (per annum)

	2013 %	2012 %
Discount Rate	**4.5**	4.8
Expected return on asset	**5.2**	5.5
Rate of increase in salaries	**1.0**	2.5
Rate of increase in pensions in payment: RPI subject to a maximum of 5% pa		

Post retirement mortality

	Females	Males
Is based on the average future life expectancies at age 65		
Current Pensioners	23.3 years	21.4 years
Future Pensioners	25.6 years	23.4 years

Pensions (continued)

Friendship Care and Housing Limited

Friendship Care and Housing Limited contributes to the West Midlands Pension Fund scheme which is a defined benefit scheme.

Contributions

The defined benefit scheme employers' contributions for the year ended 31 March 2013 were £81k (2012: £85k) and the employers contribution rate has been fixed at 15.10% of pensionable pay until 31 March 2013.

Assumptions

The major assumptions used by the actuary in assessing scheme liabilities on a FRS 17 basis were:

	At 31 March 2013 %	At 31 March 2012 %
Rate of increase in salaries	**4.15**	4.75
Rate of increase in pensions in payment	**2.40**	3.00
Discount rate	**4.20**	5.50
Inflation assumptions	**2.40**	3.00

Fair value and expected returns on assets

The fair value of employer assets and the expected rate of return were:

	Plan Assets at 31 March 2013 £'000	**Expected Return 31 March 2013 %**	Plan Assets at 31 March 2012 £'000	Expected Return 31 March 2012 %
Equities	**1,092**	**7.00**	1,627	7.00
Government Bonds	**234**	**2.80**	233	3.50
Other Bonds	**311**	**3.90**	185	5.05
Property	**234**	**5.70**	297	6.40
Cash / Other	**724**	**7.50**	31	0.50
Total	**2,595**		2,373	

Pensions (continued)

There is no provision for unitising the assets of a fund under the Local Government Pension Scheme. The above assets as a whole are allocated to participating bodies on a consistent and reasonable basis.

	Value at 31 March 2013 £'000	Value at 31 March 2012 £'000
Fair value of assets related to the Company	**2,595**	2,373
Value placed on liabilities related to the Company	**(3,638)**	(3,187)
Value placed on unfunded liabilities related to the Company	**(1,043)**	(814)
Deficiency related to the Company	**-**	-
Net pension liability	**(1,043)**	(814)

Recognition in the profit or loss	**2013 £'000**	2012 £'000
Current service costs	**51**	79
Interest cost	**159**	161
Expected return on employer assets	**(145)**	(155)
Past service cost / (gain)	**-**	-
Total	**65**	85
Actual return on plan assets	**288**	62

Reconciliation of defined benefit obligation	**2013 £'000**	2012 £'000
Opening defined benefit obligation	**3,187**	2,942
Current service cost	**51**	79
Interest cost	**159**	161
Contribution by members	**17**	27
Actuarial losses / (gains)	**385**	32
Past service costs / (gains)	**-**	-
Estimated benefits paid	**(161)**	(54)
Closing defined benefit obligation	**3,638**	3,187

Pensions (continued)

Reconciliation of fair value of employer assets

	2013 £'000	2012 £'000
Opening fair value of employer assets	**2,373**	2,253
Expected return on assets	**145**	155
Contributions by members	**17**	27
Contributions by the employer	**78**	85
Actuarial gains / (losses)	**143**	(93)
Benefits paid	**(161)**	(54)
Closing fair value of employer assets	**2,595**	2,373

Analysis of amount recognised in statement of total recognised surpluses and deficits (STRSD)

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Actuarial gains / (losses) recognised in STRSD	**(242)**	(125)	939	(563)	105
Fair value of employer assets	**2,595**	2,373	2,253	2,096	1,599
Present value of defined benefit obligation	**(3,638)**	(3,187)	(2,942)	(3,533)	(2,351)
Deficit	**(1,043)**	(814)	(689)	(1,437)	(752)

Principal Actuarial Assumptions (per annum)

	2013 %	2012 %
Discount Rate	**4.20**	5.50
Expected return on asset	**5.85**	6.79
Rate of increase in salaries	**4.15**	4.75
Rate of increase in pensions in payment: RPI subject to a maximum of 5% pa	**2.40**	3.00

Post retirement mortality

	Females	Males
Is based on the average future life expectancies at age 65		
Current Pensioners	21.3 years	24.2 years
Future Pensioners	22.8 years	25.8 years

Pensions (continued)

Consolidated analysis of amount recognised in statement of total recognised surpluses and deficits (STRSD)

	2013 £'000
Spire Homes - Actuarial gains / (losses)	**(213)**
Friendship -Actuarial gains / (losses)	**(242)**
	(455)

29.Related parties

It is the Group's policy that the tenancies of any tenant member of the Board are on normal commercial terms, and they are not able to use their position to their advantage.

At the date of these financial statements there were no Board Members that were Councilors or employees of related local authorities.

During the year the parent company transacted with two non-regulated subsidiaries. This involved the parent company providing back office support and development project management services to Keystone (LG) Developments and Libra (LG) Treasury Plc. The services provided to Keystone were charged based on staff time and direct costs incurred and totaled £177k for the year. The back office support provided to Libra involved the management and administration of the loan portfolio which Libra manages on behalf of Spire and L&H Homes. This service was provided at no cost to Libra with the related staff costs being charged to L&H Homes and Spire Homes.

Longhurst Group Limited has taken advantage of the exemption conferred to it in FRS8 not to disclose related party transactions with its wholly owned subsidiaries (note 30).

30.Group subsidiaries

Longhurst Group Limited is the parent company of the Longhurst Group of companies. It provides services to the subsidiary companies within the Group and also receives services from its subsidiary companies.

The following companies are wholly owned subsidiaries of Longhurst Group Limited:

i) **Longhurst and Havelok Homes Limited (Regulated)**
Registered under the Industrial & Provident Societies Act 1965, the principal activity of this association is the provision of social housing.

ii) **Spire Homes (LG) Limited (Regulated)**
Registered under the Companies Act and a Registered Charity, the principal activity of this association is the provision of social housing.

iii) **Jubilee Teetotal Homes (Regulated)**
Registered under the Industrial & Provident Societies Act 1965, the principal activity of this charity is the provision of housing for elderly people, Jubilee Teetotal Homes is a subsidiary of Longhurst and Havelok Homes.

iv) **Keystone Developments (LG) Limited (Non-Regulated)**
Registered under the Companies Act, the principal activity of this company is to build housing for sale.

v) **Friendship Care and Housing Limited (Regulated)**
Registered under the Industrial & Provident Societies Act 1965, the principal activity of this association is the provision of social housing.

vi) **Beechdale Community Development Limited (Non-Regulated)**
Registered under the Industrial & Provident Societies Act 1965, the principal activity is to hold legal ownership of an office building and land which were previously part of Beechdale Community Housing Association Ltd, BCDL is a subsidiary of Friendship Care & Housing Limited.

vi) **Libra (Longhurst Group) Treasury PLC (Non-Regulated)**
Registered under the Companies Act, the principal activity of this company is to provide treasury management and loan services to the Group

31.Exceptional item – financing costs

During the 2012/13 financial year the Group restructured and repaid a proportion of its banking facilities. As part of a wider treasury management strategy, this resulted in some existing fixed rate loans being broken and the cancellation or repayment of some loans prior to their repayment date. This resulted in exception finance costs of £2,323,075.

Longhurst Group

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