Longhurst Group

Consolidated Financial Statements 2013/2014

Contents

Board Members and Executive Staff

Board Members:

David Armes (Chair)
Anne Adamthwaite
Lynda Bowen
John Farrar
Ernie Hendricks
Rob Lankey
Tina McEwen (Vice Chair)
Sydney McFarlane MBE
Julie Reader-Sullivan
John Robson FCIH
Roger Rudd
Bob Wilson
Derek Young MBE, JP

Executive Officers:

Bob Walder BSc, FCIH
Group Chief Executive

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

Rob Griffiths FCCA
Chief Financial Officer

Mike Hardy BA (Hons), MBA, FCIH
Managing Director - Longhurst and Havelok Homes

Peter Osborne
Managing Director - Longhurst Group

JonathanJ Driffill BA (Hons), MSc, MRTPI, ACIH
Managing Director - Friendship Care and Housing

Senior Managers:

Ian Jackson
Director of Development POD/LG

Katie North BSc (Hons), ACA
Director of Operational Finance

Kate Wood MAAT
Director of Group Treasury

Zoe Wortley BA (Hons)
Group Strategy Director

Registered Head Office:

Leverett House, Gilbert Drive, Endeavour Park,
Boston, Lincolnshire PE21 7TQ

Principal Bankers:

Lloyds 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:

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

DWF LLP,
One Snowhill, Snowhill Queensway' Birmingham B4 6GA

Wright Hassall LLP,
Olympus Avenue, Leamington Spa, Warwickshire, CV34 6BF

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

Report of the Board

> I'm incredibly proud of the strength of our performance this year; the figures speak for themselves and set us apart as a leading organisation in the Midlands.

David Armes
Chair, Longhurst Group

Introduction

The Board is pleased to present the fourteenth Annual Report and Audited Consolidated Financial Statements for the Longhurst Group (the Group) for the year ended 31 March 2014. The Group comprises the parent company and the wholly owned subsidiaries set out in note 32.

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 over 18,000 homes between them, 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 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 region, 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 2014.

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 Group 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, provide reasonable assurance that planned business objectives are achieved and well-managed and to protect the Group's assets and interests from loss of any kind.

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 Group 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 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 2013/14 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 Group 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 2013/14.

iii) The Group 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 co-ordinate work on key risks across the Group and to ensure that risks are appropriately managed and reported to the Board and Audit Committee.

v) During the financial year, the Group Board approved a Group-wide contingency plan. The contingency plan was developed in recognition of the changing nature of the risks faced by our business and the sector as a whole. The contingency plan supplements the work we do on risk management and has incorporated additional stress testing of our business plan.

vi) Experienced and suitably qualified staff take responsibility for important business functions with roles and responsibilities clearly defined. Annual appraisal procedures have been established for both Board and members of staff to maintain standards of performance.

vii) Forecasts and budgets are prepared which allow the Group 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.

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

ix) 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.

x) 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 across the group.

The Board has reviewed the effectiveness of the system of internal control in existence in the Group for the year ended 31 March 2014 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.

Strategic Report

The Company has chosen In accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, to set out in the Group's Strategic Report and Operating Financial Review the information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. This includes information that would have been included in the business review and the principal risks and uncertainties.

Political and charitable

There were no political and charitable contributions during the financial year ended 31 March 2014 (2013: 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 17th July 2014 under delegated authority from the Board on 21st May 2014 and signed on its behalf by:

…………………………………………….

R V Walder

Company Secretary

Date: 17th July 2014

“2013/14 was an excellent year for the whole group with each member company delivering strong financial performance. We have provided more than one new home every single day and the surplus we have generated will help fund more than two new homes a day in 2014/15.”

Bob Walder
Group Chief Executive &
Company Secretary


GEORGE

Group strategic report and operating financial review for the year ended 31 March 2014

The Board is pleased to present the Group Strategic Report and Operating Financial Review for the year ended 31 March 2014.

Company Background and Principal Activities

Together the Longhurst group of companies provide over 18,200 homes across 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 the Blue Skies development consortium, 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, stock acquisitions and corporate amalgamations and we have added over 10,000 homes to our stock since 2001. 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 subsidiary Company has its own Board and business improvement processes to ensure that day to day performance is properly scrutinised and plans for the future development of the business are put in place.

During 2012/2013 Libra (Longhurst Group) Treasury PLC was formed to assist the Group in launching and managing its £250 million 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 Group-wide financial performance and planning on behalf of all Group companies along with the development of the Group's Treasury Strategy on which they advise the main Board.

Business Review: Summary of Key Events for 2013/14

The financial year was one of considerable transition both for the Group and the economic backdrop. In the early summer of 2013 the housing market in most of our area of operation was still relatively flat, in London and the South East the market was already accelerating particularly in terms of pricing. By the end of the year we were also seeing strong demand for all our sales products and our income from sales was much stronger than budget. Similarly employment in the economy was growing strongly with many more people in work and levels of unemployment falling strongly by the Spring of 2014.

Inevitably this pattern was not evident in every part of our operating area but there was a consistent general improvement in the housing market with especially strong growth in our main development areas of Peterborough, North Cambridgeshire, Northamptonshire, Rutland, etc.

This transition came at a good time for the Group; we had embedded the funding arrangements put in place the year before and were able to negotiate with developers to contract for a significant part of our programme of new homes in a strong market. In particular as a consequence of market conditions house-builders needed to contract for homes covered by Section 106 planning agreements and we were able to secure around 1,500 homes over the next 3 years to fulfil our programme requirements.

We expect to see costs rising in future as the economy responds to the growth in activity in the housing market and during the year this was evidenced by particular supplies and trades, for example bricks and bricklayers became harder to source and prices started to increase.

In the context of these changes investment in our existing stock and maintenance generally has been carefully controlled within budgets. The heavy investment in stock transferred to us at Rutland is now almost complete and we expect the emphasis on this investment to reduce further in 2014/15.

Another aspect of the changing environment in which we operate has been the growth in demand for rented accommodation, much of it from people with relatively good income levels but who still cannot afford to buy. We have expanded the offers we can make in different renting models and low-cost home ownership to respond to this situation and this has been highly successful so far.

The major challenge to our traditional housing business this year was the initial implementation of Welfare Reforms. In particular the "spare room subsidy" or "bedroom tax" proposals threatened to increase our arrears challenges and to affect many long standing tenancies. Our preparations to meet this challenge were extensive in terms of increased resource, advice to customers and careful targeting of rent collection work.

The outcome has been positive in that we have been able to maintain arrears levels across the Group. We have provided assistance to some of our customers who had previously not claimed all they were entitled to and our communications with customers and stakeholders have steadily improved.

In short, as our financial results demonstrate, this has been a very successful year with all round positive achievements across the Group.

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

- L&H Homes achieved another re-accreditation of the Customer Service Excellence Standard (awarded by the Cabinet Office). They further broadened the areas of compliance and also gained commendations in new service areas.
- L&H Homes built over 150 new homes on brownfield sites in Peterborough using multi-tenure projects including both market sales and market rent options and completed their first scheme in Huntingdonshire. L&H were able to sell housing off plan before completion and to regenerate a vital area in inner Peterborough which had been derelict for many years.
- Last year Spire Homes re-tendered their responsive repairs and voids contract on a fixed price basis and after a full year they have achieved a saving of more than £575,000 despite an increase in the number of repairs and properties in management. The time taken to complete works has shortened and tenant satisfaction is well over 90%.
- In response to the challenges of Welfare Reform Spire Homes introduced a Money Guidance Service which has been working with over 400 tenants helping to manage personal debt (including but not limited to rent arrears) of over £1.3 million and assisting them to claim about £500,000 in benefits to which they were entitled. This has been of great benefit to tenants and helped Spire reduce rent arrears in the year.
- Friendship Care and Housing put in place a new strategy in the year to de-register its Registered Care Homes and this is now well underway. This strategy involves working closely with the residents and their families and is designed to respond to the realities of changed funding and care models to provide more sustainable services and manage the costs. The African Caribbean elders project at Mary Street has been converted to extra-care provision for example.
- Friendship has also successfully managed the impact of 2013 welfare reform changes on the business demonstrating the effectiveness of the organisation's risk management strategy in preparing for and managing the impact of the under occupancy charge ("bedroom tax") and the benefit cap on its income stream and on its customers. The 2013/14 year end rent arrears as a percentage of the rent due is 4.9% which is better than the 2012/13 year end figure of 7.2% and has exceeded the 2013/14 performance target of 6.4%.
- Keystone has made good progress on its project at Bourne which is now approaching 50% sold and secured outline planning consent on a 400 unit site in Humberston.

Continued development activity

During 2013/14 Longhurst Group retained its status as a partner of the HCA.

Since 2005/06 the Group has led the Blue Skies Consortium and we continue to develop new homes on behalf of the consortium 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 a substantial number of homes completing a programme of 452 homes overall.

To summarise our achievements during 2013/14, we:

- Completed 436 homes on behalf of the member companies in the Group
- Completed 16 homes on behalf of the Blue Skies Consortium

Our development consultancy, POD (in equal partnership with Nottingham Community Housing Association) also continued to trade successfully during the year.

The Group's significant development programme aims to deliver in excess of 2,700 new homes on behalf of our member companies over the next five years. This sizable commitment is partly made possible by the £225 million funding from investors in the bond market alongside loan facilities from Lloyds, Barclays, Nationwide and RBS. 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.

Group Strategy and Objectives

The Group's strategic objectives are considered annually as part of the business planning process. During 2013/14 the Group Board agreed key objectives for the year ahead, and strategies that we believe will help to achieve those objectives. The Board also reviewed and simplified our vision and values to reflect our wish to communicate effectively with staff and stakeholders.

Our revised vision and simplified values are set out below along with our business objectives for 2014 onwards and the strategies we shall adopt to achieve them.

Vision

"To be a leading provider of excellent housing, care and support services, making a positive impact in local communities".

Values

1. we put customers first
2. we are open, honest and accountable
3. we respect all people and value diversity
4. we deliver on our promises
5. we work collaboratively and sustainably

Strategic Objectives

- **Provide at least 2,500 new homes in the next 5 years**

  We are committed to providing new homes and recognise that finding a suitable home is one of the greatest challenges presented by today's housing market. We will continue to diversify the range of tenures under development, providing starter homes, shared ownership, leasehold scheme and market rent properties amongst others, in order to meet a broad range of needs.

  Our member companies are successfully moving into new geographical areas, building homes and providing services where we have never previously developed.

  Our specialist development arm, Keystone Developments, will forge ahead with extensive plans to bring quality homes to the region. Planning consent has now been secured for a large development in Humberston which will provide a new local community of 400 affordable, retirement and family homes.

- **Protect and maximise our income, securing new investment funds and growing our turnover to £100million per annum by 2016**

  Libra Treasury PLC oversees the financial commitments of the Group and will continue to resource new funding opportunities. The £225 million bond funding secured in 2012 underpins our development programme for the coming year; we intend to return to investors in the summer to place £25m of reserve bonds held over from 2012.

  We provide support and advice services for our customers and have worked hard to assist each household affected by welfare reform. We will continue to invest in these services that help our tenants maintain their tenancies, protecting our rental income and thus securing the future of our services. Front line income teams across the Group are working to reduce arrears whereas projects such as Friendship's employment and skills programme, which supports customers into work, offer longer-term solutions.

- **Continue to deliver excellent customer focused services based on effective customer insight**

  Our member companies are committed to providing excellent services and are driving improvement to ensure we provide targeted support. Engaging with tenants means we can make the changes they need to live well and maintain their tenancies.

  Over the past year our member companies have used customer insight to inform ongoing improvements. Repairs services have become more flexible and responsive, with Spire Homes entering into a pioneering contractor agreement to deliver an out of hours service as well as delivering savings in excess of £500,000 for the first year.

  Continued investment in training and development has allowed us to develop staff knowledge and skills and so build our resources for the future. A particular focus on strengthening customer facing teams, coupled with our development of 'My Account', has made it easier than ever before for our tenants to access the services they need online.

- **Be innovative in developing new or enhanced services and delivering value for money**

  In 2011 our member companies agreed to a revised set of shared principles surrounding value for money, these principles have been reviewed and re-affirmed each year. It is our position that value for money covers a broad spectrum of issues that extend well beyond simple cost savings. We believe that, where possible, value for money should result in increased efficiency and improved outputs as well as reduced costs. At all times, our definition of value for money will extend to include social improvement.

Our efficiency drive over the past two years has resulted in annual savings of over £1.5 million group-wide. We maximise the value of our federal structure by taking advantage of economies of scale and look to achieve value for money in all areas of our business ranging from development and the monitoring of building performance to marketing and the shift from print to digital communications. Our approach to value for money is covered in more detail at the end of this Group Strategic Report and OFR.

- **Ensure we reduce our impact on the environment**

Sustainability is an important part of our social responsibility and our focus remains the 'triple bottom line' of environmental, economic and social improvement. In our quest to deliver sustainable homes for our tenants we welcome innovation, so our Sustainable Design Officer investigates the efficiency of new materials and building techniques. By building sustainable homes we aim to make a positive difference to our customer's lives through combatting fuel poverty.

Environmental responsibility has become more integrated into projects undertaken across the Group as an Environmental Management System approach has delivered proven results. Member companies will be embedding this approach with the support of the Environment, Health & Safety team.

- **Actively seek new acquisitions, amalgamations and partnerships**

We are growing as an organisation and our extensive development programme will continue to grow the number of homes under our management year on year. However we are alert and open to opportunities to grow the group through other means. We hope that by further developing new and existing partnerships and welcoming new organisations in to the Group significant growth will result.

Friendship recently acquired stock from another social landlord after it was established that our services would be better able to meet the needs of local customers.

We pride ourselves on our ability to develop strong partnerships and as we move into new areas of strategic importance we will nurture the relationships we establish with new local authorities, development and community partners in order to best serve the communities we support together.

- **Invest in our people at all levels to ensure we can meet future challenges and seize new opportunities**

Our staff are at the heart of our success, we recognise their enthusiasm and commitment as our greatest asset which is why we are dedicated to investing in their future.

During 2013 a group-wide People Strategy was further developed to provide a framework for our on-going investment in our people. Six central themes, including reward and recognition and performance management, are being explored to ensure that Longhurst remains an employer of choice. The final working groups were formed in 2014 to scrutinise learning and development and communications and engagement.

- **To manage the risks we face proactively and systematically without becoming either complacent or risk averse**

A risk management culture is embedded across the whole organisation, with all departments and member companies working collaboratively to monitor and mitigate risk.

We have in place, and continue to develop, systems that allow us to consistently record and assess risk in all areas of operation. Group-wide risk management and audit committees meet regularly to promote and scrutinise our approach.

The Board and Executive Team have led on the development of a contingency plan that holds all of the actions and controls required to sustain the financial viability of the Group in a series of unlikely scenarios that could present a threat to the Group. The plan has been independently verified by external consultants to ensure it presents a robust response to all serious risks.

Financial Performance in the Year

Longhurst Group turnover and operating surplus performance for 2013/14 are shown in the table below.

	2014 £'000	2013 £'000
Income and Expenditure Account		
Turnover	**97,546**	86,869
Cost sales	**(7,297)**	(4,960)
Operating costs	**(60,693)**	(59,277)
Operating Surplus	**29,556**	22,632
Surplus on the sale of assets	**1,471**	966
Net Interest Costs / Restructure Cost	**(23,301)**	(22,900)
Tax	**(10)**	**(12)**
Surplus for the year after tax	**7,716**	686
Balance Sheet		
Housing properties at cost less depreciation	**709,034**	666,381
Social Housing Grant	**(274,946)**	(273,449)
	434,088	392,932
Other tangible Fixed Assetsw	**15,038**	15,789
Net Current (Liabilities) Assets	**(1,317)**	37,196
	447,809	445,917
Creditors due after one year	**392,291**	398,115
Other long term liabilities (pensions)	**3,382**	2,975
Reserves	**52,136**	44,827
Revenue reserves	**51,136**	43,827
	447,809	445,917

Income and Expenditure

We are pleased to present the consolidated Group Financial Statements for the year ending 31 March 2014. The consolidated Group surplus for the year was £7.716m compared to a surplus in 2012/13 of £686k. The increase in surplus is due to an increase in revenues during the year and savings made on the Group's operating costs.

The notes to the Financial Statements are shown in detail on pages 31 to 63, some key areas of performance during the year were:

Income

- Turnover increased to £97.546m in 2013/14 up from £86.869m in 2012/13. The increase in turnover was achieved through an increase in income from social housing lettings of £6.25m and an increase in development sales of £3.4m.The increase in turnover from Social Housing Lettings was due to inflationary increases on rents, the effect of an extra weeks' rent debit on the 31st March and an increase in rental income through new properties coming into management.
- The operating surplus on social housing lettings (see note 4) moved up from £21.7m in 2012/13 to £26.5m in 2013/14. The improvement in operating surplus was due to an increase in rental income with associated operating costs only going up by £1.4m, which can all be attributed to the depreciation of housing properties which went up by £2.1m in the year to £9.58m.
- The surplus generated on shared ownership first tranche sales were £1.16m for the year up from £163k in 201213.
- The Group's Net operating surplus was £29.556m compared to £22.632m in the previous year. This equates to an operating margin of 30.1% in 2013/14 up from 26% in 2012/13.
- Surpluses generated from the sale of assets increased slightly to £1.471m in 13/14.

Expenditure

- Total Group operating costs increased slightly to £60.7m up from £59.3m in 2012/13. But for a £2.1m increase in depreciation on social housing assets, total operating costs would have reduced by £716k when compared to 2012/13.
- The Group's total revenue spend on housing repairs and maintenance dropped from £27.97m to £26.8m in 2013/14.
- The Group's net interest costs increased by £2.7m in 2013/14 to stand at £23.3m.

Balance Sheet

- The historic cost of the Group's housing assets increased by £42.7m in the last year to just over £709m by the end of March 2014.
- Social Housing Grant saw a small increase of £1.5m in the year to £274.95m.
- Housing properties available for sale and in the course of construction totalled £9.8m at the end of March, an increase of £2.2m on the previous year.
- Cash at bank at the end of March 2014 was £7.9m down from £45.1m the previous year. Cash balances have reduced in the year due to the investment in new housing stock.
- The total loans outstanding across the Group reduced slightly from £406m at the start of the year to £403m by the end of March 2014.
- Total Reserves increased to £52.1m at the end of the year up from £44.8m in 2012/13.

Treasury Management

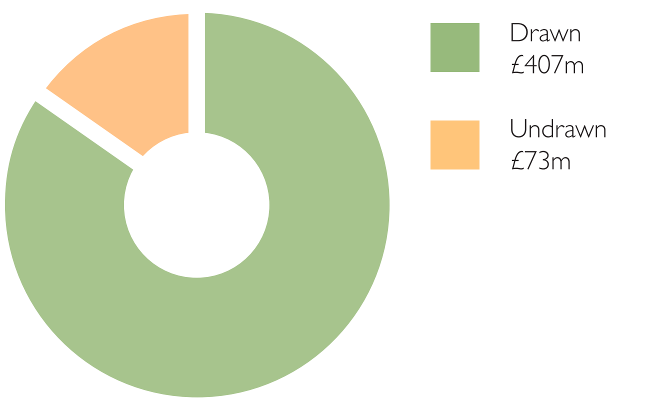
At the 31st March 2014, Longhurst Group had agreed loan facilities totalling £480m of which £407m was drawn.

Since the Group's Bond issue and the restructuring of a significant proportion of Bank debt in August 2012, loans are managed through the Group's Special Purpose Vehicle, Libra (Longhurst Group) Treasury plc with the remainder of loans being held within the individual operating company.

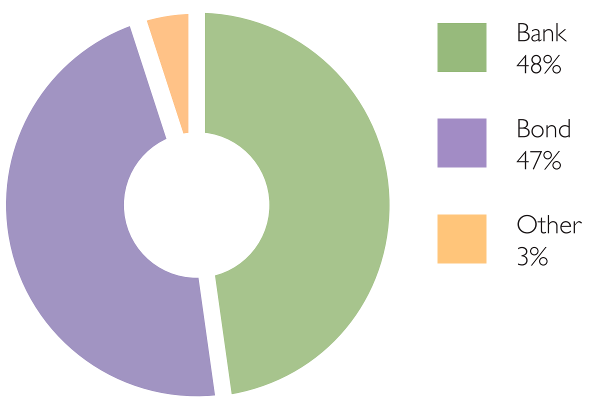
Group Loan Facilities

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

Total committed loans - £480m



Bank v Capital Market Debt

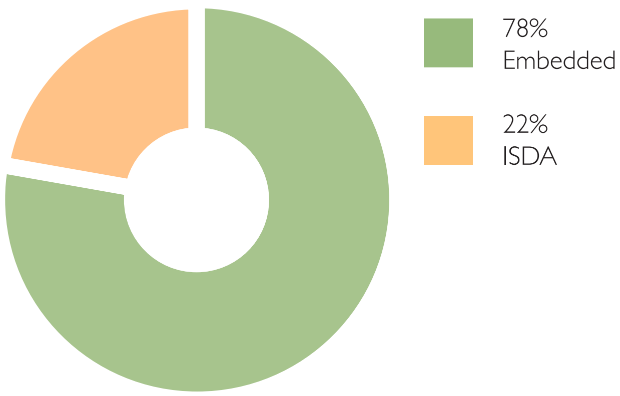


The Group aims to maintain its hedging activity within flexible parameters, as defined within the Treasury Management Policy being

- 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.

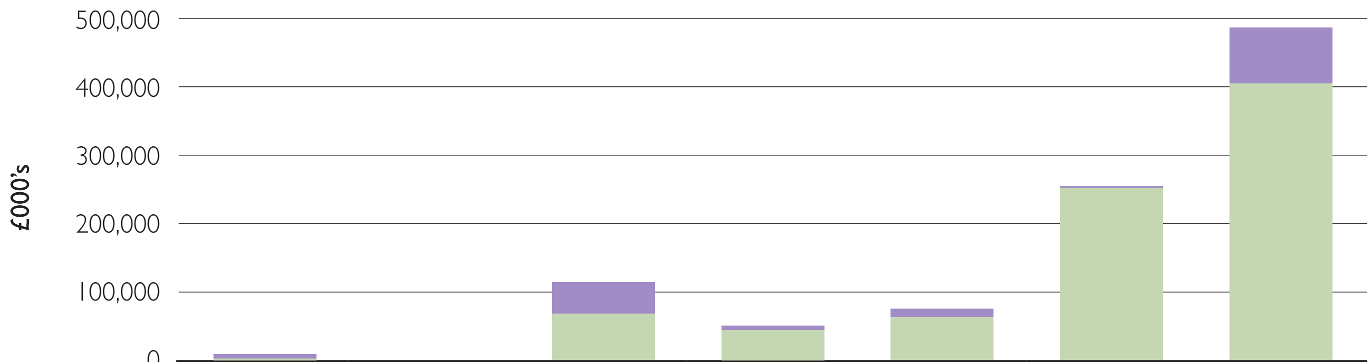
Total committed loans - £480m



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.

The repayment profile for the drawn debt held across the Group is summarised in the chart below.

Debt Repayment Profile



	Within one year	Within one to two years	Within three to five years	Between five and ten years	Between ten and twenty years	Greater than twenty years	Total
Undrawn	9,000	0	48,500	4,250	8,500	2,750	73,000
Drawn	3,380	345	66,862	34,771	53,842	247,474	406,674
	12,380	345	115,362	39,021	62,342	250,224	479,674

The undrawn committed facilities of £73m comprise of an £18m Long Term amortising facility (2037) and £55m of short term and Revolving Credit Facilities repayable within the next five years.

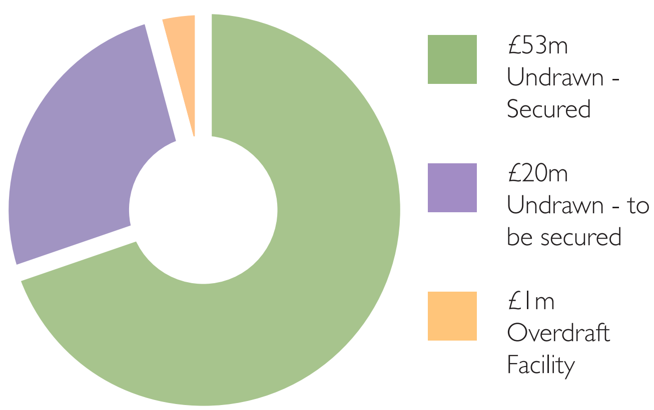
The Group has limited refinancing risk during the next five years with 73% of committed facilities maturing in more than twenty years a majority of which (65%) relates to our £225m – 26 Yr (2038) Bond issue.

Liquidity

At the 31st March 2014 the Group had available cash of £4.5m and £73m of undrawn loan facilities, £53m of which was available to draw with two days' notice.

For the remaining £20m of undrawn facilities a planned programme of security charging is continuing.

Total committed loans - £480m



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. A majority of 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 2014, the Group had a negative stand-alone interest swap exposure of £19.5m (2013:£29.5m), based on £94.5m (2013:£95.5m) 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 2014 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 years (2013:12.5 years) and the weighted interest paid was 4.65% (Fixed) (2013:4.65%). At the 31st March 2014 3m LIBOR was 0.52%.

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 and to protect the Group against adverse movements in interest rates.

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.

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 re-enforces the need for effective risk management (including analysis 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. We have ensured that our Boards are highly skilled and have the ability to manage the risks of the business both now and in the future.

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 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.

The Board recognises that our business model has changed significantly in recent years in terms of our overall risk profile. To supplement our existing work on risk management, the Board approved a group wide contingency plan in December 2013. The contingency plan was in part developed in response to the HCA's consultation on safeguarding social housing assets.

The contingency plan incorporates additional stress testing of the business plan and a number of extreme negative scenarios and considers what the Boards response would need to be to protect the business and the social housing assets. Longhurst are the first registered provider to produce a contingency plan which was independently verified by Savills.

Principle Risks and Uncertainties
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, although this timetable has been put back with no definitive 'go live' date in place The main change during 2013/14 was the introduction of the under occupation penalty. Main controls in place include: • Conservative assumptions in the Business Plan on the 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 affect just under 10% of tenants

Risk	Response
Changes to pension legislation and performance of current schemes	The latest triennial valuation for the Social Housing Pension Scheme (SHPS) and the introduction of Auto-enrolment in April 2014 for the Longhurst Group 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 • Salary sacrifice scheme introduced for SHPS Defined Benefit schemes in January 2014 • The Auto-enrolment scheme to be used in April 2014 is to be the SHPS Defined Contribution Scheme, with employer contribution levels to match government minimum requirements • Independent professional pension advice has been engaged and will continue to be accessed as required
Care and Support Services	This is an area of our work that continues to remain financially challenging with continued cuts in Local Authority funding. During 2013/14 some services and schemes have been re-modelled to improve the financial viability of this part of the business. 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
Financial Markets and availability of private finance, credit rating and financial performance	The ability to raise finance has improved slightly in the last 2 years but still remains challenging compared to the period before the crisis Main controls in place include: • The Group successfully issued a £225m bond in July 2012 • The Group also has £25m of reserve bonds to issue before the end of July 2014 • Facilities are in place to cover requirements over the next 18 months • A quarterly programme of security charging is in place and sufficient security is in place to meet upcoming requirements • 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
The Group has an ambition to develop an extra 2700 new properties over the next 5-6 Years. The overall scale of the development programme represents a risk to the group in terms of costs and the proportion of homes for sale within the programme.	The delivery of a large development and sales programme could have the potential should costs not be controlled or sales income achieved to lead to a possible deterioration in financial performance Main controls in place include: • Performance to date shows development costs are less than those assumed in the Business Plan • A large part of the development programme going forward has been agreed and prices confirmed with contractors. Over two thirds of the programme is made up of section 106 opportunities • Sales income on each scheme have been prudently estimated • The development programme is not reliant on any grant income, therefore any grant that is obtained improves the financial impact • Scheme appraisals are robustly scrutinised and sufficient contingencies allowed in costing's • Business plan outlines completions expected on a prudent basis • A sufficient amount of the development programme is uncommitted allowing for flexibility should conditions change

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.

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. From this whole Board and individual development plans are developed and delivered over the following 12 month period. In the last year we have also carried out a whole Board assessment process to review the performance of the Board as a collective, a Board observation exercise and a comprehensive skills audit. Using the information provided through these processes we identified the competencies and skills of our existing members and agreed our current training and development plans.

The format of Group Board meetings has been honed to provide greater time to discuss strategy and for board development and the creation of a new Operational Committee has enabled us to more effectively monitor and scrutinise the service provision of the parent corporate services. The Committee leads 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 and have established an internal Governance Working Group to ensure the most effective collaborative working in this area. More structured mechanisms for monitoring the effective governance arrangements of all companies have been agreed and are outlined within our Governance Policy.

The Group parent continues to support member companies in key governance issues including providing policy guidance, developing training plans, ensuring that effective succession planning measures and development/training programmes are in place and providing relevant training.

Value for Money Statement
Longhurst Group is committed to providing services that are of a high quality and represent value for money for our customers and stakeholders.

VFM Standard and Core Principles
The Board have reviewed the key requirements of the HCA standard on Value for Money and are able to confirm that Longhurst complies with the requirements of the standard. An overview of the Group's approach to VFM is contained within the Operating & Financial Review a more detailed VFM self-assessment and benchmarking of our performance will be accessible via the website in September 2014.

In assessing the Group's compliance with the VFM standard, the Board have paid particular attention to the following areas referenced in the regulatory standard.

Return on Assets
The return we achieve on our assets is an important consideration in both our approach to business planning and in ensuring Longhurst complies with

the regulatory standards. In reviewing the return we achieve on our assets, there are a number of factors considered by the Executive Team and Group Board, this includes:

1 The level of investment required to maintain our existing stock. We have undertaken a significant amount of investment in our stock to ensure it is maintained to a high standard. More recently this has included the investment in the Rutland transfer stock which was required to meet the decent homes standard. Our total investment in stock improvement works during 2013/14 was £13m. The Group's asset management strategy has identified less than 1% of our stock as being un-economic to maintain. Where this is the case, these properties are either sold through our asset management sales programme with the proceeds being re-invested in new housing provision, or sites are re-developed to provide new modern homes.

2 During 2013/14 Longhurst completed the development of 436 new homes and our business plan assumes that we will bring another 2,700 homes into management over the next 5-6 years. Our forward programme already has over 1,500 new homes committed and we expect to complete over 800 new homes during 2014/15. The funding for the development programme is being secured on the housing assets already within our ownership. The Board considers the borrowing capacity generated from our stock to be a key factors in assessing the return on assets.

3 New development opportunities are subject to a rigorous appraisal process at both officer and Board level. The financial return and security values are key factors when assessing the return and viability of potential schemes. The new units coming into management are only resulting in a marginal increase in our management costs.

4 In 2013 Longhurst became the first registered provider to implement a comprehensive group-wide contingency plan as part of the Group's approach to managing risk. The contingency plan incorporates additional stress testing of the business plan and considers what the boards' response would need to be to protect the business and the social housing assets under a series of extreme negative scenarios. The Group's development and sales programme has been extensively stress tested through the work on the contingency plan.

Performance Management

Our Performance management is considered in the context of our overall financial performance and the quality of services provided to our customers. The Group's financial performance has improved significantly in the last 2 years. Our consolidated operating margin is now over 30%, up from 19% in 2011/2012. The improvement in the Group's operating margin has been achieved through a planned reduction in our management and maintenance costs and by bringing new units into management on a marginal cost a basis. The change in our performance was planned but has been achieved more quickly than we'd envisaged. We expect to maintain this level of performance in the year ahead.

The upturn in performance in 2013/14 will enable the Group to reduce the funding requirement on our forward development programme. The net surplus achieved of £7.7m for 2013/14 was over £3.7m better than had been budgeted for and is equivalent to the funding required to deliver 37 new homes.

The improvement in our financial performance has not been at the detriment to the services our customers receive, but driven by more efficient management processes and lower maintenance costs. Our customers play an important role in ensuring we provide services to a high standard and help us to develop our services, helping to ensure they are fit for the future. This is evidenced through our customer satisfaction surveys where satisfaction levels remained high during 2013/14. 87% of our customers were satisfied with the service we provide and 82% were satisfied that the rent we charge provides value for money.

Costs & Outcomes of Service areas

The Board has a clear oversight of the costs and revenues from each service area. Financial performance is reviewed quarterly through the management accounts and future projections are scrutinised as part of the business plan process. The Board has paid particular attention to those areas of the business where performance has been weak or losses have occurred. Improvement plans have been implemented in some areas in order to improve our financial performance.

There are some parts of our service where the financial performance remains particularly challenging. The funding streams for our care and support services are particularly difficult which has resulted in some losses being made. For 2013/14 the reported losses on care and support were less than had been budgeted for the year and were some £473k lower at £889k than in 2012/13. Some of care and support service are in the process of being re-modelled which will further improve the financial performance of this business stream. The Board has reviewed the financial performance of the services Longhurst provide and at present are satisfied that the additional costs associated with the care & support business is justified based on the contribution this service makes to our local communities.

The challenges being faced by our care and support business are not insignificant but overall this area makes up a relatively small part of our business. In other parts of our business we have continued to make service improvements and financial efficiencies during the current financial year. For example, across our general needs, supported housing and shared ownership stock, we have grown our operating surplus from £23.1m in 2013/14 to £27.4m in 2014/15. The improvement in our operating surplus in these areas has been achieved by reducing our costs in real terms from 2013/14 levels and increasing our revenues through new homes coming into management.

Achievements from 2013/2014

The Group's financial performance has continued to improve in 2013/2014 with a net surplus of £7.7m being achieved for the year. The results for 2013/14 have been achieved through the work which started in 2012 where we set out to reduce our core operating costs. Examples of some of the achievements made during the year include:

- The re-tendering of our insurance contract has realised annual savings for the Group in excess of £150k per annum for the next 3 years.
- A re-structuring of our back office functions and property services teams has realised savings of £300k per annum.
- Savings of over £400k have been achieved in 2013/14 on the Group development programme by using design and build contracts through Keystone.
- New repair contracts and the use of a material purchasing consortia has achieved savings of £750k in 2013/14.
- A new mobile telephony contract has reduced our mobile phone costs by £60k per annum.
- The use of an in-house construction services team and health and safety team has reduced our consultancy costs in the year.

Our achievements in 2013/14 have not just been about improvements to our bottom line. For example, we have made a considerable investment in our ICT systems to ensure we are well placed to engage with our customers in the future.

The reduction in our management costs has not been to the detriment of our work preparing for the welfare reform changes. We have continued to invest resources in ensuring our staff are trained and prepared for the changes when they do come in. We have also worked with our customers to ensure they are aware of the benefits that they are entitled to.

The achievements realised in 2013/14 exceed those which were identified as priorities in our 2013 VFM self-assessment.

How we compare

We compare the group's costs and performance through the use of Housemark indicators and key performance indicators developed through our internal benchmarking group. The Group's benchmarking data is reviewed on a quarterly basis by the Audit Committee and is a key tool in assessing the overall cost and quality of our services.

The table below shows an example of some of the key financial performance indicators reviewed by the Audit Committee. The change in the indicators over the last 4 years clearly demonstrates the improvements which have been made in our performance. Our internal benchmarking of key financial indicators also incorporates a comparison with other registered providers rated by Moody's, this is our chosen peer group for the comparison of financial information.

Longhurst Group	2013/14	2012/13	2011/12	2010/11
Interest Cover on Social Housing Lettings*	122%	73%	103%	59%
Operating Margin	30%	26%	19%	13%
Net Margin	8%	1%	4%	4%
Debt per unit	£24,028	£24,692	£20,301	£18,464
Operating Cost per unit	£3,130	£3,106	£3,389	£3,399

*Excludes Depreciation but includes capitalised repairs

The improvement in operating margin and reduction in operating cost per unit between 2010/11 – 2012/13 has been achieved through a combination of efficiency savings on management and maintenance costs and new units coming into management only attracting a marginal increase in costs. The increase in operating costs per unit between 2012/13 and 2013/14 was due to a non-cash increase in depreciation of £2m. If the increase in depreciation is excluded from the operating cost per unit the 2013/14 operating cost per unit would reduce by £120 per unit.

Further service specific key performance indicators are detailed in our VFM self-assessment document.

Future Priorities

Notwithstanding the success achieved during 2013/2014, we have identified areas where further improvements can be made to our services, both in terms of the cost and quality that support our work on Value for Money. Some of our priorities for 2014/15 and beyond include:

- **Making further savings to our management costs**
  Through our 2014/15 Business Plan we have identified further areas where we can reduce our management costs over the next 2 years. On a like for like basis, we expect to reduce our management costs by a further £200k.

- **Repair contracts**
  We have made significant progress in the last 3 years in structuring our repairs service to provide high quality services to our customers at a competitive price. We believe there are improvements which can still be made and expect to deliver savings of approximately £250k per annum from 2015/16 onwards

- **Completion of an on-line Asset Management register**
  Significant progress has already been made in adding the details of all our properties to an on-line asset management register. The on-line register will centralise all the key information held on our stock on to one system and has been implemented as part of our work on the contingency plan. The information held on the database includes:
  - Land Registry title details
  - Whether the property is charged to a lender
  - What the valuation is and when it was last valued

- **Digital Strategy**
  The implementation of the group's digital strategy is a central part of our work to make further efficiencies in our operating costs. Longhurst's digital strategy is more than just a tool to reduce our operating costs and is key in enabling us to be more accessible by our customers. During the next year we will launch our on-line tenant portal this will enable our customers to pay their rent, obtain rent statements, request repairs and make repairs appointments. Our customers will also be able to update their profile details using the same system.

- **Asset Management options appraisal**
  During 2014/15 we will complete the implementation of a new options appraisal module on our Promaster Asset Management system. The options appraisal module will provide a Net Present Value calculation for each of our homes and will allow us to analyse our existing stock on a more granular level. The new system will enable us to more effectively evaluate the current and projected performance of our existing homes in management and help inform decisions on our asset management policy with regards to our investment and disposals strategy.

- **Delivering on Business Plan growth targets**
  The Business Plan has set an ambitious target to grow the group by over 2,700 new homes in the 5-6 years. The investment required to deliver these new homes will be financed by funding secured on our existing housing stock. Longhurst believes this investment in new homes is an efficient use of our assets and is a key part of our work on VFM.

  New homes that are developed will only add a marginal increase to our existing cost base and will further reduce our average operating cost per home in real terms.

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.

This Group Strategic Report and Operating and Financial Review was approved by the Board on 17 July 2014 and signed on its behalf by:

Signed by order of the directors

Mr R V Walder BSc FCIH
Company Secretary

Registered office:
Leverett House
Gilbert Drive
Endeavour Park
Boston
PE21 7TQ

Approved by the directors on 17 July 2014

Independent auditor's report
To the members of Longhurst Group Limited

We have audited the financial statements of Longhurst Group Limited for the year ended 31 March 2014 on pages 27 to 63. 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 5, 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 Financial Reporting Council's (FRC'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 Group Strategic Report and Operating Financial Review to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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 Group Strategic Report and Operating 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
- 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.

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

Dated: 17 July 2014

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

Longhurst Group Limited Income and expenditure account for the year ended 31 March 2014

	Notes	Group 2014 £'000	Parent Company 2014 £'000	Group 2013 £'000	Parent Company 2013 £'000
Turnover	3	97,546	7,582	86,869	7,728
Cost of sales	3	(7,297)	-	(4,960)	-
Operating costs	3	(60,693)	(7,554)	(59,277)	(7,714)
Operating surplus		29,556	28	22,632	14
Surplus on sale of fixed assets	6	1,471	-	966	-
Interest receivable and other income	7	609	1	584	1
Interest payable and similar charges	8	(23,910)	-	(21,161)	-
Surplus on ordinary activities before taxation for the year	9	7,726	29	3,021	15
Exceptional Item – Loan Restructuring	31	-	-	(2,323)	-
Tax on surplus on ordinary activities	10	(10)	9	(12)	(4)
Surplus for the year		7,716	38	686	11

All amounts relate to continuing activities.

The above surpluses are the historical cost surpluses.

The notes on pages 31 to 63 form an integral part of these financial statements.

Longhurst Group Limited Statement of total recognised surpluses and deficits for the year ended 31 March 2014

	Notes	Group 2014 £'000	Parent Company 2014 £'000	Group 2013 £'000	Parent Company 2013 £'000
Surplus for the year		7,716	38	686	11
Actuarial (deficit) on pension schemes	28	(407)	-	(455)	-
Total surpluses recognised since the last annual report		7,309	38	231	11

The notes on pages 31 to 63 form an integral part of these financial statements.

Longhurst Group Limited Balance sheet as at 31 March 2014

Company Registration Number: 3958380

	Notes	Group 2014 £'000	Parent Company 2014 £'000	Group 2013 £'000	Parent Company 2013 £'000
Fixed assets					
Housing properties at cost less depreciation	13	**709,034**	**-**	666,381	-
Less: Social Housing and other Grants	13	**(274,946)**	**-**	(273,449)	-
		434,088	**-**	392,932	-
Investments	14a	**29,556**	**50**	22,632	50
Other tangible fixed assets	14	**15,038**	**773**	15,789	849
Total fixed assets		**449,126**	**823**	408,721	899
Current assets					
Housing Properties and other assets for sale	15	**9,800**	**-**	7,595	-
Debtors	16	**6,317**	**483**	5,074	608
Cash at bank and short term deposits	17	**7,933**	**373**	45,147	460
		24,050	**856**	57,816	1,068
Less Creditors					
Amounts falling due within one year	18	**(25,367)**	**(604)**	(20,620)	(930)
Net current assets/(liabilities)		**(1,317)**	**252**	37,196	138
Total assets less current liabilities		**447,809**	**1,075**	445,917	1,037
Creditors					
Amounts falling due after more than one year	19	**392,291**	**-**	398,115	-
Pension liability	28	**3,382**	**-**	2,975	-
Capital and reserves					
Share capital	21	**-**	**-**	-	-
Designated reserves	22	**1,000**	**-**	1,000	-
Revenue reserves	22	**51,136**	**1,075**	43,827	1,037
		447,809	**1,075**	445,917	1,037

The financial statements on pages 27 to 63 were approved by the Audit Committee on 17th July 2014 under delegated authority from the Board on 21st May 2014 and were signed on its behalf by:

Director

Director

R V Walder
Company Secretary

Consolidated cash flow statement for the year ended 31 March 2014

	Notes	2014 £'000	2013 £'000
Net cash inflow from operating activities		39,065	34,072
Returns on investments and servicing of finance	23	(24,102)	(20,796)
Taxation		(20)	(56)
Capital expenditure and financial investment	23	(48,713)	(50,986)
Net cash (outflow) before use of liquid resources and financing		(33,770)	(37,766)
Management of liquid resources	23	-	(500)
Financing	25	(3,444)	71,266
(Decrease)/Increase in cash		(37,214)	33,000

Reconciliation of Operating Surpluses to net cash inflow from operating activities

	2014 £'000	2013 £'000
Operating surplus	29,556	22,632
Depreciation charges	10,892	8,668
Impairment charges	-	361
Movement in properties/other assets in the course of sale	(1,013)	(564)
Movement in stocks	(1,192)	(1,819)
Movement in debtors	(2,102)	(449)
Movement in creditors	1,453	4,277
Surplus/(Loss) on sale of fixed assets	1,471	966
Net cash inflow from operating activities	39,065	34,072

Reconciliation of net cash flow to movement in net debt

		2014 £'000	2013 £'000
(Decrease)/Increase in cash	24	(37,214)	33,000
Decrease/(Increase) in debt	24	2,587	(74,355)
(Decrease)/Increase in liquid resources	24	-	(500)
Change in net debt	24	(34,627)	(41,855)
Net debt at start of the year		(351,088)	(309,233)
Net debt at end of the year	24	(385,715)	(351,088)

Notes to the financial statements for the year ended 31 March 2014

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 32) from 1 April 2013 to 31 March 2014.

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

	2014			
	Turnover £'000	Cost of Sales £'000	Operating costs £'000	Operating surplus/(deficit) £'000
SOCIAL HOUSING LETTINGS (note 4)	79,019	-	(52,474)	26,545
OTHER SOCIAL HOUSING ACTIVITIES				
Managed operations	2,479	-	(2,521)	(42)
Supporting People Contract Income	2,823	-	(3,189)	(366)
Development – First tranche shared ownership sales	5,985	(4,825)	-	1,160
Development – Other	1,729	-	(1,087)	642
Management Services	187	-	(55)	132
Other Activities	1,571	-	(311)	1,260
TOTAL	14,774	(4,825)	(7,163)	2,786
NON-SOCIAL HOUSING ACTIVITIES				
Sale of properties	2,648	(2,472)	-	176
Community Based Activities	1,095	-	(734)	361
Other	10	-	(322)	(312)
	3,753	(2,472)	(1,056)	225
TOTAL	97,546	(7,297)	(60,693)	29,556

3 Turnover, costs of sales operating costs and operating surplus

	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 – Other	1,160	-	(850)	310
Development – First tranche shared ownership sales	3,320	(3,044)	(113)	163
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				
Lettings – market rented	99	-	(29)	70
Community Based Activities	986	-	(1,189)	(203)
Sale of properties	1,917	(1,894)	-	23
Other	599	-	(892)	(293)
	3,601	(1,894)	(2,110)	(403)
TOTAL	86,869	(4,960)	(59,277)	22,632

3 Turnover, costs of sales operating costs and operating surplus

	2014			2013		
	Turnover £'000	Operating Costs £'000	Operating (Deficit)/ Surplus £'000	Turnover £'000	Operating Costs £'000	Operating (Deficit)/ Surplus £'000
OTHER SOCIAL HOUSING ACTIVITIES						
Development	**1,597**	**(1,317)**	**280**	1,425	(1,418)	7
General Management	**845**	**(777)**	**68**	890	(829)	61
Health & Safety	**265**	**(238)**	**27**	332	(273)	59
IT	**1,738**	**(1,946)**	**(208)**	1,864	(1,879)	(15)
Marketing	**517**	**(538)**	**(21)**	542	(498)	44
Human Resources	**781**	**(862)**	**(81)**	752	(864	(112)
Group Financial Services	**1,783**	**(1,876)**	**(93)**	1,870	(1,953)	(83)
Other	**56**	**-**	**56**	53	-	53
	7,582	**(7,554)**	**28**	7,728	(7,714)	14

The parent Company's turnover for 2014 and 2013 relates predominantly to the provision of central services to other subsidiaries in the Group. A small proportion of turnover is generated from external organisations.The parent company's operating costs relate to staff and other overhead costs.

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

	General Needs Housing £'000	2014 Supported Housing and Housing for older people £'000	Residential Care Homes £'000	Low Cost Home Ownership £'000	2014 £'000	2013 £'000
Income from social housing lettings						
Rents receivable net of identifiable service charges	61,993	4,287	1,006	2,350	69,636	64,444
Service charge income	2,204	1,356	-	86	3,646	1,387
Charges for support services	59	690	894	-	1,643	3,160
Net rents receivable	64,256	6,333	1,900	2,436	74,925	68,991
Revenue grants from Local Authorities and other agencies	-	407	3,663	-	4,070	3,759
Other	-	1	23	-	24	14
Total income from social housing lettings	64,256	6,741	5,586	2,436	79,019	72,764
Expenditure						
Management	12,332	1,321	885	782	15,320	14,181
Services	2,591	2,297	5,152	45	10,085	10,771
Routine Maintenance	9,547	618	112	1	10,278	11,067
Planned Maintenance	3,586	273	77	-	3,936	3,210
Major repairs expenditure	2,343	133	30	1	2,507	2,931
Rent losses from bad debts	533	23	115	4	675	688
Depreciation of Housing Properties	8,530	673	104	274	9,581	7,466
Impairment of Assets	-	-	-	-	-	361
Lease amortisation	12	-	-	-	12	139
Property Lease Costs	80	-	-	-	80	261
Other Costs	-	-	-	-	-	-
Total operating costs on social housing lettings	39,554	5,338	6,475	1,107	52,474	51,075
Operating surplus on social housing lettings activities	24,702	1,403	(889)	1,329	26,545	21,689
Void losses	707	157	53	4	921	721

5 Group accommodation in management

	2014 No.	2013 No.
Units in Management owned by the Group		
General housing*	*13,215	12,997
Supported and Sheltered Housing	1,987	1,990
Shared Ownership	1,388	1,282
Care Homes	177	177
Leasehold Schemes	1,040	1,038
Total Social Housing Properties	17,807	17,484
Market Rented Properties	12	12
Student Accommodation	7	7
Total Non-Social housing	19	19
Units in Management on stock not owned by the Group	388	474
Total owned and managed	18,214	17,977

At 31 March 2014 the Group owned 90 units (2013: 98 units) which were managed by agents (Parent Company: Nil).

*Includes 131 units at affordable rent (2012/13: 30 units).

6 Sale of properties

	Shared Ownership Staircasing £'000	Right to Buy and Voluntary Sales £'000	Other Sales £'000	Total 2014 £'000	Total 2013 £'000
Proceeds of Sale	1,881	2,659	197	4,737	6,118
Less: Cost of Sales	(1,323)	(1,743)	(200)	(3,266)	(5,152)
Surplus	558	916	(3)	1,471	966

7 Interest receivable and other income

	Group 2014 £'000	Parent Company 2014 £'000	Group 2013 £'000	Parent Company 2013 £'000
Interest receivable and similar income	**609**	**1**	584	1

8 Interest payable and similar charges

	Group 2014 £'000	Parent Company 2014 £'000	Group 2013 £'000	Parent Company 2013 £'000
On loans repayable within five years	**4,108**	**-**	3,679	-
On loans repayable wholly or partly in more than five years	**20,716**		18,045	
Other	**898**	**-**	774	-
Less: Interest payable capitalised on housing properties under construction				
	(1,812)	**-**	(1,337)	-
	23,910	**-**	21,161	-
The weighted average interest on borrowings used to determine the amount of finance costs capitalised during the year was	**6.03%**	**N/A**	5.67%	N/A

9 Surplus on ordinary activities before taxation for the year

	Group 2014 £'000	Parent Company 2014 £'000	Group 2013 £'000	Parent Company 2013 £'000
This is stated after charging/(crediting):				
Impairment losses	**-**	**-**	361	-
Depreciation of housing properties	**9,672**	**-**	7,376	-
Depreciation of other tangible fixed assets	**1,220**	**529**	1,292	534
(Surplus) on disposal of fixed assets	**(1,471)**	**-**	(966)	-
Lease charges HAMA	**12**		139	
Auditors remuneration (exclusive of VAT):				
In their capacity as auditors	**73**	**13**	62	9
In respect of other services	**26**	**26**	16	16
Operating lease payments	**780**	**200**	937	196

10a Tax on surplus on ordinary activities

Analysis of the tax charge in the year

	Group 2014 £'000	Parent Company 2014 £'000	Group 2013 £'000	Parent Company 2013 £'000
Current Tax:				
Corporation Tax at 23%	28	9	49	40
Under/(over) provision in previous years	(29)	(29)	(2)	(1)
	(1)	(20)	47	39
Deferred Tax: Origination and reversal of timing differences				
	11	11	(35)	(35)
Tax on UK surplus on ordinary activities	10	(9)	12	4

10b Current tax reconciliation

	Group 2014 £'000	Parent Company 2014 £'000	Group 2013 £'000	Parent Company 2013 £'000
Surplus on ordinary activities before tax	7,726	29	698	15
Deficit)/surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23% (2013: 24%)	1,777	7	168	4
Effects of: (Profits)/losses arising in non taxable entities	(1,751)	-	(153)	-
Expenses not deductible for tax purposes (primarily property depreciation and capital items included in expenditure)	1	1	1	1
Movement on deferred tax other fixed assets	2	2	35	35
Adjustments to tax charge in respect of previous periods	(29)	(29)	(2)	(1)
Marginal relief	(1)	(1)	(2)	-
Current tax charge for the year	(1)	(20)	47	39

11 Staff costs

Group and Parent Company

	Group 2014 £'000	Parent Company 2014 £'000	Group 2013 £'000	Parent Company 2013 £'000
Staff costs, including the Executive Officers:				
Wages and salaries	**19,751**	**4,511**	20,022	4,426
Social security costs	**1,432**	**365**	1,465	353
Other pension costs	**2,329**	**461**	1,437	362
	23,512	**5,337**	22,924	5,141

	Group 2014 Number	Parent Company 2014 Number	Group 2013 Number	Parent Company 2013 Number
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:				
Office staff	**376**	**125**	402	133
Wardens, caretakers and cleaners	**369**	**-**	428	-
Total employees	**745**	**125**	830	133
Aggregate number of full-time equivalent staff whose remuneration exceeded £60,000 in the period				
£60,000 - £70,000	**6**	**3**	10	8
£70,000 - £80,000	**6**	2	4	1
£80,000 - £90,000	**-**	**-**	1	-
£90,000 - £100,000	**-**	**-**	-	-
£100,000 - £110,000	**4**	**2**	4	2
£110,000-£120,000	**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
	18	**8**	21	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 5

	2014 Number	2013 Number
The number of Executive Officers, including the highest paid executive, who received emoluments	**3**	3

	2014 Number	2013 Number
Emoluments, including pension contributions and benefits in kind		
Board Members	**60**	53
Executive Officers	**416**	416
	476	469

	2014 £,000	2013 £'000
The emoluments of staff disclosed above (excluding pension contributions) include amounts paid to :	**Mr R V Walder**	Mr R V Walder
The highest paid Director (the Chief Executive):	**167**	161

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 £11,901 (2013: £11,556) 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
COST					
At 1 April 2013	647,355	15,767	45,938	10,900	719,960
Additions to new properties	3,124	34,159	442	7,206	44,931
Capitalisation of components	10,472	-	-	-	10,472
Components replaced	(2,369)				(2,369)
Reclassification	1	41	1	(43)	-
Disposals	(2,349)	-	(1,012)	-	(3,361)
Completed in year	35,935	(36,023)	4,319	(4,231)	-
At 31 March 2014	**692,169**	**13,944**	**49,688**	**13,832**	**769,633**
DEPRECIATION AND IMPAIRMENT					
At 1 April 2013	52,253	-	1,326	-	53,579
Charge for the year	7,081	-	151	-	7,232
Change of Tenure	22		(22)		-
Disposals	(195)	-	(17)	-	(212)
At 31 March 2014	**59,161**	**-**	**1,438**	**-**	**60,599**
DEPRECIATED COST AT 31 MARCH 2014	**633,008**	**13,994**	**48,250**	**13,832**	**709,034**
SOCIAL HOUSING AND OTHER GRANTS					
At 1 April 2013	253,816	2,699	16,071	863	273,449
Disposals – SHG recycled	(842)		(413)		(1,255)
SHG - Received	34	2,205	100	413	2,752
Schemes completed in year	3,005	(3,005)	311	(311)	-
At 31 March 2014	**256,013**	**1,899**	**16,069**	**965**	**274,946**
NET BOOK VALUE AT 31 MARCH 2014	**376,995**	**12,045**	**32,181**	**12,867**	**434,088**
Net Book Value At 31 March 2013	**341,286**	**13,068**	**28,541**	**10,037**	**392,932**

13 Tangible fixed assets – housing properties (Group)

	2014 £'000	2013 £'000
The Net Book Value of these properties is made up as follows:		
Freehold	**432,350**	391,005
Long leaseholds	**1,556**	1,733
Short leaseholds	**182**	194
	434,088	392,932

	2014 £'000	2013 £'000
Expenditure on works to existing properties in the year		
Replacement of components	**10,472**	15,420
Amounts charged to Income and Expenditure Account	**2,507**	2,931
	12,979	18,351

	2014 £'000	2013 £'000.
The cost of properties includes direct administrative costs capitalised during the year		
	1,923	2,792

14 Tangible fixed assets – other (Group)

	Scheme Furnishings and Equipment £'000	Freehold Offices £'000	Computer Equipment £'000	Motor Vehicles £'000	Office Furnishings and Equipment £'000	Total Other Fixed Assets £'000
COST						
At 1 April 2013	2,826	15,256	4,650	203	728	23,663
Additions	273	15	471	10	65	834
Disposals	(20)	(851)	-	(167)	(15)	(1,053)
At 31 March 2014	3,079	14,420	5,121	46	778	23.444
CAPITAL GRANTS At 1 April 2013 and 31 March 2014	-	150	-	-	-	150
DEPRECIATION						
At 1 April 2013	1,126	2,182	3,599	199	618	7,724
Charge for the period	412	94	660	6	48	1,220
Disposals	(20)	(486)	-	(167)	(15)	(688)
Impairment	-	-	-	-	-	-
At 31 March 2014	1,518	1,790	4,259	38	651	8,256
NET BOOK VALUE At 31 March 2014	1,561	12,480	862	8	127	15,038
At 31 March 2013	1,700	12,924	1,051	4	110	15,789

14 Tangible fixed assets – other (parent company)

	Computer Equipment £'000	Office Furniture Fittings £'000	Total £'000
COST			
At 1 April 2013	2,239	49	2,288
Additions	447	6	453
At 31 March 2014	**2,686**	**55**	**2,741**
DEPRECIATION			
At 1 April 2013	1,407	32	1,439
Charge for the year	521	8	529
At 31 March 2014	**1,928**	**40**	**1,968**
NET BOOK VALUE			
At 31 March 2014	**758**	**15**	**773**
At 31 March 2013	832	17	849

14a Investments (parent company)

	2014 £'000	2013 £'000
This represents the parent company's investment in Libra (Longhurst Group) Treasury Plc (Libra). The Company owns 100% of the share capital of Libra.	**50**	50

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

	2014 £'000	2013 £'000
Shared ownership properties held for sale:		
Completed	**2,416**	1,645
In course of construction	**3,715**	1,760
Other units for Sale	**3,669**	4,190
At 31 March 2014	**9,800**	7,595

16 Debtors

Amounts falling due within one year

	Group 2014 £'000	Parent Company 2014 £'000	Group 2013 £'000	Parent Company 2013 £'000
Rental arrears	**4,798**	**-**	4,136	-
Less: Provision for bad and doubtful debts	**(2,193)**	**-**	(1,887)	-
	2,605	**-**	2,249	-
SHG receivable	**518**	**-**	81	-
Other debtors	**945**	**33**	845	30
Prepayments and accrued income	**2,157**	**89**	1,796	238
Deferred Tax	**92**	**92**	103	103
Intercompany debtor	**-**	**269**	-	237
	6,317	**483**	5,074	608

17 Cash at bank and short term deposits

Amounts falling due within one year

	Group 2014 £'000	Parent Company 2014 £'000	Group 2013 £'000	Parent Company 2013 £'000
Short term money market deposits	**17**	**-**	17	-
Cash at bank	**7,916**	**373**	45,130	460
	7,933	**373**	45,147	460

18 Creditors: amounts falling due after one year (Group)

	Group 2014 £'000	Parent Company 2014 £'000	Group 2013 £'000	Parent Company 2013 £'000
Loan repayments and overdrafts	**3,380**	**-**	869	-
Funders interest	**3,776**	**-**	4,124	-
Rents and service charges received in advance	**1,157**	**-**	1,104	-
Trade creditors	**4,583**	**333**	3,447	367
Service charge balances due to leaseholders	**2,326**	**-**	2,665	-
Other taxation and social security costs	**532**	**153**	860	152
Recycled Capital Grant Fund (note 20)	**1,163**	**-**	1,108	-
Disposal Proceeds Fund (note 20)	**22**	**-**	68	-
Accruals and deferred income	**7,800**	**70**	5,402	300
Other Creditors	**600**	**-**	924	18
Corporation tax	**28**	**9**	49	40
Inter company creditors	**-**	**39**	-	53
	25,367	**604**	20,620	930

19 Creditors: amounts falling due after one year (Group)

Group	2014 £'000	2013 £'000
Housing loans	**390,268**	395,366
Recycled Capital Grant Fund (note20)	**2,011**	2,727
Disposal Proceeds Fund (note 20)	**12**	22
	392,291	398,115
Loans repayable by instalments:		
Repayable within one year	**3,380**	869
Repayable between one to two years	**345**	11,630
Repayable between two to five years	**66,862**	55,202
Repayable after five years	**332,297**	338,380
	402,884	406,081
Add: Loan premium	**-**	-
Less: issue costs	**(9,236)**	(9,846)
	393,648	396,235

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 2014 was 6.03% (2013: 5.67%).

20 Recycled Capital Grant Fund (RCGF) and Disposal Proceeds Fund (DPF)

	RCGF £'000	DPF £'000	Total £'000
Opening Balance at 1 April 2013	3,835	90	3,925
Grants recycled	857	12	869
Recycled grant utilised	(1,536)	(68)	(1,604)
Interest Accrued	18	-	18
AT 31 March 2014	3,174	34	3,208

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 2013 and 31 March 2014	**1,000**

Revenue Reserve (Group)

	Revenue Reserve £'000
Revenue Reserve at 1 April 2013	43,827
Surplus for the year	7,716
Actuarial (loss)	(407)
Revenue Reserve at 31 March 2014	**51,136**

Revenue Reserve (Parent Company)

	Revenue Reserve £'000
Revenue Reserve at 1 April 2013	1,037
Surplus for the year	38
Revenue Reserve at 31 March 2014	**1,075**

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

	2014 £'000	2013 £'000
Returns on investments and servicing of finance		
Interest received	**387**	150
Interest paid	**(24,489)**	(20,946)
Revenue Reserve at 31 March 2014	**(24,102)**	(20,796)
Capital expenditure and financial investment		
Purchase of housing properties	**(52,782)**	(57,524)
Sale of housing properties (net of cost of sales)	**3,755**	5,835
SHG received	**1,148**	2,479
Purchase of other fixed assets	**(834)**	(1,776)
	(48,713)	(50,986)
Management of liquid resources		
Short term deposits	**-**	(500)
Financing		
Increase in debt due after one year (note 25)	**(3,444)**	71,266

24 Analysis of net borrowings

	At 1 April 2013 £'000	Cash Flows £'000	At 31 March 2014 £'000
Cash at bank and in hand excluding short term deposits	45,130	(37,214)	7,916
Short term deposits	17	-	17
Housing & non - housing loans < 1 year	(869)	(2,511)	(3,380)
Housing & non - housing loans > 1 year	(395,366)	5,098	(390,268)
Total	(351,088)	(34,627)	(385,715)

25 Analysis of changes in financing

	2014 £'000	2013 £'000
Loans received	6,050	320,582
Loans repaid	(9,322)	(241,234)
Issue costs incurred / (amortised)	(172)	(8,082)
Balance at 31 March 2014	(3,444)	71,266

26 Capital commitments

	Group 2014 £'000	Parent Company 2014 £'000	Group 2013 £'000	Parent Company 2013 £'000
Capital expenditure				
Capital expenditure that has been contracted for but not provided for in the accounts	**75,290**	**-**	45,822	-
Capital expenditure that has been authorised by the Board but has not yet been contracted for	**21,668**	**-**	49,518	-
	96,958	**-**	95,340	-
The Group expects these commitments to the financed with:				
Social Housing Grant	**2,672**	**-**	449	-
Private Finance	**94,286**	**-**	94,891	-
	96,958	**-**	95,340	-

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 2014 the Group was committed to making the following payments under non-cancellable operating leases in the year to 31 March 2015.

	Group 2014 £'000	Parent Company 2014 £'000	Group 2013 £'000	Parent Company 2013 £'000
Land and Buildings				
Operating leases which expire:				
Within 1 year	**-**	**-**	65	-
Within 2 to 5 years	**74**	**-**	-	-
Over 5 years	**30**	**-**	48	-
	104	**-**	113	-
Equipment and Vehicles				
Operating leases which expire:				
Within 1 year	**41**	**9**	71	16
Within 2 to 5 years	**614**	**194**	848	460
Over 5 years	**-**	**-**	3	-
	655	**203**	922	476

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 7.35% for the final salary scheme and 8.05% for the career average scheme plus a monthly lump sum to fund past deficit amounts. Contributions by members varied between 8.45% and 12.45% 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 2013 has been calculated as £54,498,227.

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 2013 has been calculated as £169,597 including series 3 and £154,448 excluding series 3.

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.

Contributions

The defined benefit scheme employers' contributions for the year ended 31 March 2014 were £118k (2013: £122k) and the employers contribution rate has been fixed at 36.9% (NCC) and 18% (LCC) of pensionable pay until 31 March 2014.

Assumptions

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

	At 31 March 2014 %	At 31 March 2013 %
Rate of increase in salaries	**4.6**	**5.1**
Rate of increase in pensions in payment	**2.8**	**2.8**
Discount rate	**4.3**	**4.5**

Salary increases are assumed to be 1%p.a. until 31 March 2015 reverting to the long term assumptions shown thereafter

Fair value and expected returns on assets

The fair value of the expected rate of return were:

	Fair Value 31 March 2014 £'000	**Expected Return 31 March 2014 %**	Fair value 31 March 2012 £'000	Expected Return 31 March 2012 %
Equities	**2,798**	**6.7**	2,695	5.8
Bonds	**697**	**3.75**	866	3.3
Property	**261**	**4.8**	222	3.9
Cash	**77**	**3.7**	-	3.0
	3,833		3,783	

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 2014 £'000	Value at 31 March 2013 £'000
Fair value of assets related to the Company	3,833	3,783
Value placed on liabilities related to the Company	(6,070)	(5,711)
Value placed on unfunded liabilities related to the Company	(2,237)	(1,928)
Deficiency related to the Company	(4)	(4)
Net pension liability	(2,241)	(1,932)

Recognition in the profit or loss

	2014 £'000 NCC	**2014 £'000 LCC**	**2014 % of pay NCC**	**2014 % of pay LCC**
Current service costs	**37**	**21**	**24.8**	**24.9**
Interest cost	**207**	**47**	**139.9**	**55.3**
Expected return on employer assets	**(151)**	**(43)**	**(102)**	**(50.6)**
Past service cost / (gain)	**-**	**-**	**-**	**-**
Total	**93**	**25**	**62.7**	**29.6**
Actual return on plan assets	**234**	**22**		

	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)
Total	90	22	55.7	22.4
Actual return on plan assets	378	103		

Reconciliation of defined benefit obligation

	2014 £'000	2013 £'000
Opening defined benefit obligation	**5,715**	5,090
Current service cost	**58**	54
Interest cost	**254**	241
Contribution by members	**17**	17
Actuarial losses / (gains)	**241**	509
Past service costs / (gains)	**-**	-
Estimated benefits paid	**(211)**	(196)
Closing defined benefit obligation	**6,074**	5,715

Reconciliation of fair value of employer assets

	2014 £'000	2013 £'000
Opening fair value of employer assets	**3,783**	3,361
Expected return on assets	**194**	183
Contributions by members	**17**	17
Contributions by the employer	**118**	122
Contributions in respect of unfunded benefits	**-**	-
Actuarial gains / (losses)	**(68)**	296
Unfunded benefits paid	**-**	-
Benefits paid	**(211)**	(196)
Closing defined benefit obligation	**3,833**	3,783

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

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Actuarial gains / (losses) recognised in STRSD	**(309)**	(213)	(411)	884	(1,166)
Cumulative actuarial gains and losses	**(1,510)**	(1,201)	(988)	(577)	(1,461)

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

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Fair value of employer assets	**3,833**	3,783	3,361	3,326	3,233
Present value of defined benefit obligation	**(6,074)**	(5,715)	(5,090)	(4,684)	(5,969)
Deficit	**(2,241)**	(1,932)	(1,729)	(1,358)	(2,736)
Experience Gains / Losses on assets	**(68)**	(296)	(177)	(77)	(714)
Experience Gains / Losses on liabilities	**60**	9	-	-	(3)

Principal Actuarial Assumptions (per annum)

	2014 %	2013 %
Discount Rate	**4.2**	**4.5**
Expected return on asset	**5.95**	**5.2**
Rate of increase in salaries	**4.5**	**1.0**
Rate of increase in pensions in payment: CPI subject to a maximum of 5% pa	**2.7**	**-**

Post retirement mortality

	Females	Males
Is based on the average future life expectancies at age 65		
Current Pensioners	**24.3 years**	**22.2 years**
Future Pensioners	**26.6 years**	**24.2 years**

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 2014 were £81k (2013: £81k) and the employers contribution rate has been fixed at 15.10% of pensionable pay until 31 March 2014.

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

	At 31 March 2014 %	At 31 March 2013 %
Rate of increase in salaries	**4.15**	**4.15**
Rate of increase in pensions in payment	**2.40**	**2.40**
Discount rate	**4.20**	**4.20**
Inflation assumptions	**2.40**	**2.40**

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 2014 £'000	**Expected Return 31 March 2014 %**	Plan Assets at 31 March 2013 £'000	Expected Return 31 March 2012 %
Equities	**1,567**	**7.00**	1,092	7.00
Government Bonds	**220**	**3.40**	234	2.80
Other Bonds	**288**	**4.30**	311	3.90
Property	**242**	**6.20**	234	5.70
Cash / Other	**371**	**0.50**	724	0.50
Total	**2,688**		2,595	

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 2014 £'000	Value at 31 March 2013 £'000
Fair value of assets related to the Company	2,688	2,595
Value placed on liabilities related to the Company	(3,829)	(3,638)
Value placed on unfunded liabilities related to the Company	(1,141)	(1,043)
Deficiency related to the Company	-	-
Net pension liability	(1,141)	(1,043)

Recognition in the profit or loss

	2014 £'000	2013 £'000
Current service costs	**73**	51
Interest cost	**152**	159
Expected return on employer assets	**(151)**	(145)
Past service cost / (gain)	**-**	-
Total	**74**	65
Actual return on plan assets	**105**	288

Recognition in the profit or loss

	2014 £'000	2013 £'000
Opening defined benefit obligation	**3,638**	3,187
Current service cost	**73**	51
Interest cost	**152**	159
Contribution by members	**19**	17
Actuarial losses / (gains)	**62**	385
Past service costs / (gains)	**-**	-
Estimated benefits paid	**(115)**	(161)
Closing defined benefit obligation	**3,829**	3,638

Reconciliation of fair value of employer assets

	2014 £'000	2013 £'000
Opening fair value of employer assets	**2,595**	2,373
Expected return on assets	**151**	145
Contributions by members	**19**	17
Contributions by the employer	**81**	78
Actuarial gains / (losses)	**(43)**	143
Benefits paid	**(115)**	(161)
Estimated benefits paid	**(115)**	(161)
Closing fair value of employer assets	**2,688**	2,595

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

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Actuarial gains / (losses) recognised in STRSD	**(98)**	(242)	(125)	939	(563)
Fair value of employer assets	**2,688**	2,595	2,373	2,253	2,096
Present value of defined benefit obligation	**(3,829)**	(3,638)	(3,187)	(2,942)	(3,533)
Deficit	**(1,141)**	(1,043)	(814)	(689)	(1,437)

Principal Actuarial Assumptions (per annum)

	2014 %	2013 %
Discount Rate	**4.40%**	**4.20%**
Expected return on asset	**5.98%**	**5.85**
Rate of increase in salaries	**4.15%**	**4.15%**
Rate of increase in pensions in payment: CPI subject to a maximum of 5% pa	**2.40%**	**2.40%**

Post retirement mortality

	Females	Males
Is based on the average future life expectancies at age 65		
Current Pensioners	**25.5 yrs**	22.9 yrs
Future Pensioners	**27.8 yrs**	25.1 yrs

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

	2014 £'000
Spire Homes - Actuarial gains / (losses)	**(309)**
Friendship -Actuarial gains / (losses)	**(98)**
	(407)

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 totalled £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 32).

30 Contingent liability

The Group is currently involved in a legal dispute with the Larkfleet Group arising in the ordinary course of business. At present legal proceedings are at an early stage and the outcome of the dispute, including the financial effect, is uncertain. However, the Directors believe, on the basis of advice received, that no material loss to the Group will occur. Having made due enquiries the Directors are not aware of any further contingent liabilities.

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 exceptional finance costs of £2,323,075.

32 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 and are all registered in England:

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.

Longhurst Group

Leverett House
Gilbert Drive
Endeavour Park
Lincolnshire
PE21 7TQ

Telephone
+44 (0) 845 30 90 700

Email
mandy.upsall@longhurst-group.org.uk

Web
www.longhurst-group.org.uk

Longhurst Group is a not-for-profit organisation registered in England as a company limited by guarantee (registration number: 3958380).
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