Longhurst Group

FINANCIAL STATEMENT 2019

Longhurst Group
Financial Statement 2019

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Board Members, Executive Officers, Principal Advisors and Bankers

Board Members

Robert Wilson	Chair
Patricia Brandum	Chair of the Development Committee
Clive Barnett	Chair of the Finance & Treasury Committee and Libra 1&2 (resigned 01.07.2019)
Daniel Elkins	Chair of Remuneration and Nominations Committee (resigned 01.07.2019)
Stephen Wenham	Chair of the Remuneration Committee
Julie Doyle	Chief Executive
Hilary Lindsay	Chair of the Audit and Risk Committee (resigned 29.03.2019)
Jenny Brown	Chair of the Audit & Risk Committee (appointed 25.07.2019)
Angie Morris	Non-Executive Director (appointed 01.07.19)
Gariehl Behr	Non-Executive Director (appointed 25.07.19)
Patricia Stanley	Non-Executive Director (resigned 01.06.2018)
Parmjit Dhanda	Non-Executive Director

Executive Officers

Julie Doyle	Chief Executive
Rob Griffiths	Deputy Chief Executive and Chief Financial Officer
Lynn Stubbs	Executive Director of People and Performance
Jonathan Driffill	Executive Director of Partnerships, Care and Community
Ian Jackson	Executive Director of Investment Portfolio
Sharon Guest	Executive Director of Housing
Louise Platt	Executive Director of Care and Business Partnerships

Company Secretary

Rachel Challinor	Director of Governance, Performance and Compliance

Registered Head Office
50 Newhall Hill
Birmingham B1 3JN

Principal Bankers
Lloyds Banking Group
Third Floor
25 Gresham Street
London EC2V 7HN

Auditors
Beever and Struthers
Chartered Accountant and
Statutory Auditor
St George's House
215–219 Chester Road
Manchester M15 4JE

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

Trowers & Hamlins LLP
3 Bunhill Row
London EC1Y 8YZ

Winckworth Sherwood LLP
Minerva House
5 Montague Close
London SE1

Chair, Chief Executive and Directors' Reports

Report from the Chair and Chief Executive

The 2018/19 Financial Year has been another successful year for Longhurst Group, we have delivered a strong set of financial results which are again better than budget for the year achieving a surplus after tax of £21.84m (2018: £26.59m).

As a Group we are committed to making a difference to the housing crisis by providing more high quality homes across our operating area. During the year we have been successful in securing Strategic Partnership status with Homes England and in July 2018 we launched an innovative joint venture (Evera Homes LLP) with three other Registered Providers (Hyde, Cross Keys and Flagship), with a focus on accelerating supply across the Cambridgeshire and Peterborough Combined Authority area. In total we have delivered 558 new homes in the year and we expect to complete a further 600 homes in the next financial year and nearly 4,000 new homes by 2025.

Underpinning our ambitious growth programme is a clear and robust Treasury Management strategy which ensures we have sufficient liquidity at all times to meet our ongoing development commitments.

In May 2018 we raised a further £150m via a listed bond with a further £100m retained.

From the 1 July 2019 we will be operating through a more streamlined and simplified legal and governance structure. Following a comprehensive governance and structures review, the Boards of L&H, Spire, Friendship and Axiom approved a transfer of engagements into Longhurst Group on 1 July 2019.

Our new Group structure will enable us to be more efficient, provider more new homes and continue to provide high quality services to our customers.

Our operating environment

The ongoing political and economic uncertainty, change in Prime Minister and distraction of Brexit will continue to bring more challenges for our business and the wider sector. We are well prepared to cope with future challenges and are committed to maintaining high quality services and providing new homes. Our financial plans have been extensively modelled and stress tested and enable us to make the required investment to existing homes across our operating areas, as well as develop new, or acquire existing affordable units to meet local housing needs. Underpinning this investment is our commitment to maintain our position as a strong, efficient landlord that goes beyond the basics – providing extra services that engage, support and develop people with a clear focus on achieving value for money in all that we do.

As a Group we welcomed the publication of the Social Housing Green Paper in August 2018 and are supportive of the proposals contained in the green paper. Many of the themes in the green paper will be reflected in our 2025 vision which will be launched later this year.

The much anticipated roll out of the Voluntary Right to Buy pilot for the Midlands started in the summer of 2018 with applications needing to be registered by September 2018. By the end of March 2019, we had completed 11 Voluntary Right to Buy sales and were the first Registered Provider in the country to complete a Voluntary Right to Buy.

Feedback from our customers and on-going engagement with them will be crucial in ensuring that we continue to provide high quality services that meet the needs of our customers.

We recognise the importance that technology plays in enabling us to provide high quality services to our customers. In February this year the Board approved the business case for the rollout of the Microsoft Dynamics system across the whole organisation. This is a significant investment and will take three to four years for the technology to be implemented across all our business areas. Our initial investment has been focussed on moving our finance system on to Microsoft Dynamics and creating a Customer Relationship Management system for our Sales Team. The Finance system was successfully launched on the 1 July and the CRM solution for the Sales Team will go live later in the summer.

We have set ourselves an ambitious development programme alongside our soon to be launched 2025 vision and we believe we are well placed to deliver on these targets. We are financially resilient, with a strong Board and high performing senior leadership and staff team.

Together, working as one team with one vision, we are confident that we will continue to grow, realise our ambitions and improve the lives of our customers.

Bob Wilson
Chair

Julie Doyle
Chief Executive

Directors' Report

Introduction

The Board presents its report and audited consolidated financial statements for Longhurst Group and its subsidiary undertakings for the year ended 31 March 2019.

Principal Activities

The principal activity of Longhurst Group is as a leading provider of affordable housing, care, and support in the Midlands and surrounding areas.

Directors

See page 4 for listing of Board Members and Executive Officers.

Charitable and Political Donations

The Group has made no donations during the year.

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 enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. 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
- The Directors have taken all steps that they ought to have to make themselves aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

By order of the Board

Bob Wilson
Chair

Date: 25 July 2019

Strategic Report

Strategic Report

Introduction

The Board presents its report and audited consolidated financial statements for Longhurst Group and its subsidiary undertakings for the year ended 31 March 2019. The principal activity of Longhurst Group is as a leading provider of affordable housing, care, and support in the Midlands and surrounding areas.

Our Vision

Our vision as a Group is clear. Everything we do is about 'improving lives'. From the great homes and care and support services we provide to the numerous projects that make a positive difference to people's lives.

Our Values

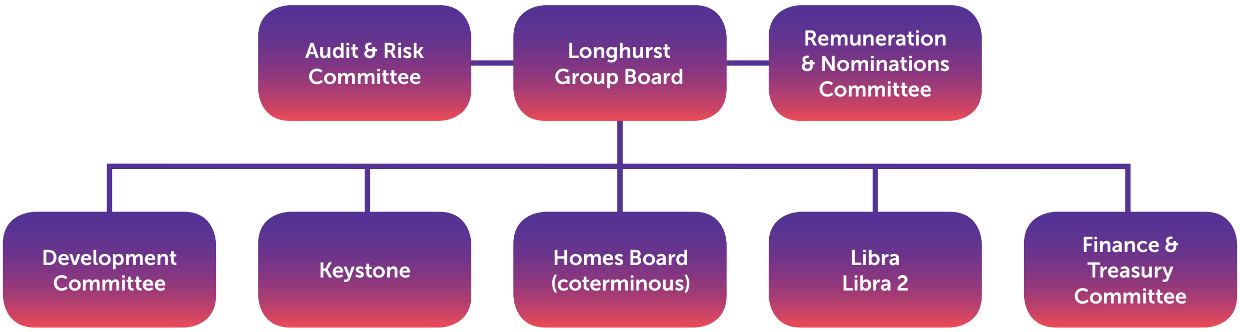
We are united by a shared set of values that guide everything we do as a Group and show what matters to us. These are:

Governance and Reporting Structure

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)
- Axiom Housing Association Limited (subsidiary)
- Keystone Developments (LG) Limited (subsidiary)
- Libra (Longhurst Group) Treasury PLC (subsidiary)
- Libra 2 (Longhurst Group) Treasury PLC (subsidiary)

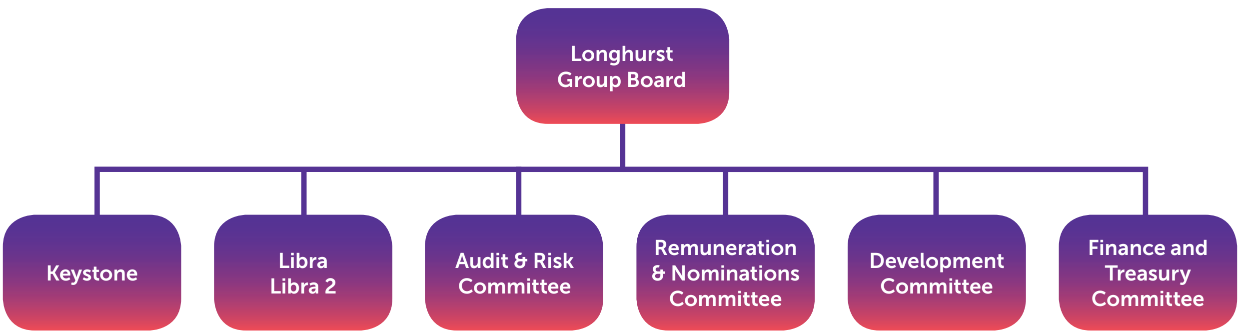
The Group's governance structure at the Balance Sheet date is shown in the diagram below.



The Group Board defines and sets the strategic vision, values and corporate objectives of the Group.

Subsidiary Boards and Committees contribute to the development of the Group's Business Plan and overall strategy and play a key role in overseeing operational delivery plans, performance and risks. The Homes Board is a Coterminous Board operating across Spire Homes, Longhurst & Havelok Homes, Friendship Care & Housing and Axiom Housing Association. The responsibility of each Board and Committee is clearly defined in their Terms of Reference and Group Financial Regulations.

From the 1 July 2019 the Group has moved to a more simplified legal and governance structure as shown in the diagram below. The change in structure was brought about via a transfer of engagements from L&H Homes, Spire Homes, Friendship Care & Housing and Axiom Housing Association.



Review of Group Financial Performance

The Board is pleased to present the financial results for the year ended 31 March 2018.

Statement of Comprehensive Income

	2018/19 £'000	2017/18 £'000	2016/17 £'000	2015/16 £'000	2014/15 £'000
Turnover	167,361	145,602	110,843	112,913	106,278
Cost of Sales	(35,492)	(26,849)	(9,543)	(14,627)	(11,956)
Less Operating Expenditure	(82,756)	(73,079)	(60,971)	(65,493)	(62,203)
Gain/(Loss) on disposal of Property, Plant & Equipment	1,550	1,324	939	(623)	703
Operating Surplus	50,663	46,998	41,268	32,170	32,822
Interest Receivable	471	52	24	293	288
Interest Payable	(29,254)	(24,591)	(24,139)	(25,365)	(23,777)
Increase in valuation of investment properties	**13**	**(21)**	**18**	**119**	**75**
Negative Goodwill	–	4,568	0	0	0
Surplus before tax	**21,893**	**27,006**	**17,171**	**7,217**	**9,408**
Taxation	(142)	(416)	(146)	25	(56)
Net Surplus	**21,751**	**26,590**	**17,025**	**7,242**	**9,352**
Other Comprehensive Income					
Initial recognition of multi–employer defined benefit pension scheme	(9,481)	–	–	–	–
Actuarial (loss) in respect of pension schemes	(4,659)	188	(508)	537	(395)
	7,611	**26,778**	**16,517**	**7,779**	**8,957**

The consolidated group surplus for the year ended 31 March 2019 was £21.84m after tax, compared to a surplus of £26.59m for the same period in 2017/18.

The Group's total turnover for the year increased from £145.6 in 2017/18 to £167.36m in 2018/19. The increase in turnover was achieved through increased sales activity of nearly £13m with the remainder being due to increased turnover on social housing lettings from rental income on new homes acquired and developed during the year coming into management. Total turnover from social housing lettings was £111,170m for the year and this remains the main source of income. As a percentage of turnover this dropped from 70.3% in 2017/18 to 66.42% in 2018/19 as a result of the increased activity on low cost home ownership sales. Total operating costs grew to £82.96 in 2018/19 from £60.97m in 2017/18. The increase in operating costs was due to an increase in service charge and management costs as a result of new homes coming into management and investment across the business.

The Group's operating margin for 2018/19 was 30.3% down from 32.2% in 2017/18. The margin has reduced in the last 12 months due to increased sales activity on low cost home ownership sales, the margin on development sales was 19.47%. Excluding sales, our operating margin for 2018/19 was 34.13% compared to 35.7% the previous year.

New interest costs for the year grew to £29.25m from £24.59m in 2017/18. The increase in interest costs over the last year is due to the bond that was issued in May 2018 for £150m. The bond issue resulted in higher cash balances being held and the repayment of revolving credit facilities where the cost of funds were lower than the fixed rate bond due to the revolving credit facilities being on a variable rate of interest linked to three-month Libor. The average cost of borrowing for the year was 5.167% down from 5.305% the previous year.

The financial results for 2018/19 incorporate a change in accounting treatment for the Social Housing Pension Scheme, where previously it had not been possible to account for the scheme as a defined benefit scheme in accordance with FRS 102. During the year, The Pensions Trust (TPT) who administer the scheme were able to separate assets out by employer, thereby enabling TPT to provide the information required for employers to account for the scheme as defined benefit scheme. The initial recognition of the Balance Sheet Liability at 1 April 2018 is shown in Other Comprehensive Income in accordance with the update to FRS 102 published by the Financial Reporting Council on the 22nd May 2019.

Statement of Financial Position

	2018/19 £'000	2017/18 £'000	2016/17 £'000	2015/16 £'000	2014/15 £'000
Fixed Assets	1,131,267	1,083,401	932,385	912,184	892,092
Current Assets	78,131	54,840	41,989	29,135	26,232
Creditors due within 1 year	(41,354)	(37,567)	(31,304)	(30,711)	(25,552)
Total Assets less Current Liabilities	**1,168,044**	**1,100,674**	**943,070**	**910,608**	**892,772**
Creditors due after 1 year	(885,809)	(853,190)	(727,935)	(712,848)	(702,048)
Pension Provision	(29,333)	(3,224)	(3,505)	(3,165)	(3,801)
Total Net Assets	**252,902**	**244,260**	**211,630**	**194,595**	**186,923**
Reserves					
Income & Expenditure Reserve	140,250	131,282	103,563	85,791	76,958
Revaluation Reserve	137,204	138,562	139,502	140,757	141,811
Cashflow hedge reserve	(25,552)	(26,584)	(32,435)	(32,953)	(32,846)
Restricted reserve	1,000	1,000	1,000	1,000	1,000
	252,902	**244,260**	**211,630**	**194,595**	**186,923**

The net book value of the Group's fixed assets grew by £48m in the year to £1.08bn at the end of March 2019. The increase in the recorded value of the fixed assets was realised through the increased investment in the provision of new homes. Total debt outstanding at the end of March 2019 increased to £585.1m from £543.1m the previous year. The increase in debt being due to the £150m bond issue in May 2018 and the repayment of revolving credit facilities.

The increase in the provision for pensions is due to the initial recognition of the SHPS multi-employer scheme at the start of the financial year and a further increase in liabilities at the end of March 2019.

The cash flow hedge reserve reduced by £1.03m to £25.552m at the end of March 2018. The reduction was due to an increase in swap rates reducing our mark to market position.

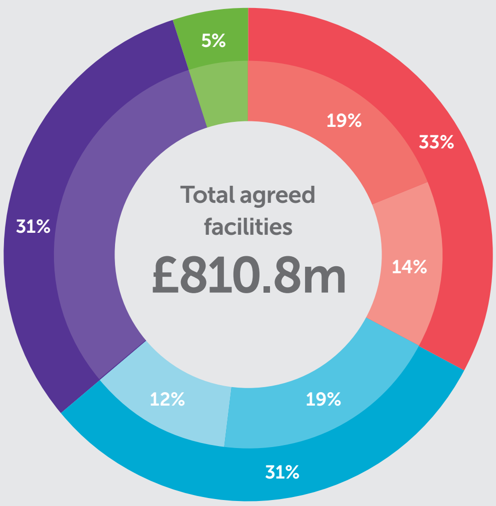
Treasury and Capital Structure

The Group's Treasury Management Strategy is instrumental in the delivery of our strategic objectives and financial plan. The Treasury Strategy is approved annually by the Board and reviewed quarterly by the Finance & Treasury Committee. The purpose of the Treasury Strategy and Policy is to ensure that we have sufficient funds in place to finance our operations and committed development projects for a minimum of 18 months.

At 31 March 2019, Longhurst Group has agreed loan facilities totalling £810.8m of which £597.4m 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.

The Group's Special Purpose Vehicle, Libra (Longhurst Group) Treasury plc with the remainder of loans being held within the individual operating company. A further SPV, Libra (Longhurst Group) Treasury No 2 plc, incorporated on the 7th March 2018, issued a £250.0m bond in May 2018 of which £100.0m is retained

At 31 March 2019 the Group had total loan facilities available of £810.8m of which £213.4m was undrawn. The increase in agreed facilities is due to the Libra (Longhurst Group) Treasury No 2 plc bond issuance in May 2018.



Total committed funding

During the financial year 2018/19:

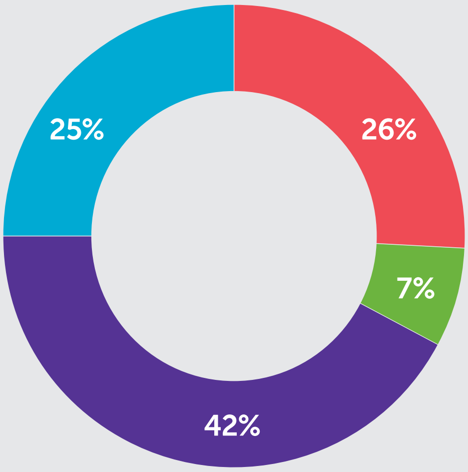
- £50.0m of existing bank facilities have been extended to mature in 2023.
- £442.8m of total committed facilities has either been issued or is managed under Group Loan facilities by Libra (Longhurst Group) Treasury plc.

Bank Loans
Drawn
Undrawn

Libra 2018 bond
Drawn
Undrawn

Libra Bond 2012

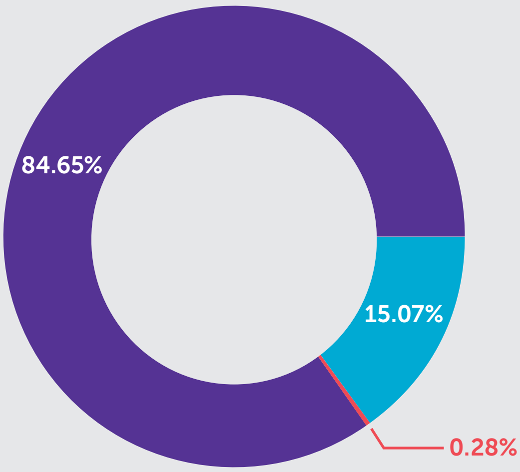
Capital markets/LA



Bank vs Capital Market

Bond and capital markets debt now account for 74% of the Group's total debt with the balance being provided through a mix of short, medium and long-term bank debt.

The Group's strategy is to maintain its hedging activity within flexible parameters, as defined within the Treasury Management Policy. The precise proportion of fixed (where the rate is fixed for 12 months or more) rate borrowings will be set each year as part of the Board approved annual treasury strategy. The level of fixed rate debt is determined by an analysis of the sensitivity of the Group's cash flow forecast to fluctuations in prevailing market interest rates, but subject to always having at least 70% of its net position subject to fixed rates of interest, on a rolling five-year average basis. The Group will ensure that no more than 100% of its net exposure is fixed at any time.



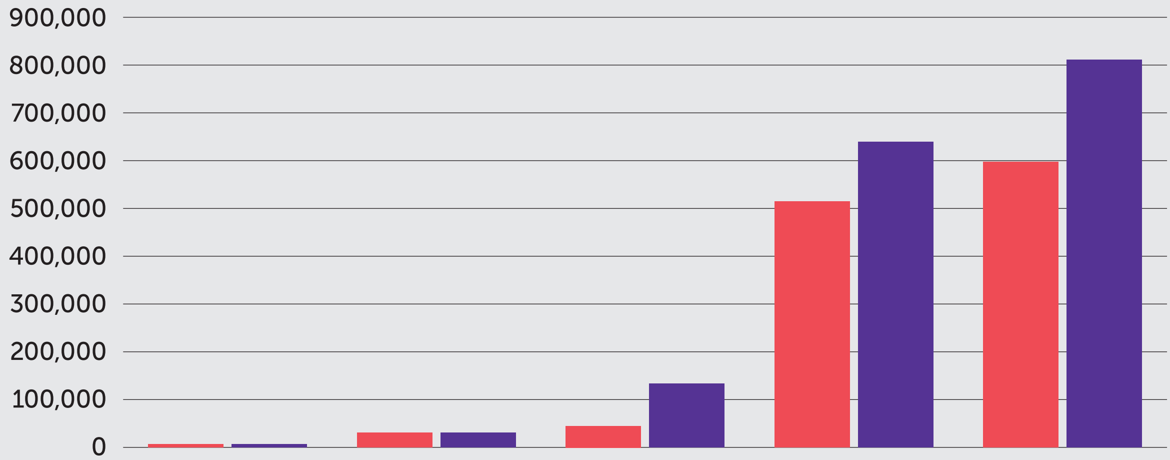
Hedging activity

The Group's hedging activity is within the Treasury Management policy's agreed parameters, with a total of 99.72% fixed through a combination of embedded fixed rates and standalone derivatives (ISDA).

The ratio of fixed rate debt has increased during 2018–19 as a result of further fixed rate bond issuance, and repayment of a majority of drawn variable Revolving Credit Facilities in May 2018.

79% of the Group's Loans have been arranged under long term facility periods with 21% being arranged as short term facilities with a final repayment date of between two and five years.

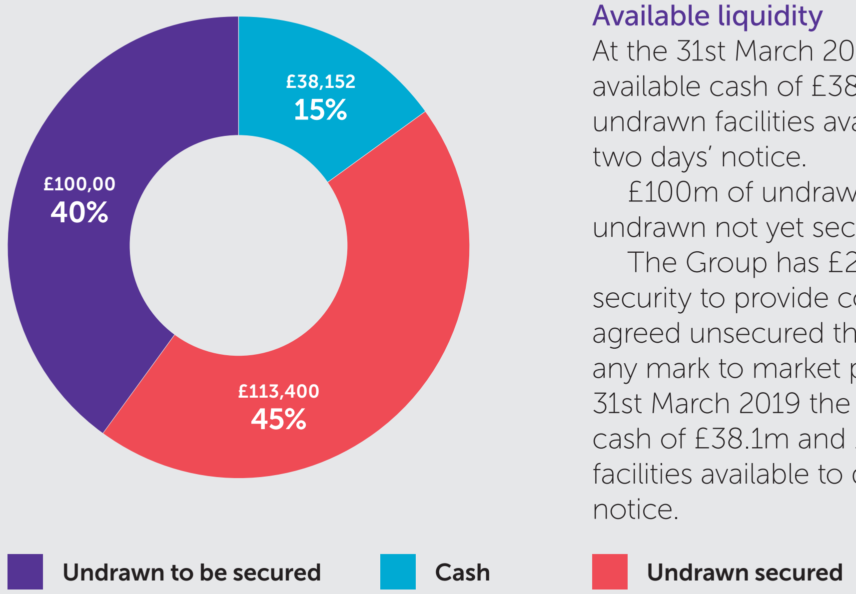
The repayment profile for the drawn and undrawn debt held across the Group is summarised in the chart below, including loan discount/premiums totalling (3,293k).



	Within one year	1–2 years	2–5 years	> 5 years	Total
Drawn	£6,770	£31,215	£45,223	£514,173	£597,381
Committed	£6,770	£31,215	£133,623	£639,173	£810,781

The undrawn committed facilities of £213.4m include £113.4m undrawn revolving credit facilities repayable within the next five years and £100.0m of retained bonds.

79% of committed facilities mature in more than five years a majority of which relates to the two £250.0m bond issues maturing in 2038 and 2043.



Available liquidity

At the 31st March 2019 the Group has available cash of £38.1m and £113.4m of undrawn facilities available to draw with two days' notice.

£100m of undrawn facilities are undrawn not yet secured.

The Group has £25.0m ring-fenced security to provide collateral (in excess of agreed unsecured thresholds) to cover any mark to market positions. At the 31st March 2019 the Group has available cash of £38.1m and £113.4m of undrawn facilities available to draw with two days' notice.

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.

Friendship Care & Housing Loans are currently held at company level, however, new facilities arranged during 2016/17 and 2018/19 include Friendship as a borrower none of which was drawn by Friendship at 31 March 2019.

Axiom Housing Association's loans are mostly held at company level, with the exception of one Group revolving credit facility where Axiom is a borrower none of which was drawn by Axiom as at 31 March 2019.

All four Group Registered Providers are borrowers of the 2018 £250.0m Bond issue.

L&H, Spire, Friendship and Axiom are all party to the Group Security structure with all lenders and Libra (2) being beneficiaries of their respective Security Trust Deeds allowing for cross collateralisation for all Group facilities.

The Group's 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 and Axiom where some facilities remain measurable at individual company level.

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

At 31 March 2019, the Group had a negative stand-alone interest swap exposure of £23.3m (2018: £23.9m), based on £90.0m (2018:£90.0m) of notional paying fixed rate/ receiving 3m LIBOR swaps.

All of the Group's interest rate swaps allow for the Mark to Market (M2M) position to be covered by either property assets or cash. At 31 March 2019 the Group's position was covered by property security of £13.3m for the M2M position in excess of the agreed threshold.

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.

Value for Money

Value for Money

Value for money (VFM) is fully integrated into the way in which we work and deliver services to our customers.

On 1 July 2019 we will launch our 2025 Vision which builds upon our successful growth strategy and strong financial performance in 2018/19 and the preceding three years.

We have reviewed the VFM Standard and undertaken a self-assessment against the new standard and code of practice of which we can confirm we meet.

One Team, One Vision

Building on the restructuring of key business areas, significant preparatory work has been completed during 2018/19 to bring further efficiencies. From the 1 July 2019 the Group has moved to a more simplified legal and governance structure via a transfer of engagements from L&H Homes, Spire Homes, Friendship Care & Housing and Axiom Housing Association. The decision to proceed as one organisation called Longhurst Group was reached after careful and detailed consideration of the view of our customer and our colleagues.

During 2018/19 the group board approved an ICT strategy including the investment in a new technology platform for our core data. This will better connect our colleagues with each other and our customers. During 2018/19 the team was put in place and work began on the finance system and Sales & Development (with schedule go-live date of July 2019). The 5 year plan is to roll out this platform across all key areas of the Group.

Growth and development

Focussing on strong yielding; low risk developments our business plan includes a high proportion of low risk S106 developments together with around 20% from land led opportunities to be developed with grant funding under our Strategic Partnership with Homes England. Our business plan assumes new homes developed will be 60% rented tenures and 40% low cost home ownership or other intermediate tenures.

During 2018/19 we developed 503 new homes, 50% rented, 50% low cost home ownership. In addition, our stock acquisition strategy delivered over 300 additional properties into housing management in April 2018 through properties transferred from Hyde.

Mergers and partnerships

As a strategic partner with Homes England, we will receive £71.7m of extra Government funding to build more affordable homes, which will support our ambition to build at least 1,000 properties a year. During the life of this strategy, we will remain open to further merger and acquisitions, as we work towards increasing the number of homes we own and manage.

Evera Homes LLP

Evera Homes LLP was established in July 2018 along with Cross Keys Homes, Flagship Group and Hyde. Evera will enable us to increase our development activity within the Cambridgeshire and Peterborough Combined Authority area. By working with our partners we're looking to accelerate the supply of high quality affordable homes across the area. Our aim is to build a minimum of 2,300 homes in five years through site acquisition, partnerships and joint ventures with house builders, investors, the Combined Authority and local authorities. Our first project is on site for 60 homes and we have two further sites under contract for approximately 1000 more much needed homes.

Managing our assets

During 2018/19 we have invested over £24 million in maintaining our homes. This includes responsive repairs, voids, planned works and major improvement works. This investment is required to ensure that we deliver the aims of our asset management strategy which is to balance the needs of our assets, current legislation, keeping our residents safe and maintaining consistently high levels of resident satisfaction against the funding available in the business plan.

In 2018 we completed a project to reset our asset investment plans and ensure alignment with the Groups business plan. This project included a stock condition survey to over 60% of our homes and a review of renewals costs in our Promaster asset database. This work has ensured that we hold accurate up to date information on the condition of our stock which will be used to inform our future investment plans.

In April 2018 the Group entered into a long-term contract for Responsive and Planned Maintenance with Wates Living Space. In year 1 this achieved savings in responsive repairs and void costs.

During 2018/19 the group recruited a Head of Procurement in order to support the group in its management of risk and delivery of our 2025 vision. A group procurement team is now being developed, initially focusing on putting in place a procurement strategy and policy, standard processes for contracting with our supply chain and reducing our expenditure and reliance on 'bought in' procurement resources. Going forward the team will support the business with advice and guidance on procurement, putting the Improving Lives agenda at the centre of our procurement decisions and using procurement projects to affirm the 'one team' approach across the newly consolidated organisation.

Maximising our Income

2018/19 was again a year of marked improvement in performance despite the increasing number of tenants in receipt of Universal Credit. Total current tenant arrears (general needs and housing for older people) percentage fell from 2.32% in 2017 to 1.75%. The collection rate was 100.90%. We collected £928,162 of former tenant debt, an increase of £35,093 on the previous year.

Considerable effort is being made with new Universal Credit claimants to establish payments in advance, which will be positive for collection rates. Training in the year on telephone based income collection techniques has also helped bring greater consistency to working across the Group.

The rent first culture and improved income collection and processing tools which have been embedded over the past 12 months has resulted in just under 12,000 customers paying by direct debit and £29m of income being received this way.

In 2018/19 our void rate for our general needs and housing for older people showed an increase from 0.55% in 2017/18 to 0.65%. This increase was affected by the establishment of working practices with the new repairs contractor and unusually high turnover in some areas. The void loss for Supported Housing was also higher and this was driven by issues affecting referrals, contract changes and a high volume of unplanned moved in some areas. These challenges have been reflected in re-let times which have increased from 18 to 27 days across all tenure types.

Investing in our Communities

In December 2018 we appointed the Groups first Director of Community Investment. The appointment represents the Groups commitment to pursuing its Improving Lives agenda in the months and years ahead. This will build on and expand the excellent work already in place across; The **Academy Services** (supporting 274 people into training or employment in 2018/19), the **Money Advice Service** (sourced £1,805,489 of total income for all of the tenants that it has supported in 2018/19), **House2Home** provision of essential pre-tenancy support (98 starter tenancies referred resulting in 97% tenancy sustainment) and **Community Champions Project** at our Beechdale estate in Walsall (11 project & activities attended by over 350 people in 2018/19).

During 2019/20 we will develop the Community Investment strategy which will underpin delivery of the 2025 Improving lives agenda. We look forward to developing our services further to ensure that the communities we serve are confident, healthy and aspirational. We will achieve this by tapping into the considerable talent and enthusiasm that already exists within our communities, lending our weight in terms of time, commitment, expertise, partnering relationships, skills, financial strength and resources.

VFM Metrics and benchmarking

In March 2018 the Regulator of Social Housing issued new guidance around the reporting of VFM. The new guidance incorporated a series of standard metrics which would be measured based on a standard definition from information contained within the Financial Statements.

The following section shows the Group's performance against each of the VFM metrics for both 2018/19 and the previous year.

Alongside the VFM metrics, we compare our performance with other Registered Providers as part of the Vantage Benchmarking Group. This Benchmarking Group meets quarterly and allows members to compare performance across a range of indicators using consistent definitions. The tables below compare the Group's VFM metrics against our peer Group and our most recent actual results against our projected Business Plan performance for the next three years.

Metric Nº	Name	LG 2018/19	LG 2017/18	Peer 1 2017/18	Peer 2 2017/18	Peer 3 2017/18	Peer 4 2017/18	Peer 5 2017/18
1	Reinvestment %	**6.3%**	7.0%	8.7%	6.3%	5.5%	4.7%	4.0%
2A	New Supply Delivered (Social Housing Units) %	**2.4%**	1.7%	4.9%	2.5%	2.4%	2.1%	1.0%
2B	New Supply Delivered (Non-Social Housing Units) %	**0.6%**	0.3%	0.7%	–	–	–	0.1%
3	Gearing %	**49.2%**	49.8%	48.4%	34.0%	43.6%	40.7%	32.0%
4	EBITDA (MRI) Interest Cover %	**172.9%**	177.5%	184.0%	208.0%	173.0%	168.0%	247.0%
5	Headline Social Housing Cost Per Unit	**£3,443**	£3,265	£3,764	£3,311	£3,234	£3,900	£3,114
6A	Operating Margin % (Social housing lettings only)	**34.6%**	37.6%	37.8%	41.9%	30.7%	36.3%	39.5%
6B	Operating Margin % (Overall)	**29.3%**	31.4%	25.4%	33.3%	29.1%	34.6%	35.4%
7	Return on capital employed (ROCE) %	**4.3%**	4.3%	4.7%	3.9%	3.9%	3.9%	4.8%

Metric		Actual		Projection		
Nº	Name	2017/18	2018/19	2019/20	2020/21	2021/22
1	Reinvestment %	**7.0%**	6.3%	8.2%	9.3%	9.0%
2A	New Supply Delivered (Social Housing Units) %	**1.7%**	2.4%	2.5%	2.9%	3.0%
2B	New Supply Delivered (Non-Social Housing Units) %	**0.3%**	0.6%	0.0%	0.0%	0.0%
3	Gearing %	**49.8%**	49.2%	52.9%	53.0%	55.0%
4	EBITDA (MRI) Interest Cover %	**177.5%**	172.9%	146.3%	137.3%	142.3%
5	Headline Social Housing Cost Per Unit	**£3,265**	£3,443	£3,517	£3,665	£3,640
6A	Operating Margin % (Social housing lettings only)	**37.6%**	34.6%	35.9%	36.6%	34.4%
6B	Operating Margin % (Overall)	**31.4%**	29.3%	29.7%	28.5%	29.7%
7	Return on capital employed (ROCE) %	**4.3%**	4.3%	3.7%	3.7%	3.6%

Metric 1

Investment in the provision of affordable new homes and maintaining our existing stock to a high standard is a key priority for Longhurst. The level of investment for 2018/19 of 6.4% is consistent with prior year and places the group second among the chosen peer group. The delivery of 503 new homes (excluding acquisition of 309 units from Hyde), together with significant work to prepare for further investment in our existing stock underpins this number; During the year, investment in existing stock was lower, allowing priority to be given to establishing the new Wates contract and completing the independent survey of over 70% of stock to validate the stock investment plan. As a HE Strategic Partner, the increase in planned development activity over the coming years will see this metric move upwards. This is evidenced by the three year forward projection which sees this rise to 8.2% in 2019/20 and over 9% for the following two years.

Metric 2A

The delivery of 503 new social housing units is an increase on prior year figures and places Longhurst in the middle of the peer comparison group. This is a key priority and exceeds the 2% target. Our projections are for this to rise to 3% by 2021/22

Metric 3

The Group's overall level of gearing has reduced during the year from 49.8% to 49.2%

at the end of March 2019. This still places the group at the top end of the peer group comparison but reflects the group ambition for development and growth. Given the scale of our projected development programme we are projecting that gearing will increase to 55% by 2021/22. Whilst this is a significant increase on the 2018/19 level of 49.2% it is still well within our covenant limits. Our tightest gearing covenant is at 60% which falls away in 2020/21 to then be at 65%. The Business Plan has been extensively stress tested as part of the modelling of our development programme and we manage our development programme in a way that ensures we are not over committed on the programme at any one time with appropriate mitigations in place. The Board are comfortable with the projected increase in gearing as part of our investment in the provision of new homes.

Metric 4

The Group's EBITDA MRI Interest Cover has reduced slightly from 177.5% to 172.9%. The reduction in interest cover from 2017/18 to 2018/19 is largely down to the £150m bond issued in May 2018 and the associated interest costs during the year when we were carrying higher cash balances. The surplus cash has been used to repay cheaper revolving credit facilities, increasing the cost of carry. The projected reduction in interest cover over the next three years is due to the increased borrowings required for the expanded development programme. There is significant headroom on our interest cover covenants which have been stress tested alongside the modelling undertaken on the development programme.

Metric 5

The increase in cost per unit reflects a number of underlying business drivers; The changes in pension accounting, the inclusion of Axiom for a full financial year (increasing the proportion of care & support units), an increase in the cost of managed associations for new stock in the first year and investment in overheads costs; Restructure across ICT, development, operational/corporate finance and some additional central services costs have further driven costs upwards. The business case for these investments was driven by the capacity required to deliver our 2025 vision with support services fit for the next phase of growth. By mean of comparison, the group is positioned in the middle of the peer group. Over the next three years we are projecting an increase in costs per unit of 4.3%. This modest increase reflects the increase in our planned development activity and new units coming into management with only a marginal increase in management costs.

Metric 6A

The Group's operating margin on social housing lettings dropped to 34.6% in 2018/19 from 37.6% in 2017/18. The drivers of this metric are described in the Metric 5 narrative. There has been additional pressure on voids as the first year of a new repairs contract has impacted void re-let times.

Metric 6B

The Group's overall operating margin has dropped below 30% for 2018/19 and is projected to stay between 28.5% and 29.7% over the next three years. The reduction in margin is due to the reasons described in metric 5 coupled with a projected increase in grant funded shared ownership sales where the margins are projected to be significantly lower than on section 106 shared ownership sales where typically we have been achieving margins of over 20% on sales. The viability of the grant funded shared ownership programme is consistent with the section 106 sales programme but with smaller surpluses with grant being received in lieu of the discount on section 106 homes purchased from developers.

Metric 7

The Group's Return on Capital Employed has remained relatively consistent in the last few years and very close to the sector averages. Longhurst is positioned in the middle of our peer comparison group. Our return on capital employed is projected to be between 3.6% –3.7% over the next three years, the slight reduction on ROCE reflects some of the conservative assumptions used in the Business Plan.

Risk management and internal controls

In the context of the operating environment that we are working in and the Business Plan objectives that we have set, our focussed and robust approach to strategic risk management continues to be of upmost importance to our continued success.

The fast changing political and economic landscape continues to present a wide range of risks linked to the delivery of our Business Plan objectives.

We have a clear and concise approach to identifying, assessing, monitoring and managing the strategic risks which our business faces.

We have embedded an on-line real time risk management database to support our work on risk management across the business. The risk management system provides on-line real time access for managers and is used to capture strategic and operational risks. The system is also used to identify key controls and actions associated with each risk. Key forms of assurance on risk controls can be uploaded to the system and can be accessed by our Internal Auditors in support of our internal audit process.

All new projects and business opportunities are individually reviewed and appraised as part of the our approach to managing strategic risks and are reported to board before any new commitments are entered into. Stress testing and sensitivity analysis is a key part of our approach to assessing individual risks and the controls that need to be put in place.

The register of strategic risks is reviewed quarterly by the Audit & Risk Committee and the Group Board. The risks identified in the table below have been identified as being the most significant risks facing the organisation at the present time.

Principal risks and uncertainties

The risks identified below are those which the Board and Executive team see presenting the greatest potential impact to our business and the achievement of the organisations business plan objectives.

Risk/opportunity	Causes and impact	Principal mitigations	Key control assurances
Delivery of Development and Sales Programme The group aims to provide approximately 4,000 new homes over the next five years across a range of different tenure types	**Cause** ▸ A downturn in the housing and sales market ▸ Increases in the cost and availability of labour and materials ▸ Availability of land **Impact** ▸ Business Plan (BP) targets could be missed ▸ Adverse impact on cash flow if sales aren't achieved in line with the approved Business Plan ▸ Reputational damage ▸ Not being able to maintain Strategic Partnership with Homes England	▸ The Business Plan is based on prudent development and sales assumptions, which are independently reviewed by external advisors ▸ Development scheme commitments are phased to ensure the programme is not over committed at any one time ▸ The Business Plan is extensively stress tested in respect of development and sales. Latest plan has been stress tested using the Bank of England disorderly and disruptive Brexit scenarios ▸ Flexibility exists to amend scheme profiles in terms of conversion of sales properties to rent ▸ A proportion of the schemes already have agreed prices up to 18 months in advance.	▸ Development Strategy and Land Acquisition Strategy approved at Group Board ▸ Development and Sales programme performance better than budget for the last three years. ▸ Exception reporting to the Development Committee on a quarterly basis
Health and Safety Managing areas such as fire risk, gas and electrical safety, legionella and asbestos	**Cause** ▸ Failure of systems and policies ▸ Failure to comply with legislation and regulations ▸ Poor contractor performance **Impact** ▸ Injury or fatality to customer, contractor or employees ▸ Criminal proceedings against Group or individual ▸ Reputation damage ▸ Financial loss/Fines ▸ Regulator action/governance downgrade	▸ Annual review and update of key H&S Policies ▸ Close management and supervision given to contracts that cover this area ▸ Professional contractors engaged to provide specialist services where needed ▸ Regular and continuous KPI reporting to Group Board	▸ Key focus of Internal Audit programme ▸ Internal H&S Team provide internal verification on areas of property compliance

Risk/opportunity	Causes and impact	Principal mitigations	Key control assurances
Capacity of ICT to meet internal growth and change aspirations, external threats e.g. Cyber Attacks	**Cause** ▸ ICT strategy not developed with BP and Group strategy ▸ ICT capacity and resources to meet requirements ▸ Cyber-attacks, hacking, crypto locking and ransom ware **Impact** ▸ Systems not developed to meet the Groups needs ▸ Not keeping up with IT developments and innovative working methods ▸ Loss of ICT systems ▸ Unable to provide services to customers	▸ ICT Strategy is aligned to Group vision and Business Plans ▸ ICT Policies and procedures in place and training of staff ▸ Firewalls, anti-virus software, passwords and restrictions all monitored by ICT ▸ Data Controller in place and work of Governance Team	▸ Regular reporting and review of Board on ICT Strategy ▸ Penetration testing, and business continuity testing ▸ Cyber Plus accreditation held
Government Policy Uncertainty of government policy, Brexit implications, and economic conditions	**Cause** ▸ Failure to anticipate and be responsive to changes in government policy **Impact** ▸ BP assumptions and strategies could become outdated or obsolete	▸ Engagement and horizon scanning by the Executive Leadership Team and Board to ensure key issues can be anticipated ▸ BP modelled with various adverse scenarios to ensure financial robustness going forward under various strategies and government policies	▸ Rent collection performance has improved significantly over the last five years
Implementation of the Microsoft Dynamics platform across the whole Group	**Cause** ▸ Availability of skilled resources ▸ Ineffective scoping out of the service design for each business area ▸ Not undertaking appropriate testing ▸ Poor staff training **Impact** ▸ Loss of ICT systems ▸ Unable to provide services to customers in line with expectations ▸ Cost overruns	▸ Comprehensive service design for each business area before work starts on MS Dynamics ▸ Training for staff as part of user acceptance training ▸ Internal resources being developed within ICT to focus on MS Dynamics	▸ Regular independent reporting to Board on progress against project plan

Internal Controls Assurance

The Board acknowledges that it is ultimately responsible for ensuring that there is an effect and appropriate system of internal controls in place. The system of internal control is designed to manage risk and to provide reasonable assurance on the controls that are in place in relation to the delivery of the Group's strategic objectives and continuing day to day operations. The system of internal control has also been designed to provide reasonable assurance on the preparation and reliability of financial and operational information and the safeguarding of the organisations Assets.

The Board understands our internal controls system is designed to manage appropriately, rather than eliminate all risks from our business and that no system of internal control can provide absolute assurance or remove all risks from the business.

The Audit & Risk Committee support the Board in overseeing the adequacy and effectiveness of the system of internal controls that are in place.

The Board and Audit & Risk Committee receive an independent assessment on the overall effectiveness and quality of the internal control system in place during the year by the Group's Internal Auditors – KPMG. The internal audit programme for 2018/19 undertaken by KPMG was developed through meetings with Board members and senior staff, a review of the Group's Strategic risk register and through specific risks identified by KPMG.

Review of Internal Controls

As part of their annual report on internal controls to the Audit & Risk Committee, KPMG have confirmed that the Group has an appropriate system of internal controls in place for the financial year ending 31 March 2019. All internal audit recommendation were categorised as either low or medium with no high risk ratings applied.

No weaknesses were found in the internal controls framework 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. In reviewing the Group's compliance with all relevant laws and regulations, no breaches were identified.

Corporate Governance

The Group is committed to achieving and maintaining the highest standards of corporate governance in the delivery of the Group's Business Plan objectives and management of risk.

The Group's governance structure incorporates a co-terminous Board, known as the Homes Board, which brings together the Boards of all three Group member companies, L&H Homes, Spire Homes and Friendship Care and Housing. The co-terminous Board structure, which is tried and tested in the sector, creates a platform for collaborative working, driving good practice, innovation and efficiency across the Group, whilst respecting local need and priorities.

Compliance with Governance and Financial Viability Standard

The Board have reviewed the requirements of the Governance and Financial Viability Standard and can confirm that the Group is fully compliant with the requirements of the Standard

Compliance with Governance Code

Longhurst Group continues to follow best practice with regard to corporate governance and has adopted the National Housing Federation's 'Code of Governance: promoting board excellence for housing associations 2015'. The Group has undertaken a detailed self-assessment against the Code during the year and complies with the provisions of the Code.

Employees

The Group places considerable value on the involvement of its employees and continues to keep staff informed on matters involving them as employees and the performance of the Group. This is achieved through regular formal and informal meetings, briefings and the intranet.

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.

Board members

The members of the Board who served during the year and their remuneration were as follows:

	Remuneration 2018/19	Longhurst Group Board	Homes Board	Libra 1&2 and Finance & Treasury Committee	Keystone Board	Development Committee	Audit and Risk Committee	Remuneration & Nominations Committee
Robert Wilson	£20,000	👤						✓
Patricia Brandum	£12,000	✓			👤 To 30 June 2019	👤	✓	
Clive Barnett Resigned 1 July 2019	£8,500	✓		👤 To 1 July 2019				
Daniel Elkins Resigned 1 July 2019	£8,500	✓						👤 To 1 July 2019
Stephen Wenham	£12,000	✓	👤 To 30 June 2019			✓		👤 From 1 July 2019
Julie Doyle Executive member		✓			✓			
Hilary Lindsay	£8,500	✓						
Jenny Brown Appointed 7 July 2018		✓					👤 From 25 July 2019	✓
Gabriel Behr Appointed 7 July 2018		✓			✓	✓		
Angie Morris Appointed 7 July 2018		✓		✓				✓
Patricia Stanley		✓						
Parmjit Dhanda	£7,000	✓					✓	✓

✓ Member 👤 Chair

Auditor's Report

Independent Auditor's Report to the Members of Longhurst Group Limited

We have audited the financial statements of Longhurst Group Limited (the Association) and its subsidiaries (the Group) for the year ended 31 March 2019 which comprise the consolidated and Association Statement of Comprehensive Income, the consolidated and Association Statement of Financial Position, the consolidated and Association Statement of Changes in Reserves, the consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2019 and of the Group's income and expenditure and the Association's 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 Co-operative and Community Benefit Societies Act 2014, the Cooperative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report to you in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 or 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; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 8, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Group's and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's web—site at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Association, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association 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 Association for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

BEEVER AND STRUTHERS
Statutory Auditor
St George's House
215/219 Chester Road
Manchester M15 4JE

Date: 30. 8. 19

Financial Statements

Statement of comprehensive income

	Notes	Year ended 31 Mar 2019		Year Ended 31 Mar 2018	
		Consolidated £'000	Parent Company £'000	Consolidated £'000	Parent Company £'000
Turnover	2	167,361	13,200	145,602	10,067
Cost of sales	2	(35,492)	–	(26,849)	–
Operating expenditure	2	(82,756)	(13,090)	(73,079)	(9,864)
Gain on disposal of property, plant and equipment (fixed assets)	6	1,550	–	1,324	–
Operating surplus		50,663	110	46,998	203
Interest receivable		471	4	53	2
Interest and financing costs	7	(29,254)	(109)	(24,591)	(24)
Increase in valuation of investment properties		13	–	(21)	–
Negative Goodwill	32	–	–	4,568	–
Surplus before tax	8	21,893	5	27,007	181
Taxation	9	(142)	(92)	(416)	–
Surplus for the year after tax		21,751	(87)	26,591	181
Other Comprehensive Income					
Initial recognition of multi– employer defined benefit pension scheme	12	(9,481)	(2,505)	–	–
Actuarial gain/(loss) in respect of pension schemes	12	(4,659)	(339)	188	0
Total comprehensive income for the year		7,611	(2,931)	26,779	181

The financial statements on pages 34 to 37 were approved and authorised for issue by the Board on 25 July 2019 and were signed on its behalf by:

Board member	Board member	Secretary
Bob Wilson	Pat Brandum	Rachel Challinor

The consolidated and parent results relate wholly to continuing activities and the notes on pages 40 to 79 form an integral part of these accounts.

Statement of financial position

	Notes	Year ended 31 Mar 2019		Year Ended 31 Mar 2018	
		Consolidated £'000	Parent Company £'000	Consolidated £'000	Parent Company £'000
Fixed assets					
Tangible fixed assets	13	1,122,890	685	1,077,929	542
Investment properties	14	8,377	—	5,472	—
Investment in subsidiaries	15	—	100	—	50
		1,131,267	785	1,083,401	592
Current assets					
Stock	16	26,717	—	31,114	—
Trade and other debtors	17	8,136	1,439	8,076	1,077
Cash and cash equivalents	18	43,278	79	15,650	398
		78,131	1,518	54,840	1,475
Less: Creditors: amounts falling due within one year	19	(41,354)	(1,324)	(37,567)	(1,436)
Net current assets		36,777	195	17,273	39
Total assets less current liabilities		1,168,044	979	1,100,674	631
Creditors: amounts falling due after more than one year	20(a)	(885,809)	(4,658)	(853,190)	(1,379)
Provisions for liabilities					
Pension provision	12	(29,333)	0	(3,224)	0
Total net assets/(liabilities)		252,902	(3,679)	244,260	(748)
Reserves					
Non — equity share capital	30	—	—	—	—
Income and expenditure reserve		140,250	(3,679)	131,282	(748)
Revaluation reserve		137,204	—	138,562	—
Cashflow hedge reserve		(25,552)	—	(26,584)	—
Restricted reserve		1,000	—	1,000	—
Total reserves		252,902	(3,679)	244,260	(748)

The financial statements on pages 34 to 37 were approved and authorised for issue by the Board on 25 July 2019 and were signed on its behalf by:

Board member	Board member	Secretary
Bob Wilson	Pat Brandum	Rachel Challinor

The notes on pages 40 to 79 form an integral part of these accounts.

Consolidated statement of changes in reserves

Group	Income and expenditure reserve £'000	Restricted reserve £'000	Cashflow hedge reserve £'000	Revaluation reserve £'000	Total £'000
Balance at 31 March 2018	131,282	1,000	(26,584)	138,563	244,261
Surplus from Statement of Comprehensive Income	7,611	–	–	–	7,611
Transfer of depreciation	1,359	–	–	(1,359)	–
Fair value movement on financial derivative	–	–	1,032	–	1,032
Balance at 31 March 2019	**140,252**	**1,000**	**(25,552)**	**137,204**	**252,902**

The notes on pages 40 to 79 form an integral part of these accounts.

Parent company statement of changes in reserves

Parent Company	Income and expenditure reserve £'000
Balance at 31 March 2018	**(748)**
Deficit from Statement of Comprehensive Income	(2,931)
Balance at 31 March 2019	**(3,679)**

The notes on pages 40 to 79 form an integral part of these accounts.

Consolidated statement of cashflows

	Year ended 31 Mar 2019 £'000	Year Ended 31 Mar 2018 £'000
Net cash generated from operating activities	68,718	54,117
Cash flow from investing activities		
Purchase of tangible fixed assets	(73,545)	(57,811)
Proceeds from sale of tangible fixed assets	6,828	6,091
Grants received	8,063	1,785
Interest received	1,078	971
Acquisition of Axiom Housing Association	0	1,309
Tax paid	(395)	(416)
	(57,971)	(48,071)
Cash flow from financing activities		
Interest paid	(27,851)	(25,434)
New secured loans	169,000	36,925
Repayment of borrowings	50	—
	(124,318)	(12,113)
Net change in cash and cash equivalents	27,628	5,424
Cash and cash equivalents at beginning of the year	15,650	10,226
Cash and cash equivalents at end of the year	43,278	15,650

Note i		
Cash flow from operating activities		
Surplus for the year	21,843	26,779
Adjustments for non—cash items:		
Depreciation of tangible fixed assets	17,211	15,823
Amortisation of intangible assets	(2,766)	(2,323)
Negative goodwill	—	(4,568)
Impairment charges	684	—
Decrease in stock	4,611	(3,685)
Increase in trade and other debtors	(836)	(2,045)
Increase in trade and other creditors	2,221	2,838
Decrease in provisions	(314)	—
Pension costs less contributions payable	(1,776)	(1,856)
Adjustments for investing or financing activities:		
Proceeds from the sale of tangible fixed assets	(1,418)	(1,370)
Movement on valuation of investment properties	13	21
Interest payable	30,092	25,455
Interest received	(847)	(952)
Net cash generated from operating activities	68,718	54,117

The notes on pages 40 to 79 form an integral part of these accounts.

Notes to the financial statements for the year ended 31 March 2019

Legal Status

Longhurst Group Limited is incorporated in England under the Co-operative and Community Benefit Society Act 2014 (No. 8009) and is registered with the Regulator for Social Housing as a Private Registered Provider of Social Housing by the Housing and Regeneration Act 2088, (registration number L4277). The registered office is 50 Newhall Hill, Birmingham, B1 3JN.The registered office is 50 Newhall Hill, Birmingham, B1 3JN.

1 Principal Accounting Policies

Basis of Accounting

The Group's financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2014. Longhurst Group is a Public Benefit Entity and the financial statements have been prepared in compliance with FRS102.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The accounts are prepared on the historical cost basis of accounting as modified by the revaluation of investment properties and the deemed cost adoption of a section of housing properties and are presented in sterling £ (rounded to the nearest £'000).

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS102:

- No cash flow statement has been prepared for the parent company.

Basis of consolidation

The consolidated financial statements incorporate the results of Longhurst Group Limited and all of its subsidiary undertakings as at 31 March 2019.

Going concern

The Group's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. The consolidated Group have total net assets of £244,260k at the balance sheet date; however the parent company has net liabilities of £748k at this date. The directors consider the use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast doubt about the ability of the parent company to continue as a going concern.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

a *Development expenditure*
The Group capitalises development expenditure in accordance with the accounting policy described on page 45. Initial capitalisation of costs is based on management's judgement that development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

b *Categorisation of housing properties*
The Group has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Group has considered if the asset is held for social benefit or to earn commercial rentals. The Group has determined that market rented property are investment properties.

c *Impairment.*
The Group has identified a cash generating for impairment assessment purposes at a property scheme level.

Other key sources of estimation and assumptions:

a *Tangible fixed assets*
Other than investment properties, tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the

assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

b *Revaluation of investment properties.*
The Group carries its investment property at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. The Group engaged independent valuation specialists to determine fair value at 31 March 2019. The valuer used a valuation technique based on a discounted cash flow model. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in note 14.

c *Pension and other post-employment benefits.*
The cost of defined benefit pension plans and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector. Further details are given in note 12.

d *Impairment of non-financial assets.*
Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified. During the year no trigger to necessitate an impairment review has occurred and no impairment losses were identified in the reporting period.

e *Accounting for the Social Housing Pension Scheme ('SHPS').*
The Board's view, is that the difference between the deficit funding agreement previously recognised in relation to SHPS, and the net defined benefit deficit, should be recognised in Other Comprehensive Income. The relevant date to apply the adjustment is judged to be 1 April 2018, as TPT Retirement Solutions does not have data to provide sufficient information before the date 31 March 2018. The Board's view is consistent with the guidance issued in FRED 71 and the subsequent update to FRS 102 issued on the 22nd May 2019.

Turnover and revenue recognition

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and Homes England, income from the sale of shared ownership and other properties developed for outright sale and other income and are recognised in relation to the period when the goods or services have been supplied. Rental income is recognised when the property is available for let, net of voids. Income from property sales is recognised on legal completion. Floating Support Income is recognised under the contractual arrangements.

Floating Support income and costs
Floating Support contract income received from Administering Authorities is accounted for as Floating Support income in the Turnover as per note 2. The related support costs are matched against this income in the same note. Support charges included in the rent are included in the Statement of Comprehensive Income from social housing lettings note 3 and matched against the relevant costs.

Service charges
Service charge income and costs are recognised on an accruals basis. The Group operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position. Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within creditors.

Loan interest costs
Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and amount of maturity of the related loan.

Loan finance issue costs
These are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income account in the year in which the redemption took place.

Financial Instruments

Initial measurement
Financial Assets and liabilities are initially measured at fair value (including transaction costs and liabilities not measured at fair value through the Statement of Comprehensive Income).

Measurement subsequent to initial recognition
Subsequently, financial assets and liabilities (including derivatives) are measured at fair value, with the following exceptions;

- Loans and receivable, held to maturity and non-derivative financial liabilities where measured at amortised cost using the effective interest method.
- Financial assets and liabilities that are designated as a hedged item are subject to measurement under the hedge accounting requirements of FRS 102.
- Fair value is determined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. To calculate fair value, the group uses:
- Where they exist, quoted market prices in an active market to measure the financial instrument.
- If a market for a financial instrument is not active or freely available, the group will use a valuation technique which makes reference to current fair value of another instrument which is substantially the same.

Hedge accounting
Hedge accounting is applied to financial assets and liabilities for the group where a hedging relationship qualifies for hedge accounting and if the following conditions in section 12.18 of FRS 102 are met:

- The hedging relationship consists of only a hedged item and a hedged risk
- The hedging relationship is consistent

with the Group's approved Treasury Management strategy.

- There is an economic relationship between the hedged item and hedged instrument.
- Clear documentation is in place on the risk being hedged and the hedged item and hedging instrument are clearly identified.

Hedging Instruments

A hedging instrument is defined as an instrument where the fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item.

Hedged items

A hedged item is one which exposes the Group to the risk of changes in the fair value or future cash flows and is designated as being hedged. A hedged item can be a single or group of recognised assets or liabilities, a firm commitment or a highly probable future event.

Hedge effectiveness

The Group assesses hedge effectiveness both retrospectively and prospectively. To qualify for hedge accounting, the hedged item must be expected to be highly effective in offsetting the cumulative changes in the cashflow or fair value of the hedged risk.

Accounting treatment – cash flow hedges

Where the Group hedges its exposure to variability in cash flows that are attributable to a specific risk associated with a recognised asset or liability (such as all or a proportion of future interest payments on variable debt) or a highly probable forecast transaction and could offset profit or loss.

A cash flow hedge is accounted for as follows:

- The portion of the gain or loss on the hedging instrument which is determined to be effective will be recognised in other comprehensive income and accumulated in the cash flow hedge reserve.
- The ineffective element of the gain or loss on the hedging instrument will be recognised in interest payable in the Statement of Comprehensive Income.

In a cash flow hedge, if the hedged future cash flows are no longer expected to occur, the amount that has been accumulated in the cash flow hedge reserve is reclassified from the cash flow hedge reserve to profit or loss immediately.

If the hedged future cash flows are still expected to occur, the cumulative gain or loss in the cash flow reserve is accounted for as follows:

i If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group will remove that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or liability;

ii For cash flow hedges other than those covered by (i), that amount will be reclassified from the cash flow hedge reserve to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss (for example, in the periods that interest income or interest expense is recognised or when a forecast sale occurs); and

iii If the amount is a loss, and all or part of that loss is not expected to be recovered, the amount of the loss not expected to be recovered will be reclassified to profit or loss immediately.

Financial instruments

Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

Commitments to receive or make a loan to another entity which meet the conditions in para 11.8(c) of FRS 102 are measured at cost less impairment.

Investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are measured at:

- Fair value with changes in fair value recognised in profit or loss if the shares are publicly traded or their value can otherwise be measured reliably,
- At cost less impairment for all other such investments.

Financial instruments held by the Group are classified as follows:

- Financial assets such as cash, current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method,
- Financial liabilities such as bonds and loans are held at amortised cost using the effective interest method
- Loans to or from subsidiaries including those that are due on demand are held at amortised cost using the effective interest method,
- Commitments to receive or make a loan to another entity which meet the conditions above are held at cost less impairment,
- An investment in another entity's equity instruments other than non-convertible preference shares and non-puttable ordinary and preference shares are held at fair value,
- Derivatives such as interest rate swaps are classified as financial assets or financial liabilities at fair value.

Financial assets and financial liabilities at fair value are classified using the following fair value hierarchy:

a The best evidence of fair value is a quoted price in an active market.

b When quoted prices are unavailable, the price of a recent transaction for an identical asset, adjusted to reflect any circumstances specific to the sale, such as a distress sale, if appropriate.

c Where there is no active market or recent transactions then a valuation technique is used to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit and loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Value Added Tax

The Group 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.

Tangible fixed assets and depreciation

Housing properties

Tangible fixed assets are stated at cost, less accumulated depreciation. Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on 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 UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred. The Group depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories. UEL's identified components are as follows:

	Years
Structure	120
Roof	60–80
Windows	20–30
Electricals, bathrooms, windows & doors	20–40
Kitchen	20
Heating & lifts	15

The association depreciates housing properties held on long term leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Depreciation is charged on other tangible fixed assets on a straight-line basis over the expected economic useful lives which are as follows:

	% per annum on cost
Freehold offices	1%
Fixtures and fittings	15–25%
Motor vehicles	25%

Low cost home ownership properties

The costs of low cost home 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 the 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.

Capitalisation of interest and administration costs

Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress. Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into their intended use.

Property managed by agents

Where the Group carries the majority of the financial risk on property managed by agents, income arising from the property is included in the Statement of Comprehensive Income. Where the agency carries the majority of the financial risk, income includes only that which relates solely to the Group. In both cases, the assets and associated liabilities are included in the Group's Statement of Financial Position.

Leasing

Payments for operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the term of the lease.

Investment property

Investment property includes commercial and other properties not held for social benefit. Investment property is measured at cost on initial recognition, which includes purchase cost and any directly attributable expenditure, and subsequently at fair value at the reporting date. Fair value is determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive income.

Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Investments in unlisted company shares, which have been classified as fixed asset investments as the Group intends to hold them on a continuing basis, are re-measured to market value at each balance sheet date. Gains and losses on re-measurement are recognised in profit or loss for the period.

Current asset investments

Current asset investments include cash and cash equivalents recognised at cost.

Stock and properties held for sale

Properties developed for outright sale are included in current assets as they are intended to be sold, at the lower of cost or estimated selling price less costs to complete and sell. At each reporting date, stock and properties held for sale are assessed for impairment. If there is evidence of impairment, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in Statement of Comprehensive Income.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Non-government grants

Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. Where grant is received with specific performance requirements it is recognised as a liability until the conditions are met and then it is recognised as Turnover.

Social Housing and other government grants

Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. SHG must be recycled by the Group 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 Homes England. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover. In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

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 used to fund the acquisition of new properties, where recycled grant is known to be repayable it is shown as a creditor within one year.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Retirement benefits

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

Revaluation Reserve

The revaluation reserve represents the difference on transition between the fair value of social housing properties and the historical cost carrying value, where deemed cost transitional relief was taken.

Loan Prepayment Clause

The Group's debt has been treated as "basic" in accordance with paragraphs 11.8 and 11.9 of FRS 102. The Group has some fixed rate loans which have a two way break clause (i.e. in addition to compensation being payable by a borrower to a lender if a loan is prepaid where the prevailing fixed interest rate is lower than the existing loan's fixed rate, compensation could be payable by the lender to the borrower in the event that a loan is prepaid and the prevailing fixed rate is higher than the existing loan's fixed rate).

The Financial Reporting Council (FRC) issued a statement on 2 June 2016 in respect of such loans with no prescriptive direction as to whether they should be classified as "basic" or "non-basic". On the grounds that the Group believes the recognition of each liability at cost provides a more transparent and understandable position of the Group's financial position and that each loan still satisfies the requirements of paragraphs 11.8 and 11.9 of FRS 102, the Group has retained its "basic" treatment of its debt following the FRC announcement.

2(a) Turnover, cost of sales, operating expenditure and operating surplus

Group	2019 Turnover	Cost of sales	Operating costs	Operating surplus
	£'000	£'000	£'000	£'000
Social housing lettings (note 3a)	111,170	–	(72,678)	38,492
Other social housing activities				
First tranche low cost home ownership sales	20,107	(13,405)	–	6,702
Charges for support services	607	–	(529)	78
Supporting people	3,476	–	(3,309)	167
Development services	2,090	–	(1,401)	689
Managed associations	4,462	–	(3,842)	620
Other activities	932	–	(241)	691
Activities other than social housing				
Lettings (Note 3b)	406	–	(53)	353
Properties developed for outright sale	23,970	(22,087)	–	1,883
Other	141	–	(703)	(562)
Total	**167,361**	**(35,492)**	**(82,756)**	**49,113**

	2018			
	£'000	£'000	£'000	£'000
Social housing lettings (note 3a)	102,399	–	(63,881)	38,518
Other social housing activities				
First tranche low cost home ownership sales	13,486	(10,543)	–	2,943
Charges for support services	628	–	(508)	120
Supporting people	3,530	–	(3,100)	430
Development services	1,712	–	(971)	741
Managed associations	2,846	–	(2,801)	45
Other activities	978	–	(101)	877
Activities other than social housing				
Lettings (Note 3b)	375	–	(39)	336
Properties developed for outright sale	18,337	(16,306)	–	2,031
Other	1,311	–	(1,678)	(367)
Total	**145,602**	**(26,849)**	**(73,079)**	**45,674**

2(b) Turnover, cost of sales, operating expenditure and operating surplus

Parent company	2019 Turnover £'000	2019 Operating costs £'000	2019 Operating surplus £'000
Activities other than social housing			
Development	**2,351**	**(2,264)**	**87**
General Management	**3,290**	**(3,537)**	**(247)**
Health & Safety	**357**	**(337)**	**20**
IT	**2,618**	**(2,640)**	**(22)**
Marketing	**561**	**(511)**	**50**
Human Resources	**1,207**	**(1,083)**	**124**
Group Financial Services	**2,029**	**(2,086)**	**(57)**
Sales	**690**	**(632)**	**58**
Other	**97**	**—**	**97**
Total	**13,200**	**(13,090)**	**110**

	2018 £'000	2018 £'000	2018 £'000
Activities other than social housing			
Development	1,632	(1,405)	227
General Management	2,773	(2,777)	(4)
Health & Safety	307	(273)	34
IT	1,774	(2,062)	(288)
Marketing	555	(481)	74
Human Resources	940	(958)	(18)
Group Financial Services	1,667	(1,613)	54
Sales	315	(295)	20
Other	104	—	104
Total	**10,067**	**(9,864)**	**203**

3(a) Turnover and operating expenditure from social housing lettings

Group	General housing	Supported housing & housing for older people	Low cost home ownership	Care homes	Total 2019	Total 2018
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Rent receivable net of identifiable service charge and voids	78,518	6,187	4,013	2,421	91,139	86,046
Service charge income	3,534	4,594	350	3,090	11,568	9,662
Amortised government grants	2,312	225	142	90	2,769	2,665
Other grants	0	309	0	4,153	4,462	2,869
Other income from social housing lettings	1	188	206	837	1,232	1,157
Total turnover from social housing lettings	84,365	11,503	4,711	10,591	111,170	102,399
Operating expenditure						
Management	14,873	3,478	626	1,375	20,352	14,901
Service charge costs	3,976	4,548	186	8,945	17,655	14,943
Routine maintenance	9,490	807	17	165	10,479	10,941
Planned maintenance	5,295	465	1	92	5,853	5,926
Major repairs expenditure	1,131	(136)	0	(22)	973	1,563
Bad debts	495	43	(2)	21	557	602
Depreciation of housing properties	13,824	1,322	493	433	16,072	14,946
Impairment of housing properties	—	—	—	684	684	—
Other costs	53	—	—	—	53	59
Operating expenditure on social housing lettings	49,137	10,527	1,321	11,693	72,678	63,881
Operating surplus/(deficit) on social housing lettings	35,228	976	3,390	(1,102)	38,492	38,518
Void losses[1]	888	439	1	214	1,542	1,095

1 Being rental income lost as a result of property not being let, although it is available for letting

3(b) Turnover from activities other than social housing

Lettings	2019	2018
	£'000	£'000
Market Renting	366	375
Total	366	375

4 Accommodation owned, managed and in development

	2019 Number of properties		2018 Number of properties	
	Owned	Managed	Owned	Managed
Social housing				
Under development at end of year				
General needs housing social rent	2	—	4	—
General needs housing affordable rent	324	—	298	—
General needs housing intermediate rent	102	—	249	—
Market Rent	38	—	26	—
Low-cost home ownership	420	—	501	—
Deferred equity	8	—	8	—
Help to Buy	—	—	—	—
Outright sale	57	—	453	—
Extra care – rented	60	—	60	—
	1,011	—	1,599	—
Under management at end of year				
General needs	15,404	150	15,210	152
Intermediate rent	668	13	553	13
Affordable rent	1,016	0	824	—
Supported housing	526	0	520	9
Care homes	96	0	96	—
Housing for older people	1,255	0	1,253	—
Low-cost home ownership	1,864	33	1,653	34
Leasehold schemes for the elderly	1,497	181	1,482	182
Social leased 100% (freehold retained)	381	—	388	—
	22,707	377	21,979	390
	23,718	377	23,578	390
Non-Social Housing				
Under management at end of year:	0	—	—	—
Market rent	71	—	53	—
	71	—	53	—
	23,789	377	23,631	390

5 Accommodation managed by others

Longhurst Group owns property managed by other bodies.

	2019 Number of properties	2018 Number of properties
General Needs	**41**	41
Market Rent	**65**	47
Supported housing and housing for older people	**102**	105
Intermediate Rent	**6**	4
Residential care homes	**5**	5
	219	202

6 Gain/(loss) on disposal of property, plant and equipment (fixed assets)

	Right to Buy & Voluntary Sales	Shared Ownership Staircasing Sales	Total 2019	Total 2018
Proceeds of sales	2,992	3,750	**6,828**	6,172
Less: Costs of sales	(2,777)	(2,501)	**(5,278)**	(4,848)
(Deficit)/surplus	243	1,249	**1,550**	1,324
Capital grant recycled (Note 22)	301	385	**886**	890
Disposal proceeds fund (Note 23)	—	—	**—**	—
	486	385	**886**	890

7 Interest and financing costs

	Group		Parent company	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Deferred benefit pension charge	**640**	274	**109**	24
On loans repayable within five years	**6,255**	7,701	**0**	–
On loans wholly or partly repayable in more than five years	**23,569**	18,333	**0**	–
Costs associated with financing	**2,211**	1,065	**–**	–
	32,675	27,373	**109**	24
Less: interest capitalised on housing properties under construction	**(3,421)**	(2,782)	**–**	–
	29,254	24,591	**109**	24

The weighted average interest on borrowings of 4.925% (2018: 5.17%) was used for calculating capitalised finance costs.

8 Surplus/(deficit) on ordinary activities

	Group		Parent company	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
The operating surplus is stated after charging/(crediting):				
Auditor's remuneration (excluding VAT):				
Audit of the group financial statements	**15**	16	**15**	16
Audit of Subsidiaries	**78**	69	**–**	–
Fees payable to the company's auditor and its associates for other services to the group:	**48**	25	**0**	0
Operating lease rentals:				
‣ Motor Vehicles	**770**	574	**424**	246
‣ Land and buildings	**162**	84	**–**	–
‣ Office equipment	**54**	70	**8**	14
Impairment losses of housing properties	**–**	–	**–**	–
Depreciation of housing properties	**16,071**	14,926	**–**	–
Depreciation of other fixed assets	**1,297**	1,125	**367**	312
Amortisation of government grants	**2,769**	2,665	**–**	–
Surplus on sale of other fixed assets	**1,676**	1,397	**–**	–

9 Tax on surplus/(deficit) on ordinary activities

	Group		Parent company	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Current tax				
UK corporation tax on surplus for the year	**163**	416	**92**	–
Tax on surplus on ordinary activities	**163**	416	**92**	–
Deferred tax	**–**	–	**–**	–
Adjustments to tax charge in respect of prior periods	**(21)**	–	**–**	–
	142	416	**92**	–

The tax assessed in the year is lower than the standard rate of corporation tax in the United Kingdom at 19% (2018: 19%). The differences are explained as follows:

Total tax reconciliation	Group		Parent company	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Surplus on ordinary activities before tax	**21,893**	27,007	**–**	181
Theoretical tax at UK corporation tax rate 19% (2018: 19%)	**4,160**	5,131	**–**	34
• Profits arising in non-taxable charitable entities	**(4,089)**	(4,715)	**–**	–
• Expenses not deductible for tax purposes	**–**	–	**–**	–
• Other short term timing differences	**–**	–	**–**	–
• Increase in losses carried forward	**–**	–	**–**	–
• Movement on deferred tax other fixed assets and short term timing differences	**(92)**	–	**–**	(34)
• Marginal relief	**–**	–	**–**	–
• Group relief surrendered free of charge	**–**	–	**–**	–
Current tax charge for the period	**163**	416	**–**	–

10(a) Key management personnel – Group

	2019 **£'000**	2018 £'000
The aggregate emoluments paid to or receivable by non-executive directors and former non-executive directors	**127**	121
The aggregate emoluments paid to or receivable by executive directors and former executive directors	**1,163**	1,000
The aggregate amount of directors' or past directors' pensions, excluding amounts payable under a properly funded pension scheme	**–**	–
The aggregate amount of any consideration payable to directors for loss of office	**–**	–
The emoluments paid to the highest paid director excluding pension contributions Chief Executive – 2019: Ms J Doyle (2018: Ms J Doyle)	**229**	203

Key management personnel are defined as Board Members, the Chief Executive and other members of the Group Executive Team. Members of this Executive Team, including the Chief Executive, are directors on behalf of all Group operating companies and are employed and paid via Longhurst Group (parent company).

10(b) Key management personnel – parent company

	2019 **£'000**	2018 £'000
The aggregate emoluments paid to or receivable by non-executive directors and former non-executive directors	**76**	81
The aggregate emoluments paid to or receivable by executive directors and former executive directors	**1,163**	1,000
The emoluments paid to the highest paid director excluding pension contributions Chief Executive – 2018: Ms J Doyle (2017: Ms J Doyle)	**229**	203
The aggregate amount of directors' or past directors' pensions, excluding amounts payable under a properly funded pension scheme	**–**	–
	30	–

The Chief Executive (Ms J Doyle) is an ordinary member of the pension scheme. The pension scheme is a Care 1/60th scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements. A contribution by the Company of £12,537 was paid in addition to the personal contributions of the Chief Executive.

Key management personnel are defined as Board Members, the Chief Executive and other members of the Group Executive Team. Members of this Executive Team, including the Chief Executive, are directors on behalf of all Group operating companies and are employed and paid via Longhurst Group (parent company).

11 Employee information

	Group		Parent company	
	2019	2018	**2019**	2018
	Number	Number	**Number**	Number
The average number of persons employed during the year expressed in full time equivalents (36.25 hours per week) was:				
Office based	**430**	439	**182**	159
Site based	**540**	535	**2**	2
	970	974	**184**	161

Staff costs (for the above persons)	**£'000**	£'000	**£'000**	£'000
Wages and salaries	**26,979**	24,262	**7,324**	5,774
Social Security costs	**2,197**	2,004	**741**	588
Other pension costs	**1,848**	894	**347**	255
	31,024	27,160	**8,412**	6,617

Aggregate number of full time equivalent staff whose remuneration exceeded £60,000 in the period:	**Number**	Number	**Number**	Number
£60,000–£70,000	**9**	8	**6**	3
£70,000–£80,000	**5**	6	**2**	3
£80,000–£90,000	**4**	1	**2**	—
£90,000–£100,000	**5**	5	**3**	4
£100,000–£110,000	**1**	1	**1**	—
£110,000–£120,000	**1**	—	**1**	—
£120,000–£130,000	**0**	—	**—**	—
£130,000–£140,000	**3**	3	**2**	2
£140,000–£150,000	**1**	3	**1**	2
£150,000–£160,000	**2**	—	**2**	—
£160,000–£170,000	**0**	—	**—**	—
£170,000–£180,000	**0**	1	**0**	1
£180,000–£190,000	**0**	—	**1**	—
£190,000–£200,000	**1**	—	**1**	—
£200,000–£210,000	**0**	—	**—**	—
£210,000–£220,000	**0**	1	**0**	1
£220,000–£230,000	**0**	—	**—**	—
£230,000–£240,000	**0**	0	**0**	0
£240,000–£250,000	**1**	—	**1**	
	33	29	**23**	16

12 Pension obligations

Social Housing Pension Scheme and Pensions Trust Growth Plan

Longhurst Group participates in the Social Housing Pension Scheme (SHPS). This scheme is a multi-employer, last man standing, defined benefit scheme which is contracted out of the state scheme. Longhurst Group operates a final salary with a 1/60 accrual rate and the career average re-valued earning with a 1/60 accrual rate benefit for active members as at 1 April 2007. For new entrants to the scheme from 1 April 2007, the career average re-valued earnings structure was the only option available. During the year under review, Longhurst Group paid contributions at the rate of 6.45% for the final salary scheme and 6.65% for the career average scheme, plus a monthly lump sum to fund past deficit amounts. Contributions by members varied between 8.45% and 14.55% depending on their age and which scheme they are in. At the balance sheet date there were 100 active members of the scheme employed by Longhurst Group and the scheme remains open to new members.

From the 1 July 2019, staff will be moved to a new Career average defined benefit scheme through SHPS based on a 1/80th accrual rate. No future benefit will be accrued under the career average 1/60th or final salary 1/60th.

The trustee commissions an actuarial valuation of the scheme every three 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 2017 by a professionally qualified actuary using the Projected Unit Method.

Under the technical provisions basis the total scheme deficit had increased from £1.323bn from the date of the last valuation in September 2014 to £1.522bn at the date of the valuation in September 2017. Total Scheme assets were £4.553bn and Scheme liabilities were £6.075bn at 31 March 2019.

A revised deficit recovery plan has been approved by the SHPS Trustee which is effective from 1 April 2019. From 1 April 2019 annual contributions under the deficit recovery plan will total £147m and are scheduled to run until 2026. The deficit recovery plan is next scheduled to be reviewed as part of the September 2020 valuation.

The assumptions used by the actuary vary by employer depending on the profile of the employee members. The Board has reviewed the principal actuarial assumptions used by the scheme actuary for each employer and believe these are appropriate for the Group as a whole.

The accounting policy in relation to SHPS is set out on page 41. As noted in the accounting policy, during the year there has been a change in the accounting policy in relation to SHPS.

Consolidated

The consolidated position in relation to the Social Housing Pension Scheme incorporates the results for Longhurst Group Ltd (parent), Spire Homes, Longhurst & Havelok Homes, Friendship Care & Housing and Axiom Housing Association. The assumptions used by the actuary vary by employer depending on the profile of the employee members. The Board has reviewed the principal actuarial assumptions used by the scheme actuary for each employer and believe these are appropriate for the Group as a whole.

The following adjustments have been made in the year in relation to the change in accounting policy:

- Removal of the liability for the funding of the deficit funding agreement (reduction in Creditors of £12,905k; increase in Other Comprehensive Income of £12,905k).
- Recognition of the net pension deficit (increase in pension liability of £22,386k; reduction in Other Comprehensive Income £22,386k).

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund and updated to 31 March 2019 by a qualified independent actuary.

	At 31 March 2019	At 31 March 2018
Discount rate	**2.31–2.40%**	2.58–2.60%
RPI inflation	**3.20%–3.29%**	3.10%–3.18%
CPI inflation	**2.23%–2.29%**	2.10%–2.18%
Salary growth	**3.23%–3.29%**	3.10%–3.18%
Allowance for commutation of pension for cash at retirement	**75% max allowance**	75% max allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies.

	Life expectancy at age 65 (years)
Male retiring in 2019	**21.8**
Female retiring in 2019	**23.5**
Male retiring in 2039	**23.2**
Female retiring in 2039	**24.7**

	At 31 March 2019 £'000	At 31 March 2018 £'000
Analysis of the amount charged to operating costs in the Statement of Comprehensive Income		
Employer contributions	**1,894**	–
Expenses	**82**	–
Total operating charge	**1,976**	–
Analysis of pension finance income/(costs)		
Interest on assets	**1,823**	–
Interest costs	**(2,381)**	–
Amounts charged/credited to financing costs	**(558)**	–
Amount of gains and losses recognised in the Statement of Comprehensive Income		
Actuarial gains(/losses) on pension scheme assets	**2,554**	–
Actuarial gains/(losses) on scheme liabilities	**(6,508)**	–
Actuarial gain/(loss) recognised	**(3,954)**	–
Movement in Scheme surplus/(deficit) during the year		
Fair value of plan assets	**12,450**	11,465
Present value of defined benefit obligation	**17,108**	15,647
Surplus (deficit) in plan	**(4,658)**	(4,182)

Reconciliation of Assets and Liabilities

Reconciliation of liabilities	At 31 March 2019 £'000
Liabilities at 1 April	93,493
Service cost	1,894
Expenses	82
Interest cost	2,381
Employee contributions	159
Re-measurement	6,614
Benefits paid	(4,670)
Past service cost	—
Curtailments & Settlements	47
Liabilities at 31 March	100,000

Reconciliation of assets	At 31 March 2019 £'000
Assets at 1 April	71,107
Return on plan assets	1,784
Interest	1,823
Re-measurement	—
Employer contributions	3,457
Employee contribution	159
Benefits paid	(4,670)
Assets at 31 March	73,660

Assets	At 31 March 2019 £'000	At 31 March 2018 £'000
Global Equity	12,394	14,044
Absolute Return	6,373	8,686
Distressed Opportunities	1,339	687
Credit Relative Value	1,349	—
Alternative Risk Premia	4,248	2,697
Fund of Hedge Funds	332	2,341
Emerging Markets Debt	2,542	2,867
Risk Sharing	2,225	659
Insurance Linked Securities	2,113	1,868
Property	1,658	3,274
Infrastructure	3,862	1,823
Private Debt	988	633
Corporate Bond Fund	3,437	2,920
Long Lease Property	1,084	—
Secured Income	2,637	2,636
Over 15 Year Gilts	—	—
Liability Driven Investment	26,938	25,905
Net Current Assets	141	67
Total Assets	73,660	71,107

Parent Company

The following adjustments have been made in the year in relation to the change in accounting policy:

- Removal of the liability for the funding of the deficit funding agreement (reduction in Creditors of £1,677k; increase in Other Comprehensive Income of £1,677k).
- Recognition of the net pension deficit (increase in pension liability of £4,182k; reduction in Other Comprehensive Income £4,182k).

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund and updated to 31 March 2019 by a qualified independent actuary.

	At 31 March 2019	At 31 March 2018
Discount rate	2.40%	2.60%
RPI inflation	3.20%	3.10%
CPI inflation	2.28%	2.10%
Salary growth	3.28%	3.10%
Allowance for commutation of pension for cash at retirement	75% max allowance	75% max allowance

The mortality assumptions adopted a 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2019	21.8
Female retiring in 2019	23.5
Male retiring in 2039	23.2
Female retiring in 2039	24.7

	At 31 March 2019 £'000	At 31 March 2018 £'000
Analysis of the amount charged to operating costs in the Statement of Comprehensive Income		
Employer contributions	969	–
Expenses	12	–
Total operating charge	981	–
Analysis of pension finance income/(costs)		
Interest on assets	301	–
Interest costs	(410)	–
Amounts charged/credited to financing costs	(109)	–
Amount of gains and losses recognised in the Statement of Comprehensive Income		
Actuarial gains(/losses) on pension scheme assets	985	–
Actuarial gains/(losses) on scheme liabilities	(1,461)	–
Actuarial gain/(loss) recognised	(476)	–
Movement in Scheme surplus/(deficit) during the year		
Fair value of plan assets	12,450	11,465
Present value of defined benefit obligation	17,108	15,647
Surplus (deficit) in plan	(4,658)	(4,182)

Reconciliation of Assets and Liabilities

Reconciliation of liabilities	At 31 March 2019 £000
Liabilities at 1 April	**15,647**
Service cost	969
Expenses	12
Interest cost	410
Employee contributions	63
Re-measurement	756
Benefits paid	(749)
Past service cost	–
Curtailments & Settlements	–
Liabilities at 31 March	**17,108**

Reconciliation of assets	At 31 March 2019 £000
Assets at 1 April	**11,465**
Return on plan assets	416
Interest	301
Re-measurement	–
Employer contributions	954
Employee contribution	63
Benefits paid	(749)
Assets at 31 March	**12,450**

Assets	At 31 March 2019 £000	At 31 March 2018 £000
Global Equity	**2,095**	2,264
Absolute Return	**1,077**	1,400
Distressed Opportunities	**226**	111
Credit Relative Value	**228**	–
Alternative Risk Premia	**718**	435
Fund of Hedge Funds	**56**	378
Emerging Markets Debt	**430**	462
Risk Sharing	**376**	106
Insurance Linked Securities	**357**	301
Property	**280**	528
Infrastructure	**653**	294
Private Debt	**167**	102
Corporate Bond Fund	**581**	471
Long Lease Property	**183**	–
Secured Income	**446**	425
Over 15 Year Gilts	–	–
Liability Driven Investment	**4,553**	4,177
Net Current Assets	**24**	11
Total Assets	**12,450**	11,465

Spire Homes (LG) Limited

Local Government Pension Scheme

Spire Homes (LG) Limited contributes to the Northamptonshire County Council Pension Fund and the Leicestershire County Council Pension Fund, which are both local government funded defined benefit pension schemes. The total contributions made for the year ended 31 March 2019 were £245k (2018: £259k), of which employer's contributions totalled £233k (2018: £245k) and employees' contributions totalled £12k (2018: £14k). The agreed employer contribution rates for future years are 29.5% for the Northamptonshire County Council scheme and 26.69% for the Leicestershire County Council scheme.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund and updated to 31 March 2019 by a qualified independent actuary.

	At 31 March 2019	At 31 March 2018
Rate of increase in salaries	**3.15%**	3.05%
Rate of increase for pensions	**2.50%**	2.40%
Discount rate for scheme liabilities	**2.40%**	2.65%

The mortality assumptions adopted a 31 March 2019 imply the following life expectancies:

	At 31 March 2019 Years	At 31 March 2018 Years
Retiring today		
Males	**22.10**	22.10
Females	**23.85**	24.25
Retiring in 20 years		
Males	**24.25**	23.85
Females	**26.15**	26.15

	At 31 March 2019 £'000	At 31 March 2018 £'000
Analysis of the amount charged to operating costs in the Statement of Comprehensive Income		
Contributions by employer including unfolded	**233**	245
Current service cost	**(67)**	(85)
Total operating charge	**166**	160
Analysis of pension finance income/(costs)		
Interest on assets	**140**	131
Interest costs	**(186)**	(182)
Amounts charged/credited to financing costs	**(46)**	(51)
Amount of gains and losses recognised in the Statement of Comprehensive Income		
Actuarial gains(/losses) on pension scheme assets	**312**	6
Actuarial gains/(losses) on scheme liabilities	**(386)**	112
Actuarial gain/(loss) recognised	**(74)**	118

	At 31 March 2019 £'000	At 31 March 2018 £'000
Movement in Scheme surplus/(deficit) during the year		
(Deficit) in scheme at 1 April	**(1,880)**	(2,107)
Movement in year		
Current service costs	**(67)**	(85)
Interest income on plan assets	**140**	131
Interest cost on defined benefit obligation	**(186)**	(182)
Employer contributions	**233**	245
Change in financial assumptions	**(386)**	112
Return on assets, excluding net interest	**312**	6
(Deficit) in scheme at 31 March	**(1,834)**	(1,880)

Asset and Liability Reconciliation

Reconciliation of liabilities	At 31 March 2019 £000	At 31 March 2018 £'000
Opening defined benefit obligation	**7,219**	**7,300**
Current service cost	**67**	85
Interest Cost	**186**	182
Contributions by Scheme participants	**12**	14
Change in financial assumptions	**386**	(112)
Estimated benefits paid net of transfers in	**(280)**	(250)
Closing defined benefit obligation	**7,590**	7,219

Reconciliation of assets	At 31 March 2019 £000	At 31 March 2018 £'000
Opening fair value of Fund Assets	**5,339**	**5,193**
Interest on assets	**140**	131
Return on assets less interest	**312**	6
Contributions by employer including unfunded	**233**	245
Contributions by Fund participants	**12**	14
Estimated benefits paid plus unfunded net of transfers in	**(280)**	(250)
Closing fair value of Fund assets	**5,756**	5,339

The total return on the fund assets for the year to 31 March 2019 is £452k (2018: £137k).

Breakdown of Fund Assets	At 31 March 2019 £000	At 31 March 2018 £'000
Equities	4,002	3,717
Bonds	1,109	1,011
Property	473	439
Cash	172	172
Total	**5,756**	**5,339**

On 30 April 2019, Spire Homes exited both the Leicestershire and Northamptonshire Local Government Pension Schemes.

Friendship Care and Housing Limited

The West Midlands Pension Fund, a Local Government Pension Scheme is a funded defined-benefit scheme, with the assets held in separate funds administered by West Midlands Local Authority. The total contributions made for the year ended 31 March 2019 were £47k (2018: £45k), of which employer's contributions totalled £43k (2018: £41k) and employees' contributions totalled £4k (2018: £4k). The agreed contribution rates for future years are 25.3% for employers.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2018 updated to 31 March 2019 by a qualified independent actuary.

	At 31 March 2019	At 31 March 2018
Rate of increase in salaries	**3.95%**	3.85%
Rate of increase for pensions in payment / inflation	**2.45%**	2.35%
Discount rate for scheme liabilities	**2.35%**	2.55%
Inflation assumption (CPI)	**2.45%**	2.35%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 March 2019 Years	At 31 March 2018 Years
Retiring today		
Males	**20.9**	21.9
Females	**23.2**	24.3
Retiring in 20 years		
Males	**22.6**	24.0
Females	**25.0**	26.6

	At 31 March 2019 £'000	At 31 March 2018 £'000
Analysis of the amount charged to operating costs in the Statement of Comprehensive Income		
Contributions by employer including unfolded	**43**	41
Total operating charge	**43**	41
Analysis of pension finance income/(costs)		
Interest on assets	**86**	90
Interest costs	**(120)**	(126)
Amounts charged/credited to financing costs	**(34)**	(36)
Amount of gains and losses recognised in the Statement of Comprehensive Income		
Actuarial gains(/losses) on pension scheme assets	**186**	(88)
Actuarial gains/(losses) on scheme liabilities	**(229)**	(158)
Actuarial gain/(loss) recognised	**(43)**	(246)

	At 31 March 2019 £'000	At 31 March 2018 £'000
Movement in surplus/(deficit) during year		
Surplus/(deficit) in scheme at 1 April	**(1,344)**	(1,398)
Movement in year		
Employer service cost (net of employee contributions)	**(23)**	(19)
Employer contributions	**43**	41
Past service cost	—	—
Net interest/return on assets	**(36)**	(38)
Re-measurements	**201**	(70)
Curtailments and settlements	—	—
(Deficit)/Surplus in scheme at 31 March	**(1,159)**	(1,344)

Asset and Liability Reconciliation

Reconciliation of liabilities	At 31 March 2019 £000	At 31 March 2018 £'000
Opening defined benefit obligation	**4,773**	4,918
Current service cost	**23**	19
Interest Cost	**120**	126
Contributions by Scheme participants	**4**	4
Change in financial assumptions	**229**	(158)
Change in demographic assumptions	**(244)**	—
Experience loss/(gain) on defined benefit obligation	—	—
Estimated benefits paid net of transfers in	**(140)**	(136)
Past Service cost	—	—
Past service costs, including curtailments	—	—
Closed defined benefit obligation	**4,765**	4,773

Reconciliation of assets	At 31 March 2019 £000	At 31 March 2018 £'000
Opening fair value of Fund Assets	**3,429**	**3,520**
Interest on assets	**86**	90
Return on assets less interest	**186**	(88)
Other actuarial gains/(losses)	—	—
Administration expenses	**(2)**	(2)
Contributions by employer including unfunded	**43**	41
Contributions by Fund participants	**4**	4
Estimated benefits paid plus unfunded net of transfers in	**(140)**	(136)
Closing fair value of Fund assets	**3,606**	3,429

The total return on the fund assets for the year to 31 March 2019 is £272k (2018: £2k)

Breakdown of Fund Assets	At 31 March 2019	At 31 March 2018
	£000	£'000
Equities	2,087	2,192
Gilts	271	251
Other Bonds	138	131
Property	323	264
Cash	188	84
Other	599	507
Total	**3,606**	**3,429**

On the 30th April 2019, Friendship Care & Housing exited the West Midlands Local Government Pension Scheme.

13(a) Tangible fixed assets

	Housing properties					Fixed assets			
	Social housing properties for letting		Low cost home ownership properties		Total	Freehold offices	Long Leasehold Property	Furniture and office equipment	Total
	Completed	Under construction	Completed	Under construction					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost									
At start of the year	1,070,776	32,585	80,649	16,067	1,200,077	16,961	1,221	8,665	1,226,924
Additions to properties	253	41,771	726	15,767	58,517	29	-	843	59,389
Works to existing properties	2,611	0	0	0	2,611				2,611
Schemes completed in year	56,183	(56,183)	22,134	(22,134)	0	-	-	-	-
Components capitalised	5,081	0	0	0	5,081	-	-	-	5,081
Components replaced	(2,054)	-	-	-	(2,054)	-	-	-	(2,054)
Disposals	(2,461)	-	(2,210)	-	(4,671)	-	-	(2,774)	(7,445)
At end of the year	**1,130,389**	**18,173**	**101,299**	**9,700**	**1,259,561**	**16,990**	**1,221**	**6,734**	**1,284,506**
Depreciation and impairment									
At start of the year	136,581	-	3,360	-	139,941	2,260	253	6,540	148,994
Charge for the year	15,026	-	492		15,518	113	8	992	16,631
Components replaced	(1,504)	-	-	-	(1,504)	-	-	-	(1,504)
Impairment losses	684	-			684				684
Disposals	(328)	-	(88)	-	(416)	-	-	(2,773)	(3,189)
At end of the year	**150,459**	**-**	**3,764**	**-**	**154,223**	**2,373**	**261**	**4,759**	**161,616**
Net book value									
At the end of the year	**979,930**	**18,173**	**97,535**	**9,700**	**1,105,338**	**14,617**	**960**	**1,975**	**1,122,890**
At the start of the year	**934,194**	**32,585**	**77,289**	**16,067**	**1,060,135**	**14,701**	**968**	**2,124**	**1,077,930**

	Housing properties				
	Social housing properties for letting		Low cost home ownership properties		Total
	Completed	Under construction	Completed	Under construction	
	£'000	£'000	£'000	**£'000**	£'000
Housing Properties comprise:				**2018**	2017
Freeholds				**632,764**	513,596
Long leaseholds				**472,434**	436,922
Total				**1,105,198**	950,518

Cost of properties includes £2,089k (2018:£1,712k) for direct administrative costs capitalised during the year.

	2018	2017
Expenditure on works to existing properties in the year	**£'000**	£'000
Components capitalised	**7,693**	9,870
Amounts charged to expenditure	**973**	1,568
Total	**8,666**	11,438
The aggregate amount of interest and finance costs included in the cost of housing properties	**16,423**	15,228

13(b) Tangible fixed assets

Parent company	Computer equipment	Furniture and office equipment	Total fixed assets
	£'000	**£'000**	**£'000**
Cost			
At start of the year	1,207	49	1,256
Additions	465	44	509
Disposals	(273)	(7)	(280)
At end of the year	1,399	86	1,485
Depreciation			
At start of the year	682	32	714
Charge for the year	349	17	366
Disposals	(273)	(7)	(279)
At end of the year	758	42	800
Net book value			
At the end of the year	**641**	**44**	**685**
At the start of the year	**525**	**17**	**542**

14 Investment properties held for letting

	Group		Parent company	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
At start of year	**5,472**	5,448	**—**	—
Additions	**2,892**	45	**—**	—
Gain from adjustment in value	**(13)**	(21)	**—**	—
At end of year	**8,377**	5,472	**—**	—

Investment properties were valued at 31 March 2018 using Savills Rental Automated Valuation Model which operates in accordance with the Royal Institute of Chartered Surveyors Valuation Standards.

15 Fixed asset investments (parent company)

	2019	**2018**
	£'000	£'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
This represents the parent company's investment in Libra (Longhurst Group) Treasury No 2 PLC (Libra 2). The Company owns 100% of the share capital of Libra 2.	**50**	—

16 Stock

	Group	
	2019	**2018**
	£'000	£'000
Properties held for sale		
Completed	**9,477**	9,949
Work in progress	**17,240**	21,165
Total	**26,717**	31,114

17 Trade and other debtors

Amounts falling due within one year	Group		Parent company	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Rent arrears	**3,358**	3,740	—	—
Less: provision for bad debts	**(2,033)**	(2,011)	—	—
Social Housing Grant receivable	**1,252**	1,211	—	—
Other debtors	**1,936**	1,693	**162**	157
Prepayments and accrued income	**2,177**	3,292	**728**	628
‣ Deferred Tax Credit	—	92	—	92
‣ Amount owed by Group Companies	—	—	**549**	200
Amounts owed by Associated Entity	**196**	—	—	—
Loan made to Associated Entity	1,250	—	—	—
Other Taxation	0	59	—	—
Total	8,136	8,076	1,439	1,077

18 Cash and cash equivalents

	Group		Parent company	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Money market investments	—	—	—	—
Cash at bank	**43,278**	15,650	**79**	398
	43,278	15,650	**79**	398

In the above Group total are balances totalling £5,068k (2018: £5,140k) which are held in trust for leaseholders.

19 Creditors: amounts falling due within one year

	Group		Parent company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Loans and overdrafts (Note 20b)	8,627	6,267	–	–
Funders Interest	3,700	3,839	–	–
Trade creditors	4,442	2,729	264	79
Social Housing Grant received in advance	–	–	–	–
Amounts owed to group undertakings	–	–	203	474
Rents and service charges paid in advance	4,156	3,306	–	–
Service charge balances held on behalf of leaseholders	4,733	5,093	–	–
Corporation tax	71	416	–	–
Other taxation and social security payable	784	956	312	319
Accruals and deferred income	9,394	8,204	545	266
SHPS pension agreement plan (Note 12)	0	2,065	0	298
Deferred Capital Grant (Note 21)	2,783	2,774	–	–
Recycled Capital Grant Fund (Note 22)	603	909	–	–
Disposal proceeds fund (Note 23)	111	110	–	–
Other creditors	1,950	898	–	–
	41,354	37,566	1,324	1,436

20(a) Creditors: amounts falling due after more than one year

	Group		Parent company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Loans (Note 20b)	578,314	537,439	–	–
Interest Rate Swap (Note 20b)	25,552	26,584		
Deferred Capital Grant (Note 21)	280,747	276,522	–	–
Recycled capital grant fund (Note 22)	1,196	1,805	–	–
SHPS pension agreement plan (Note 12)	–	10,840	4,658	1,379
Disposal proceeds fund (Note 23)	–	–	–	–
	885,809	853,190	4,658	1,379

20(b) Debt analysis

	Group	
	2019	2018
	£'000	£'000
Loans repayable by instalments		
Within one year	**6,145**	6,267
In one year or more but less than two years	**6,215**	6,589
In two years or more and less than five years	**19,123**	22,682
In five years or more	**90,160**	127,148
Loans not repayable by instalments		
Within one year	**625**	–
In one year or more but less than two years	**25,000**	42,825
In two years or more and less than five years	**26,100**	61,600
In five years or more	**420,721**	284,347
Less: loan issue costs	**(9,006)**	(7,752)
Total loans	**585,083**	543,706

These loans are secured by specific charges to the Association's housing properties and are repayable at varying rates of interest. The average rate at 31 March 2019 was 4.925%. (2018: 5.167%).

The Group has entered into standalone and embedded interest rate swaps with the following institutions;

Counterparty	Type	Period years	Maturity date	Rate %	Swap Amount (£'000)
Lloyds	Standalone	10	18 June 2019	4.32%	10,500
Lloyds	Standalone	17	19 January 2021	5.07%	4,000
Lloyds	Standalone	11	01 April 2021	4.49%	3,000
Lloyds	Standalone	20	01 June 2022	5.10%	6,000
Lloyds	Standalone	15	17 October 2022	5.40%	5,000
Lloyds	Standalone	13	01 April 2023	4.49%	4,000
Lloyds	Standalone	13	03 April 2023	4.61%	5,000
Lloyds	Standalone	15	03 April 2025	4.49%	4,000
Lloyds	Standalone	25	19 February 2026	5.43%	6,000
Lloyds	Standalone	20	31 March 2027	4.42%	5,000
Lloyds	Standalone	20	05 October 2027	4.55%	3,000
Lloyds	Standalone	20	18 October 2027	4.90%	3,000
Lloyds	Standalone	15	03 April 2028	4.49%	4,000
Lloyds	Standalone	25	03 June 2030	4.64%	10,000
Lloyds	Standalone	22	02 January 2032	4.49%	5,000
Lloyds	Standalone	23	01 December 2034	4.68%	5,000
Lloyds	Standalone	27	01 April 2039	4.59%	7,500
Lloyds	Embedded	25	30 March 2037	4.35%	5,000
					95,000

The fair value measurement of these swaps has been categorised as Level 2 and the valuation techniques include discounted cash flow pricing models with observable inputs. The most significant inputs into those models are interest rate yield curves, developed from publicly quoted rates and market available information.

Interest Rate Swap Creditor Profile	2019 £'000	2018 £'000
Within one year	92	–
In one year or more but less than two years	334	439
In two years or more and less than five years	3,232	2,707
In five years or more	21,895	23,438
Total	25,553	26,584

21 Deferred capital grant

Group	2018 £'000	2017 £'000
At start of the year	279,296	229,004
Grant received in the year	6,001	53,097
Grant disposed of in the year	(875)	(1,018)
Released to income in the year	(2,783)	(2,513)
Amortised grant written back on sale	190	–
Transferred from RCGF	1,701	726
At the end of the year	283,530	279,296
Amount due to be released < 1 year	2,783	2,774
Amount due to be released > 1 year	280,747	276,522
	283,530	279,296

22 Recycled capital grant fund

Group		2019 £'000	2018 £'000
At the start of the year		2,714	2,104
Inputs:	Grants recycled	730	1,332
	Interest accrued	8	4
Recycling:	New build	(1,668)	(726)
	Major repairs	1	–
At the end of the year		1,785	2,714
Amount three years or older where repayment may be required. This grant is from Homes England.		1,635	–

23 Disposal proceeds fund

Group		2019 £'000	2018 £'000
At the start of the year		**110**	110
	Funds recycled	–	–
	Net PRTB receipts	–	–
	Interest accrued	**1**	–
Use/allocation of funds	New build	–	–
	Major repairs and works to existing stock	–	–
Repayment of funds to the Regulator of Social Housing		–	–
At the end of the year		**111**	110
Amounts three years old or older where repayment may be required		–	–

24 Operating leases

The Longhurst Group holds properties and office equipment under non-cancellable operating leases. At the end of the year the Longhurst Group had commitments of total future minimum lease payments as follows:

Leases expiring in:	Group		Parent company	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Land and buildings				
Not later than one year	**35**	47	–	–
Later than one year and not later than five years	**40**	74	–	–
Later than five years	**0**	–	–	–
Others				
Not later than one year	**680**	482	**374**	186
Later than one year and not later than five years	**873**	617	**545**	227
Later than five years	–	–	–	–
	1,628	1,220	**919**	413

The lease agreements do not include any contingent rent or restrictions. Other operating leases for motor vehicles include purchase options. Leases for land and buildings include renewal periods after 5 years throughout the lease.

25 Contingent liability

There are no contingent liabilities at the Statement of Financial Position date.

26 Grant and financial assistance

Group	2019 £'000	2018 £'000
The total accumulated government grant and financial assistance received or receivable at 31 March:		
Held as deferred capital grant	**283,531**	279,297
Recognised as income in statement of Comprehensive Income	**62,255**	58,159
	345,786	337,456

27 Related parties

Transactions with Regulated Group Members

Longhurst Group has taken advantage of the exemption conferred to it in FRS102 section 38 not to disclose related party transactions with its wholly owned subsidiaries (note 28).

Transactions with Non-Regulated Group Members

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 based upon staff time and direct costs incurred and totalled £793k for the year (2018: £492k). The back office support provided to Libra involved the management and administration of the loan portfolio which Libra manages on behalf of Spire Homes, Longhurst and Havelok Homes, Axiom Housing Association and Friendship Care & Housing. This service is provided at no cost to Libra with the related staff costs being recharged to Spire Homes, Longhurst and Havelok Homes, Axiom Housing Association and Friendship Care & Housing.

Libra acts as the Group's Loans Manager with new funding arranged and managed through Libra. At the year-end facilities arranged through Libra and re-distributed to Group members amounted to £217.53 million to L&H Homes, £184.01 million to Spire Homes, £1.50 million to Axiom Housing Association and £12.35 million to Keystone Developments.

Other

Spire Homes, Longhurst and Havelok Homes and Friendship Care & Housing are founder members of CHIC (Central Housing Investment Consortium). The main purpose of the consortium is to achieve savings on materials, labour and other services through collaborative working and joint procurement of repairs and maintenance contracts. As founder members, Spire Homes, Longhurst and Havelok Homes and Friendship Care & Housing have a place on the Board and liabilities are limited to a £1 share. All companies have signed a Members' Agreement and the Articles of Association.

28 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 Co-Operative and Community Benefit Societies Act 2014, 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. Subsequent to the year-end Spire converted to a Community Benefit Society.

iii **Jubilee Teetotal Homes (Regulated)**
Jubilee Teetotal Homes is a subsidiary of Longhurst and Havelok Homes and is registered with the Charity Commission and the Regulator of Social Housing.

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 Co-Operative and Community Benefit Societies Act 2014, the principal activity of this association is the provision of social housing.

vi **Beechdale Community Development Limited (Non-Regulated)**
Registered under the Co-Operative and Community Benefit Societies Act 2014, 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.

vii **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.

viii **Libra 2 (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.

ix **Axiom Housing Association (Regulated)**
Registered under the Co-Operative and Community Benefit Societies Act 2014, the principal activity of this association is the provision of social housing.

29 Financial instruments

Risk management

The Treasury Management function is responsible for ensuring 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 risks faced by this company are discussed in the Strategic report.

Financial assets and financial liabilities at book value and fair value

With the exception of the bond stock, the book value of all financial assets and financial liabilities is deemed to equal fair value. At 31 March 2019 the fair value of the £400m bond stock was £492,496,430, at 31 March 2019 the fair value was £329,689,937 on bond stock held of £250m. The fair value of the bond stock is based on market value at 31 March 2019. The terms of both the 2038 and 2043 bond are fixed and it is intended that the 2038 and 2043 bonds will be in place until maturity. Therefore, no adjustment has been made to align the book value to fair value.

Fair value hierarchy

Fair value is deemed to be book value in relation to most financial assets and financial liabilities. Where the fair value of a financial instrument differs from its book value the following valuation methods are used:

- Bond stock – valued using the quoted market price at the reporting date. (Level 1)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is not currently exposed to fluctuations where loans are subject to a variable rate of interest as the company's loans are currently 84.06% (2018: 90.49%) fixed either on an embedded basis or by the use of Interest Rate SWAPS.

The Group's strategy is to maintain its hedging activity within flexible parameters, as defined within the Treasury Management Policy. The precise proportion of fixed (where the rate is fixed for 12 months or more) rate borrowings will be set each year when the Board agrees the Group's annual treasury strategy. It will be determined by an analysis of how sensitive the Group's cash flow forecast is to fluctuations in prevailing market interest rates, but subject always to the Group having at least 70% of its net position subject to fixed rates of interest, on a rolling five-year average basis. The Group will ensure that no more than 100% of its net exposure is fixed at any time. Any fluctuations in interest rates are fully borne by each group borrower.

Financial assets & liabilities

Financial assets are defined as cash or any asset that is a contractual right to receive cash or another financial asset from another entity, or a contractual right to exchange financial instruments with another entity under conditions that are potentially favourable, or an equity instrument of another entity. Financial liabilities are defined as any liability that is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial instruments with another entity under conditions that are potentially unfavourable. Derivatives are measured at fair value and where they are part of an effective hedging relationship the effective portion of the changes in the fair value are taken to the cash flow hedge reserve.

Cash flow hedge reserve

The Group utilises derivative financial instruments where appropriate in order to manage financial risk. In accordance with applicable accounting standards hedge accounting is applied to these instruments. In order to reduce volatility in the primary statements. The cash flow hedge reserve contains fair value movements of debt and associated derivatives that are in cash flow hedge relationships.

The Group uses interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value at each reporting date. The Group manages its interest rates by converting the cash flows from variable rate debt into fixed interest rates with the use of interest rate swaps. The Group applies this strategy to hedge the risk associated with interest rate fluctuations.

At 31 March 2019 the fair value of derivative financial instruments held by Libra is £25,552m (2018: £26,563m). A reduction in fair value of £5,851k has therefore been recognised in the cash flow hedge reserve.

The cash flows of the hedging instruments occur quarterly and are in line with the hedged item. The fair value of the hedging instrument equals the fair value of expected cash flows and as such no amounts were reclassified from equity to surplus during the period.

The Group's derivative financial instruments constitute an effective cash flow hedge therefore any gains or losses arising from changes in the fair value of the derivatives are taken to the cash flow hedge reserve.

The use of financial derivatives is governed by the group's policies approved by the Longhurst Group Board, which provide written principles on the use of financial derivatives.

The Group's financial instruments may be analysed as follows:

Financial assets	2019 £'000	2018 £'000
i. **Financial assets that are debt instruments measured at amortised cost**		
Cash at bank and in hand	**37,346**	16,064
Trade debtors	**1,363**	1,808
Other debtors	**1,928**	1,605
Accrued income	**595**	1,350
Fixed asset investments	**328,529**	386,495
Social Housing Grant	**1,211**	1,211
ii. **Derivative financial instruments designated as hedges of variable interest rate risk**	**25,552**	32,435
iii. **Financial liabilities at amortised cost**		
Loans	**1,024,907**	955,093
Finance leases	**—**	—
Trade creditors	**3,112**	2,013
Accruals	**9,083**	8,284
Other creditors	**12,749**	11,474
Recycled capital grant fund	**4,574**	2,714
Disposal proceeds fund	**111**	110
Deferred capital grant fund	**280,146**	279,296
SHPS agreement plan fund	**17,881**	11,218

30 Share Capital

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

31 Capital Commitments

Group	2019 £'000	2018 £'000
Capital expenditure that has been contracted for but not provided for in the accounts	**99,584**	130,842
Capital expenditure that has been authorised by the Board but has not yet been contracted for	**18,813**	9,925
	118,397	140,767
The Group expects these commitments to be financed with:		
▸ Social housing grant	**8,967**	4,139
▸ Proceeds from the sale of properties	**48,737**	115,808
▸ Committed loan facilities	**60,693**	20,819
	118,397	140,767

32 Goodwill

On 7 April 2017, Axiom Housing Association Limited (and its subsidiaries Axiom Homeless Action Limited and Axiom Care Limited (dormant)), joined the Group. The Group accounted for the integration using the acquisition method of accounting in accordance with section 19 of Financial Reporting Standard 102. The fair value of the gifted assets and liabilities is recognised as a gain in the Statement of Comprehensive Income in the year of acquisition.

The acquisition of Axiom Housing Association, at £nil consideration, gave rise to an amount of negative goodwill. The negative goodwill arises because of the difference between the Fair Value of the assets and liabilities acquired and the consideration paid.

The Fair Value of Axiom Housing Association's housing property assets was deemed to be their Existing Use Value – Social Housing (EUV-SH) at the time of acquisition. The EUV-SH has been determined by reference to an independent valuation of Axiom Housing Association's assets. The Fair Value of Axiom Housing Association's other assets and liabilities was deemed to be the same as their Net Book Value as at 7 July 2017.

The negative goodwill generated due to the excess of assets over liabilities has been recognised as income in the year of acquisition in line with the Housing SORP.

The negative goodwill calculation is set out below.

	Book value at 7 July 2017 £'000	Fair Value adjustment £'000	Fair Value at 7 July 2017 £'000
Housing properties	106,337	(4,147)	102,190
Other fixed asset	2,841		2,841
Current assets	2,488		2,488
Current liabilities	(2,148)		(2,148)
Long term liabilities	(100,803)		(100,803)
Fair value of assets acquired			4,568
Less Acquisition Price (nil)			–
Negative Goodwill			4,568

Longhurst Group

Longhurst Group
50 Newhall Hill
Birmingham
West Midlands B1 3JN

0300 123 1745

longhurst-group.org.uk

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