LIBRA (LONGHURST GROUP) TREASURY PLC

ANNUAL REPORT AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

Registered Number: 08077172

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CORPORATE INFORMATION

Company number	08077172
Members	Joseph Carr (Chair) Robert Griffiths (Secretary) Clive Barnett Angela Morris Chris Tyson
Registered office	Leverett House Gilbert Drive Endeavour Park Boston Lincolnshire PE21 7TQ
Auditor	BDO LLP 2 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA
Solicitor	Winckworth Sherwood LLP Minerva House 5 Montague Close London SE1 9BB
Principal Bankers	Lloyds Bank plc 25 Gresham Street London EC2V 7HN

Strategic Report

The Directors present their report and the financial statements of the Company for the year ended 31 March 2022.

Principal Activities
Libra (Longhurst Group) Treasury plc was incorporated on 21 May 2012 and commenced trading on 19 July 2012. The Company's principal activity is to raise private finance for Longhurst Group and its subsidiaries.

Results
The total comprehensive income for the year after taxation was £4,928k (2021: £2,112k).

Review of the Business
The principal activity of Libra (Longhurst Group) Treasury plc ("the Company") is to provide finance to support the development programme of Longhurst Group Ltd.

On 19 July 2012, the Company issued a listed bond for £225m at an all-in rate of 5.248%. At the same time the bond was issued, loan facilities were agreed with Lloyds Banking Group and Barclays Bank and later in the same financial year, a further loan facility was agreed and completed with the Royal Bank of Scotland. The proceeds from the Bond issue and restructured bank facilities were subsequently on-lent to Longhurst & Havelok Homes Ltd and Spire Homes (LG) Ltd, each then a subsidiary of Longhurst Group as original borrowers.

On 22 July 2014, the Company held an auction for the sale of the reserve bonds held over from the bond issue in July 2012. The sale of the reserve bonds was successfully completed at an all-in rate of 4.365%.

Longhurst Group Limited converted from a Company Limited by Guarantee to a Community Benefit Society Reg. No. 8009 on 25 January 2019.

On 1 July 2019, each of Longhurst & Havelok Homes Ltd, Spire Homes (LG) Ltd, Axiom Housing Association Limited and Friendship Care and Housing Limited, transferred the whole of their stock, property, assets, liabilities and all engagements (as provided for in section 110 of the Co-operative and Community Benefit Societies Act 2014) to Longhurst Group Limited (FCA registration number 8009), therefore, the obligations of the original borrowers have been transferred to Longhurst Group Limited.

The bond and bank loan facilities are secured by specific charges to the borrower's housing properties with Prudential Trustee Company Limited acting as Security Trustee for each beneficiary.

On 1 July 2019 two revolving credit facilities were extended to a maturity date of 1 July 2024 and one revolving credit facility's limit was increased by £50m with a maturity date of 1 July 2024.

The Company's revenue for the year ended 31 March 2022 comprised of interest received from Group companies. Operating costs incurred by the Company were primarily in respect of interest payments made on the bond and bank debt.

Covenants are measured on the financial performance of the borrowers, under each loan agreement, on a Group consolidated basis, as defined within the individual loan agreements. These include interest cover, gearing and asset cover.

The Company's activities are limited to the raising of private finance for Longhurst Group and its subsidiaries. The Company does not employ any staff with all administration functions undertaken by Longhurst Group. As a result, there is no significant information to report regarding environmental matters, employees or social and community issues.

The Company made no political donations during the year.

Future Developments
The Company was set up as a funding vehicle to secure and manage future funding requirements for Longhurst Group and its subsidiaries. It is anticipated that the Company will continue to be part of the Group's medium to long term funding strategy.

Principal Risks and Uncertainties
All the proceeds received from capital market transactions are immediately on-lent by the Company to Longhurst Group and bank facilities to Longhurst Group or a subsidiary of Longhurst Group being Keystone Developments

(LG) Ltd. The key risks facing the Company are entirely dependent on the trading position of Longhurst Group and its members.

As published by Moody's on the 7th January 2022, Longhurst Group Ltd A3 stable rating reflects its moderate risk appetite and strong performance on its social housing business, balanced by relatively weak operating margins and debt metrics. Longhurst benefits from strong regulatory framework governing English housing associations and Moody's assessment of a strong likelihood that the Government (Aa3 stable) would intervene in the event that the issuer faced acute liquidity stress.

Libra holds floating rate loans which expose the Company and the wider Longhurst Group to interest rate risk. To mitigate against this risk, the Company uses a mix of interest rate swaps and fixed rate loans. The interest rate swaps are measured at fair value at each reporting date. At the 31 March 2022, swaps with a notional value of £72.5 m were designated against £56.1m of existing floating debt within Libra resulting in an element of ineffectiveness which is expected to diminish as additional floating debt is drawn and swaps mature. At Group level the notional value of £72.5m swaps are designated against existing floating rate debt with no ineffective element.

To the extent the hedge is effective, movements in fair value adjustments, other than adjustments for own or counter party credit risk, are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any movements in fair value relating to ineffectiveness and adjustments for our own counter party credit risk are recognised in income and expenditure.

Libra (Longhurst Group) Treasury plc is an integral part of the Longhurst Group structure and funding strategy, the effectiveness and cashflow demands of the interest rate swaps held within Libra (Longhurst Group) Treasury plc are monitored at a group level. The interest rate mechanism ensures all interest costs are met as they fall due, however no such agreement is in place for the interest rate swaps, the Company is reliant on the cost of the interest rate swaps being met by Longhurst Group. Longhurst Group has a long-term business plan which shows that it is able to service these debt facilities and interest rate swaps, whilst continuing to comply with lenders' covenants, and the Directors have a reasonable expectation that these will funded by Longhurst Group over the going concern period.

Summary of key performance indicators

The Board of Directors (the "Board") monitors the progress of the overall strategy and the individual strategic elements by reference to key performance indicators.

Loan covenants are measured on the financial performance of the borrowers, under each loan agreement, on a Group consolidated basis, as defined within the individual loan agreements. These include interest cover, gearing and asset cover. At the 31 March 2022, all loan covenants were, and continue to be, compliant.

The Board monitors that the Company fulfils its obligations under the bond trust deeds which in turn ensures it is compliant with the listing rules, its commitments to bond investors and its obligations under the bond loan agreements.

The Company is primarily a conduit for accessing the debt capital markets and bank debt. Therefore, the Board monitors the availability of cashflows to and from Longhurst as the financial key performance indicators.

During the financial year all cash flows were readily available to and from Longhurst and therefore showed favourable performance against this objective.

The Board monitors the existing property security and on-going availability of security to service future borrowing. During the financial year encumbered property security meets the relevant asset cover ratios. Sufficient unencumbered properties are available to service future debt requirements.

Signed on behalf of the Directors

R Griffiths
Director
Date: 01/07/2022

Directors' Report

Corporate Governance Statement

Libra (Longhurst Group) Treasury Plc has a listed security in issue and complies with the applicable sections of the Disclosure and Transparency Rules, DTR 7.1 and DTR 7.2, of the Financial Conduct Authority ("FCA") handbook.

The Company does not have a Premium Listing and is not required to comply with the UK Corporate Governance Code (the "Code"). The Company's corporate governance arrangements are reported by reference to relevant good practice including the National Housing Federation ("NHF") Code of Governance - Promoting board excellence for housing associations (2020 edition) (the "NHF Code"), which has been adopted and complied with by the Longhurst Group. In fulfilling its obligations under the NHF Code, the Company follows good practice drawn from supporting guidance. A number of the provisions of the NHF Code mirror the equivalent provisions of the UK Corporate Governance Code. The NHF Code is available on the NHF website: www.housing.org.uk.

Parental control is exercised by Longhurst Group through powers contained in the rules or (as the case may be) articles of association of each of its subsidiaries and in intra-group agreements ("**IGAs**") which together enable the Group to appoint all or a majority of board members or to remove all or any board members and to approve business, funding, operational and other financial plans of Longhurst Group and subsidiaries. The IGAs also provide for dispute resolution between the parties, however none of the Group members can leave the Group without the consent of Longhurst Group or notifying the Regulator.

Companies within the Group do not have external shareholders. All companies in the Group (including the Company) comply with equivalent provisions in the NHF Code which relate to communications with stakeholders. The remuneration arrangements for housing associations differ from those of listed public companies (for example, the absence of share based incentives). However, the Group complies with the provisions of the NHF Code provisions on board and executive pay.

The Board and its Directors

The Company is led by the Board. The appointment of the Directors is made pursuant to the Company's Articles of Association adopted on 19 July 2012.

Each Director is of equal standing. Owing to the size and nature of the Company, there is no appointed Chief Executive.

The Board all have considerable experience within the social housing sector, and Longhurst Group, and the Company arrange any separate formal induction and training for new Libra (Longhurst Group) Treasury plc Directors. This arrangement is reviewed on an ongoing basis to consider its appropriateness when new Directors are appointed.

The Directors have the benefit of the Group's Directors' and officers' indemnity insurance policy.

The Board acknowledges that it is collectively responsible for the success of the Company by providing leadership, setting the Company's strategic aims, ensuring that the necessary financial and human resources are in place and reviewing management performance.

In order to discharge these responsibilities, the Board meet as required during the year. At these meetings consideration is given to the activities of the Company. Key members of the Group's management team also attend the Board meetings, as appropriate. The table indicates the number of meetings held and the number of meetings attended by each Director.

Number of meetings held in the year - 4	Date appointed	Attendance
Joseph Carr	Appointed 05/03/2020	4
Clive Barnett (Chair from 01/11/2016)	Appointed 01/02/2016	4
Angela Morris	Appointed 01/09/2018	3
Robert Griffiths (Company Secretary from 11/06/2015)	Appointed 21/05/2012	3

All Directors receive appropriate and timely information and briefing papers in advance of the Board meetings. Day-to-day management of the business of the Company is delegated to the Longhurst Group, Corporate Finance team with appropriate oversight by the Board.

Longhurst Group has a Remuneration and Nominations Committee that provides oversight on the appointment and remuneration of Directors and senior executives for the Group including Libra (Longhurst Group) Treasury plc. The Company does not have a separate and dedicated Remuneration and Nominations committee as the size and nature of the Company does not warrant a dedicated committee.

The Longhurst Group Board undertakes a formal annual evaluation of its performance. Directors are requested to comment on the operation and effectiveness of any committees, and subsidiary boards (including Libra (Longhurst Group) Treasury plc) of which they are members. The Directors ensure that the Board is structured in such a way that each member of the Board is able to bring different experiences and skills to the operation of the Company and encourages and supports each Director to regularly update and refresh his/her skills and knowledge. The Group Remuneration and Nominations Committee review this.

Internal Control and Risk Management Systems

The Board is responsible for the Company's system of risk management and internal control framework and for reviewing their effectiveness. The system of risk management and internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group Audit and Risk Committee (the "Committee") provides oversight of the Group's system of risk management and internal control on behalf of the Longhurst Board and Longhurst's subsidiary boards and regularly reviews their effectiveness. The committee met four times during the financial year with six committee members, being Chaired by a Group Board member, and with membership including subsidiary committee members and independent members.

The Group's arrangements in respect of the system of risk management and internal control cover Libra (Longhurst Group) Treasury plc.

The Company does not have a separate Audit and Risk Committee as the size and complexity of the Company's operations does not warrant a separate committee. For the same reason, the Company does not have dedicated internal auditors, but is supported and advised by the internal audit function for the Group. The internal audit function is outsourced, during the year the provider was KPMG LLP.

During the year, three other Group committees met: the Remuneration and Nominations Committee, the Development Committee and the Finance and Treasury Committee. All these committees are accountable to and report to the Longhurst Board.

The Remuneration and Nominations Committee oversees the composition and membership of the Group's boards and board committees, reviews the effectiveness of those boards and committees, overseeing the appraisal of the skills and contribution of the Directors, and advising on succession, recruitment and training and development needs. The Committee also considers remuneration, recruitment and severance policies and practice; in order to enable the Group to recruit and retain the employees it needs at all levels, at a cost that is reasonable in terms of its overall budget and market conditions, and which complies with prevailing legislation and regulatory guidance.

The Development Committee considers the approval of development projects in line with the approved Group Business Plan. The Development Committee monitors the performance of the Group's investment in new homes and development; advises on major proposals relating to property and land transactions; monitor internal controls and cumulative development risks. A separate Board meets to consider and monitor the Group’s commercial development activities undertaken within Keystone Developments (LG) Ltd undertaking identical role and responsibilities as the Development Committee for this Group Company.

The Finance and Treasury Committee is responsible for advising the Longhurst Group Board and the boards of its subsidiaries on finance and treasury matters, and the long-term financial plan. These matters continue to be overseen by the Longhurst Group Board but the Finance and Treasury Committee provides scrutiny and support to the Longhurst Group Board and the boards of Longhurst's subsidiaries concerning the Group's treasury management policy and formulation of the annual treasury strategy. All members of the Finance and Treasury Committee are also members of the Libra (Longhurst Group) Treasury plc Board.

Key Strategic Risks

The key risks for the Company relate to its inability to meet its obligations to bondholders and bank lenders and the inability of the Longhurst subsidiaries to meet their obligations to the Company Agreement.
These risks are highlighted in the Strategic Report and details of how they are managed are set out in Note 12.

The Audit and Risk Committee and Finance and Treasury Committee as part of their oversight of the Group's funding and financing risks keep the risks under review.

Internal Controls Assurance Statement
The Libra (Longhurst Group) Treasury plc Board acknowledges its ultimate responsibility for ensuring that Libra (Longhurst Group) Treasury plc has in place a system of internal control that is appropriate to the business environment in which it operates. This is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide Libra (Longhurst Group) Treasury plc with reasonable and not absolute assurance against material misstatement or loss.

The processes in place for identifying, evaluating, and managing the significant risks faced by the Company are on-going and have been in place throughout the period commencing 1 April 2021 up to the date of approval of the financial statements.

The Group's arrangements in respect of the system of risk management and internal control cover the entire Group, including Libra (Longhurst Group) Treasury plc. Key elements of the Group's system of risk management and internal control throughout the period included:

- approved terms of reference and delegated authorities for the Group Audit and Risk, Remuneration and Nominations Committee, Development Committee, Keystone Board and Finance and Treasury Committees;
- a review of regulatory compliance arrangements at least twice a year to the Longhurst Board;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- robust strategic and business planning processes, with detailed financial budgets and forecasts;
- formal recruitment, retention, training and development policies for all staff;
- an annual review of compliance with the NHF Code;
- established authorisation and appraisal procedures for significant new initiatives and commitments;
- a detailed Group approach to treasury management;
- regular reporting to the appropriate committee and/or Board on key business objectives, targets and outcomes;
- regular monitoring of loan covenants and requirements for loan facilities; and
- policies and arrangements to reduce the risk of fraud, bribery and money laundering.

The Board has delegated to the Audit and Risk Committee the regular review of the effectiveness of the Group's system of internal control (which includes Libra (Longhurst Group) Treasury plc), whilst maintaining ultimate responsibility for the system of internal control. The Committee carries out the functions required by DTR7.1.3R on behalf of the Board.

The Committee monitors the effectiveness of the Group's internal controls, (including financial, operational and compliance controls), internal audit and risk management in accordance with the requirements of DTR 7.1.3. The Committee considers financial and operational reports from management and reports from internal audit, to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied or indicate a need for more extensive monitoring.

The Committee also monitors the financial reporting process and the statutory audit of the Group's annual accounts. The Committee also reviews and monitors the independence of the statutory auditor and considers the relationship with Longhurst and its subsidiaries as part of its assessment.

The Committee reviewed the effectiveness of the system of internal control in existence across the Group (including Libra (Longhurst Group) Treasury plc) for the period commencing 1 April 2021 up to the date of approval of the financial statements, having regard to the annual review of the effectiveness of the Group system of internal control by the Longhurst Executive Leadership Team and the annual report of the internal auditor, and reported to the Libra (Longhurst Group) Treasury plc Board that it found no significant weaknesses in the system of internal control.

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.
Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Going Concern
The support available to the Company from Longhurst Group gives reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, in addition, the Company and Longhurst Group have a Moody's credit rating of A3 (stable outlook).

The Company has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes across Longhurst Group. The interest rate mechanism ensures that all interest costs are met as they fall due, however no such agreement is in place for the interest rate swaps held by the Company, for which the Company is reliant on Longhurst Group to meet the cost of the interest rate swaps. Longhurst Group has a long-term business plan which shows that it is able to service these debt facilities and interest rate swaps whilst continuing to comply with lenders' covenants with the Company continuing to be an integral part of the Longhurst Group funding structure and Group Treasury Strategy, the Directors have a reasonable expectation that these will funded by Longhurst Group over the going concern period. In making this going concern assessment the Board has also taken into account the potential mitigations available to manage any potential negative impact on its cashflows and liquidity position. Having undertaken a detailed review of future plans, liquidity levels, stress testing and risk mitigations, the Board has concluded that there is a reasonable expectation that the Company will continue to be funded by Longhurst Group to continue in operational existence for the next 12 months.

Accordingly, the Directors consider it appropriate to adopt the going concern basis in preparing the financial statements and have identified no material uncertainties to the Company's ability to do so over a period of at least 12 months from the date of approval of the financial statements.

Responsibility statement of the Directors in respect of the annual financial report
We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the strategic report and the Directors' report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risk and uncertainties that they face.

Statement of auditor information

At the date of approval of the Directors' Report:

- so far as each Director is aware there is no relevant information of which the Company's auditor is unaware; and
- each Director has taken all the steps that he or she ought to have taken as a Director to make his or herself aware of any relevant audit information and to establish that the Company's auditor is aware of the information.

Auditor
BDO LLP are deemed to be re-appointed under Section 487 (2) of the Companies Act 2006.

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

Section 172 statement
The Company was formed for the sole purpose of raising debt finance for Longhurst Group its subsidiaries. It is a wholly owned subsidiary and does not have any employees. In discharging their duties, the Directors have considered the impact of the Company's operations on the environment and the wider community. The Company's approach to working with key stakeholders and the community is consistent with those of the wider Longhurst Group. Given the purpose of the Company the relevant stakeholder groups are therefore the investors in the listed debt and the parent group.

The Board of Longhurst Group and Libra (Longhurst Group) Treasury plc consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of those stakeholders, and in doing so have regard (amongst other matters) to:

a) the likely consequences of any decision in the long term,
b) the need to foster the Company's business relationships with suppliers, customers and others, and
c) the desirability of the Company maintaining a reputation for high standards of business conduct.

As the Board of Directors, our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours. The intention is to nurture our reputation, through both the construction and delivery of our plan, that reflects our responsible behaviour.

The Board considers the following to be the key decisions and considerations it has made during the year to 31 March 2022.

Board decision	**Consideration**
The Board considered and agreed the long-term strategy for the sole customer, Longhurst Group	The need to put in place long-term business plans. This impacts all stakeholders, as a robust strategy is the foundation for maintaining the trust of all our external stakeholders.
The Board reviews the Security position of Longhurst Group and cashflows at each meeting.	The Board has ensured that sufficient liquidity and security has been maintained throughout the year.
Review of the Longhurst Group business plan and cash flow forecasts.	The Board have monitored the operating surplus and cash flow forecasts of Longhurst Group and how they have performed against their business plan and covenants.
Engaging with our investors	Meetings are held with Investors on an on-going basis, the last investor meetings took place at the end of 2021. RNS updates are published when required.

Signed on behalf of the Directors

R Griffiths
Director
Date: 01/07/2022

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Libra (Longhurst Group) Treasury plc for the year ended 31 March 2022 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and 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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the Group Audit and Risk committee, we were appointed by the Board on 25 November 2019 to audit the financial statements for the year ending 31 March 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 3 years, covering the years ending 31 March 2020 to 31 March 2022.

We remain independent of the Company 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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting include:

- Obtaining the Directors' going concern assessment which includes assessment of the recoverability of on lent funds to the group and other group entities. As such our work has focussed on the Directors' review of the group business plans.
- Obtaining the Directors' assessment of the source of funding required to service the on-going servicing costs of the interest rate swaps, which are not subject to any on-lending agreement with Longhurst Group Limited. This work focused on the likelihood of support from Longhurst Group Limited and any expectations that the Association would provide the funding to the Company.
- Assessment of the internal forecasting process to confirm the projections are prepared by appropriate personnel that are aware of the detailed figures in the forecast but also to have a high-level understanding of the group's market, strategy and profile in the customer base.
- Obtaining and assessing the availability of financing facilities, including the nature of facilities, repayment terms and financial covenants. We considered management's financial covenant compliance calculations through to March 2024 and confirmed the consistency of such calculations with the ratios stated in the relevant lender agreements.
- Consideration of the forecasts prepared by management and challenge of the key assumptions based on our knowledge of the business. As referred to in the going concern accounting policy, management has modelled reasonably possible downside scenarios.
- Reviewing scenarios modelled by management to consider potential negative impacts on cashflows and the liquidity position.
- Challenging management on the suitability of the mitigating actions identified by in their assessment and the quantum and time period ascribed to these actions.Reviewing the reasonableness of the proposed mitigations and whether the mitigations were entirely in the control of management to action.

- Considering the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosure against the forecasts and stress test scenario.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Key audit matters		2022	2021
	Recoverability of related party debt	✓	✓
Materiality	*Financial statements as a whole* £1.9m (2021: £2.2m) based on 1.0% (2021: 1.0%) of total assets.		

An overview of the scope of our audit
Our audit was scoped by obtaining an understanding of the Company and its environment, including the system of internal control, including whether there was evidence of bias by the Directors that my have represented a risk of material misstatement.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		**How the scope of our audit addressed the key audit matter**
Recoverability of related party debt	As the entity on-lends to its ultimate parent, the principal risk facing the entity is that the parent will be unable to make interest or principal payments when they fall due and this impacts on the entity's ability to service its debt. Recoverability of these balances is intrinsically linked to the future viability of the parent entity and needs to be reviewed at each balance sheet date. As disclosed in note 1 of the financial statements, the Directors have considered their ability to service their financing costs by direct reference to the ability of the parent to meet these cash flows as they fall due. The assessment of the recoverability of the related party debt involves a review of the long-term business plan and a number of subjective judgements including rent collection. We have therefore spent significant audit effort in	Our audit response involved the following: • Assessment of management's review of the recoverability of related party debt. • This incorporated consideration of the long-term forecasts prepared by the parent group and challenge of the key assumptions based on our knowledge of that business, including availability of financing • facilities and covenant compliance calculations. • . We challenged the assumptions used and mitigating actions included within this scenario and reviewed the reverse stress test calculations. • We considered the adequacy of the disclosures in the financial statements against the requirements of the accounting standards. *Key observations*: We noted no material exceptions through performing these procedures.

	assessing the appropriateness of the assumptions involved, and as such this has been identified as a Key Audit Matter.	

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

To reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Company financial statements	
	2022 £m	**2021 £m**
Materiality	1.9	2.2
Basis for determining materiality	1.0% of total assets	1% of total assets
Rationale for the benchmark applied	We used total assets as our chosen benchmark to determine materiality as the entity on lends funds raised in the capital and loan markets to group companies and therefore the external liabilities, along with the long-term debtor balances and their associated recoverability are the key areas which will have the greatest impact on decisions made by users of the accounts For 2022 materiality was restricted to 0.6% of total assets by the Group auditor.	
Performance materiality	1.2	1.4
Basis for determining performance materiality	Performance materiality was set at 65% of materiality (2021 – 65%). In setting the level of performance materiality we considered several factors including the expected total value of known and likely misstatements, management's attitude towards proposed adjustments and the level of uncertainty of accounting estimates within the financial statements. .	

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £38,000 (2021: £44,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting
Based on the responsibilities described below and our work performed during the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken during the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Company and its environment obtained during the audit, we have not identified material misstatements in the Strategic report or the Directors' report.
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 Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

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

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

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Company and the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to their registration with Companies House, and we considered the extent to which non-compliance might have a material effect on the Financial Statements or their continued operation. We also considered those laws and regulations that have a direct impact on the financial statements, such as compliance with tax legislation.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements and determined that the principal risks were related to the management override of controls by posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates and judgements leading to material misstatement.

The audit procedures to address the risks identified included:

- Discussions with those charged with governance and management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud.
- Reading minutes of meeting of those charged with governance and reviewing correspondence with HMRC and reports produced by Internal Audit.
- In addressing the risk of fraud through management override of controls; testing the appropriateness of journal entries and other adjustments, in particular any journals posted to cash and material journal adjustments.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

DocuSigned by:
Philip Cliftlands
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Philip Cliftlands (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick
Date: 26 September 2022
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022

	Note	**31 March 2022 £'000**	31 March 2021 £'000
Revenue	2	**16,210**	**16,653**
Operating expenditure	3	**(19,531)**	**(20,241)**
Operating loss	4	**(3,321)**	**(3,588)**
Fair Value movement – ineffective interest rate swap hedges		**1,872**	**1,061**
Loss on ordinary activities before taxation for the year		**(1,449)**	**(2,527)**
Tax on Loss on ordinary activities	7	**-**	**-**
Loss on ordinary activities after taxation for the year		**(1,449)**	**(2,527)**
Other comprehensive Income:			
Cash flow hedge reserve recycled to profit or loss	12	**3,321**	**3,618**
Fair Value movement – effective interest rate swap hedges	12	**3,056**	**1,021**
Total comprehensive expenditure for the year		**4,928**	**2,112**

All activities derive from continuing operations.

The notes on pages 17 to 28 form an integral part of these financial position.

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 MARCH 2022

	Note	**2022** **£000**	2021 £000
Non current assets			
Debtors: amounts falling due after more than one year	8	**308,668**	**314,205**
Current assets			
Debtors: amounts falling due within one year	9	**9,294**	**8,554**
Cash and Cash equivalents		**50**	**50**
		9,344	**8,604**
Creditors: amount falling due within one year	10	**(11,483)**	**(11,911)**
Net current assets		**(2,139)**	**(3,307)**
Total assets less current liabilities		**306,529**	**310,898**
Creditors: amounts falling due after more than one year	11	**(320,252)**	**(332,870)**
Net liabilities		**(13,723)**	**(21,972)**
Capital and reserves			
Called up share capital	13	**50**	**50**
Revenue reserve		**2,407**	**535**
Cashflow hedge reserve		**(16,180)**	**(22,557)**
Capital contribution reserve		**-**	**-**
Shareholder's deficit		**(13,723)**	**(21,972)**

The financial statements on pages 15 to 28 were approved and authorised for issue by the Board of Directors on 01/07/2022 and were signed on its behalf by:

Robert Griffiths
Director

Company registered number: 8077172

The notes on pages 17 to 28 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 2022

	Share capital £'000	Revenue reserve £'000	Cashflow hedge reserve £'000	Capital contribution reserve £'000	Total £'000
Balance at 31 March 2020	**50**	**(556)**	**(27,196)**	-	**(27,702)**
Loss for the year	-	(2,527)	-	-	(2,527)
Cash flow hedge reserve recycled to profit or loss (Note 12)	-	-	3,618	-	3,618
Fair value movement on financial derivative (Note 12)	-	-	1,021	-	1,021
Total comprehensive expenditure for the year	-	(2,527)	4,639	-	2,112
Capital contribution from parent	-	-	-	3,618	3,618
Realised profit on capital contribution	-	3,618	-	(3,618)	-
Balance at 31 March 2021	**50**	**535**	**(22,557)**	**-**	**(21,972)**
Loss for the year	-	(1,449)	-	-	(1,449)
Cash flow hedge reserve recycled to profit or loss (Note 12)	-	-	3,321	-	3,321
Fair value movement on financial derivative (Note 12)	-	-	3,056	-	3,056
Total comprehensive expenditure for the year	-	(1,449)	6,377	-	4,928
Capital contribution from parent	-	-	-	3,321	3,321
Realised profit on capital contribution	-	3,321	-	(3,321)	-
Balance at 31 March 2022	50	**2,407**	**(16,180)**	**-**	**(13,723)**

The notes on pages 17 to 27 form an integral part of these financial statements.

1. ACCOUNTING POLICIES

General Information
The Company is a public limited company, registered in England and Wales. The address of the registered office is Leverett House, Gilbert Drive, Endeavour Park, Boston, Lincolnshire, PE21 7TQ.

Statement of Compliance
These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Basis of Accounting
The financial statements are prepared on the historical cost basis of accounting, subject to the revaluation of interest swap derivatives, and are presented in sterling £ (rounded to the nearest £'000) which is the functional currency of the Company.

Disclosure Exemptions
The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Longhurst Group Limited, which can be obtained from FCA, 12 Endeavour Square, London, E20 1JN. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- No Cashflow statement has been presented for the Company.
- The Company is a wholly owned subsidiary of Longhurst Group Limited, a Community Benefit Society, registered under the Co-operative and Community Benefit Act 2014 and a Registered Provider of Social Housing. The Directors have taken advantage of the exemption in Financial Reporting Standard 102 from disclosing related party transactions within Group Companies on the grounds that consolidated accounts are publicly available.

Going Concern
The Company has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes across Longhurst Group. The interest rate mechanism ensures that all interest costs are met as they fall due, however no such agreement is in place for the interest rate swaps held by the Company, which has resulted in a loss in the year and a net liability position at 31 March 2022. The Company is reliant on Longhurst Group to meet the cost of the interest rate swaps on an annual basis. Longhurst Group has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants. In making this assessment the Board has also taken into account the potential mitigations available to manage any potential negative impact on its cashflows and liquidity position. Having undertaken a detailed review of our future plans, liquidity levels, stress testing and risk mitigations, along with the continuing support of Longhurst Group, the Board has concluded that there is a reasonable expectation that the Company will continue to be funded by Longhurst Group to continue in operational existence for the next 12 months and beyond.

Accordingly, the Directors consider it appropriate to adopt the going concern basis in preparing the financial statements and have identified no material uncertainties to the Company's ability to do so over a period of at least 12 months from the date of approval of the financial statements.

Revenue
Revenue represents interest receivable on facilities lent to members of Longhurst Group, fees relating to the cost of raising finance and bond and bank issue costs. All revenue arose on activities undertaken in the UK.

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

1. ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

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.

Financial instruments held by the Company are classified as follows:

- Financial assets such as cash, current asset investments and receivables are classified as basic financial instruments 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.
- 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:

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

Derivative instruments and hedge accounting
Libra holds floating rate loans which expose Libra to interest rate risk, to mitigate against this risk the Group uses interest rate swaps. These instruments are measured at fair value at each reporting date. They are carried as assets when the fair value is positive and as liabilities when the value is negative.

To the extent the hedge is effective movements in fair value adjustments, other than adjustments for own or counter party credit risk, are recognised in other comprehensive income and presented in a separate Cashflow hedge reserve. Any movements in fair value relating to ineffectiveness and adjustments for our own counter party credit risk are recognised in income and expenditure.

At 1 April 2021 one of the standalone swaps matured to the value of £3m. The total principal amount is now £72.5m.

Capital contribution reserve
Contractual cash flows arising on the interest rate swaps are paid by Libra (Longhurst Group) Treasury plc to the relevant countparties throughout the year. Longhurst Group Limited pays Libra (Longhurst Group) Treasury plc to cover the costs of these payments, however is under no contractual obligation to do so.

These annual payments are considered to be a capital contribution from the parent company and therefore are recognised in a separate Capital Contribution reserve.

Impairment of Financial Assets
Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. Impairment and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event), and this loss event has an impact on the estimated **1. ACCOUNTING POLICIES (CONTINUED)**

Impairment of Financial Assets (continued)
future cash flows of the financial asset or group of financial assets that can be reliably measured.

Losses expected as a result of future events, no matter how likely, are not recognised. If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is either reduced directly or through the use of an allowance account, the amount of the loss is recognised in the profit and loss account.

If, in a subsequent period the amount of the impairment loss decreases due to an event occurring after the impairment was recognised, the amount can be reversed in the profit and loss account.

Taxation
The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

In accordance with FRS 102, deferred tax is provided where a taxation liability will arise as a result of transactions or events which have occurred by the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded that they will be recovered. Provision is made at rates expected to be applicable when the liabilities or assets are likely to crystallise.

Segmental Information
The Company has one class of business from which it derives its income, being to provide funding to other Group asset owning subsidiaries. All interest income, expenditure and net assets are derived from UK operations.

Judgements and assessments

The Directors have considered the recoverability of the Company's long-term debtors through amounts by Group undertakings. The Board have reviewed the long-term financial plans of Longhurst Group which have been stress tested under various negative scenarios and are assured that the Company's long-term debtors will be paid.

2. REVENUE

	2022	2021
	£'000	£'000
Interest receivable and other fees	**16,210**	16,653

3. OPERATING EXPENDITURE

	2022	2021
	£'000	£'000
Interest payable and other fees:		
On external bonds, loans and borrowings	**16,210**	16,623
On interest rate swap derivatives	**3,321**	3,618
	19,531	20,241

4. OPERATING LOSS

Auditor's remuneration is paid by Longhurst Group Limited at no charge to the Company.

5. EMPLOYEE NUMBERS AND COSTS

The Company had no employees during the period. Administration services were provided by Longhurst Group Limited at no charge to the Company.

6. DIRECTOR'S EMOLUMENTS

The Directors did not receive emoluments for their duties as Directors of the Company.

7. TAXATION

Analysis of charge in the period:	**2022 £'000**	2021 £'000
Current tax:		
In respect of the period	**-**	-
	-	-
Total current tax	**-**	-
Deferred tax		
Origination and reversal of timing differences	**-**	-
Tax on deficit on ordinary activities	**-**	-

Factors affecting current tax charge.

The current tax charge for the year is lower than the standard rate of corporation tax in the UK of 19%. (2021: 19%). The differences are explained below and is in respect of prior year:

	2022 £'000	2021 £'000
(Deficit)/surplus on ordinary activities before taxation	**(1,449)**	(2,527)
(Deficit)/suplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	**(275)**	(480)
Tax losses (utilised)/carried forward but not recognised as a deferred tax asset	**275**	480
Movement on deferred tax and other fixed assets and short term timing differences	**-**	-
Total tax charge for the period	**-**	-

8. **DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN**	**2022 £'000**	2021 £'000

ONE YEAR

Loans to group undertakings (Note 12)	**308,668**	314,205
	308,668	314,205

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £'000	2021 £'000
Amounts owed by group undertakings	**9,294**	8,554
	9,294	8,554

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £'000	2021 £'000
Amounts owed to group undertakings	**3,996**	**3,476**
Loan Interest and funding costs (Note 12)	**2,561**	**2,672**
Loans repayable	**2,575**	**2,377**
Trade creditors	**137**	**6**
Derivative financial instruments (note 12)	**2,214**	**3,380**
	11,483	**11,911**

11. CREDITORS: AMOUNTS DUE AFTER ONE YEAR

	2022 £'000	2021 £'000
Bond - loans repayable (note 12)	**249,215**	**249,190**
Bond issue costs	**(1,290)**	**(1,369)**
	247,925	**247,821**
Bank - loans repayable (note 12)	**65,200**	**71,300**
Bank issue costs	**(4,433)**	**(4,891)**
	60,767	**66,409**
	308,692	**314,230**
Derivative financial instruments (note 12)	**11,560**	**18,643**
	320,252	**332,873**

Repayment of Loans falling due as follows:	2022 £'000	2021 £'000
Within one year	**2,600**	**2,377**
Between one and two years	**6,015**	**3,208**
Between two and five years	**36,637**	**44,764**
After five years	**285,511**	**294,539**
	330,763	**344,888**
Loan issue costs	**(5,723)**	**(6,261)**
	325,040	**338,627**

12. 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 2022 the fair value of the £250m bond stock was £320.8m (2021: £353.6m).

The fair value of the bond stock is based on market value at 31 March 2022. The terms of the 2038 Bond are fixed and it is intended that the 2038 bond will be in place until maturity.

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 Company is not currently exposed to fluctuations where loans are subject to a variable rate of interest as the Company's loans are currently 100% fixed either on an embedded basis or by the use of Interest Rate swaps.

The Company is counter-party to swaps to mitigate risk in both the Company and other Longhurst Group loans for which the Company is not loans manager. Therefore, although there is an over-hedged position at company level on a Group consolidated basis the fixed to variable ratio is 97.99% to 2.01%.

Longhurst Group's strategy is to maintain its hedging activity within flexible parameters, as defined within the Group Treasury Management Policy.

The precise proportion of fixed (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 cashflow 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 also 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.

Interest Rate Risk of Financial Instruments

The risk of movement in interest rates is fully mitigated by the Company charging the full movement to each borrower, each a subsidiary of Longhurst Group.

Financial Assets and 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.

12. FINANCIAL INSTRUMENTS (CONTINUED)

Cash Flow Hedge Reserve

The Group utilises derivative financial instruments appropriate in order to manage financial risk. The Group, through Libra, manages the risk associated with interest rate fluctuations by converting the cash flows from variable rate debt into fixed interest rates with the use of interest rate swaps. Libra (Longhurst Group) Treasury plc has chosen to apply hedge accounting to these instruments, reducing volatility in the primary statements to the extent that these hedges are deemed to be effective. 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.

These interest rate swaps are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured to their fair value at each subsequent reporting date. The cash flow hedge reserve contains the effective portion of the movement in the fair values of these interest rate swap derivatives.

At 31 March 2022 the fair value of derivative financial instruments held by Libra is £13.774m (2021: £22.023m). At 31 March 2022 the Company is in an 'over-hedged' position - of the net £8.249m movement in fair value (2021: £5.700m), £1.872m (2021: £1.061m) arises from this over-hedged position and is deemed to be ineffective. This ineffectiveness is recognised within 'interest and financing costs' in the SOCI. The remaining £6.377m (2021: £4.639m) arises from the effective portion of the interest rate hedges and is therefore recognised in OCI and within the cash flow hedge reserve.

Credit Risk

The Company is dependent on receipt of funds from Longhurst Group and subsidiary, as borrowers, in order to meet its contractual obligations under the Bond and Bank loan agreements. The credit risk is that each borrower fails to reimburse the Company. The Directors consider the credit risk to be very low as Longhurst is a business with a strong asset base that consistently generates a surplus and is supported by a regulator that has strong oversight and monitors financial viability of the business. Longhurst Group also have a Moody's credit rating as detailed within the Strategic Report.

Liquidity Risk

Liquidity risk is the risk that the Company might be unable to meet its obligations. The Group Treasury Management policy defines the minimum liquidity requirements of Longhurst Group which is monitored and reported to the Finance & Treasury Committee, Longhurst Group Board and senior management to ensure compliance. The interest receivable mechanism is in place to ensure that the liquidity risk within the Company is minimised. Cashflow payments on the interest rate swaps are not covered by the interest receivable mechanism but are paid by Longhurst Group. The payments for the interest rate swaps are paid by Longhurst Group Ltd on the basis that Libra (Longhurst Group) Treasury plc is an integral part of the Longhurst Group funding structure and the Treasury Strategy is considered on a group wide basis. The effectiveness and cashflow demands of the interest rate swaps held within Libra (Longhurst Group) Treasury plc are monitored at a group level. Longhurst Group has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants the Directors have a reasonable expectation that these will continue to be funded by Longhurst Group over the Going Concern period.

Interest rate benchmark reform

The transition from LIBOR to SONIA was completed by 31 December 2021. The company managed the risk by engaging with lenders to monitor the transition and ensure the deadline was met. The company made use of the practical expedient in paragraph 11.20c of FRS102 and these changes were therefore not treated as substantial modifications and this has had no changes to the application of hedge accounting.

12. FINANCIAL INSTRUMENTS (CONTINUED)

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

	2022	2021
	£'000	£'000
Financial Assets		
Cash and cash equivalents	50	50
Loans receivable (due within 1 year)	2,375	2,377
Loans receivable (due after 1 year)	314,614	320,488
Total Financial Assets	**317,039**	**322,915**
Financial Liabilities		
Loan interest and funding costs	2,561	2,672
Trade creditors	137	6
Loans payable (due within 1 year)	2,375	2,377
Loans payable (due after 1 year)	314,614	320,487
	319,687	325,542
Derivative financial instruments designated as hedges of variable interest rate risk	13,774	22,023
Total financial liabilities	**333,461**	**347,565**

The figures above for loans receivable and loans payable exclude loan issue costs of £5,723k (2021 - £xxx) .

The interest in relation to financial liabilities, not included in the table is estimated to be:

Contracted cash flows	**Total interest**
	£'000
Within 1 year	15,213
Between 1-2 years	15,446
Between 2-3 years	14,471
Between 3-4 years	14,037
Between 4-5 years	13,913
Over 5 years	152,998
	226,078

12. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Liabilities as at 31 March 2022

	Effective Interest Rate	Total	Within 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years
	%	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
Bond Stock								
Fixed Rate	5.248%	220,679	(198)	(205)	(211)	(218)	(226)	221,737
Fixed Rate	4.365%	27,220	94	98	103	107	112	26,706
Total Bond Stock		247,899	(104)	(107)	(108)	(111)	(114)	248,443
Bank Debt								
Fixed Rate	4.56%	10,448	(85)	(85)	(85)	(85)	(85)	10,873
Floating Rate		52,919	2,001	5,467	30,942	2,227	2,227	10,055
Total Bank Debt		63,367	1,916	5,382	30,857	2,142	2,142	20,928
Derivative Financial Instruments	4.75%	13,774	225	193	-	783	610	11,963
		325,040	**2,037**	**5,468**	**30,749**	**2,814**	**2,638**	**281,334**

The above Financial Liabilities table includes bond discount/premium and loan issue costs where appropriate.

Loans	**Drawn £'000**	**Final repayment date**
Bond	250,000	2 August 2038
Bank debt (Lloyds)	35,600	2 August 2037
Bank debt (RBS)	25,000	1 July 2024
Bank debt (Lloyds)	3,450	19 April 2023
Bank Debt (Barclays)	3,750	1 July 2024
	317,800	

Capital Management
The Company manages capital balances such as share capital and reserves.

Financial Liabilities as at 31 March 2021

	Effective Interest Rate	Total	Within 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years
	%	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
Bond Stock								
Fixed Rate	5.248%	220,487	(188)	(194)	(201)	(207)	(214)	221,491
Fixed Rate	4.365%	27,309	90	94	98	103	107	26,817
Total Bond Stock		247,796	(98)	(100)	(103)	(104)	(107)	248,308
Bank Debt								
Fixed Rate	4.70%	10,456	(103)	(103)	(103)	(103)	(103)	10,971
Floating Rate		58,352	2,094	2,097	8,547	31,332	2,260	12,022
Total Bank Debt		68,808	1,991	1,994	8,444	31,229	2,157	22,993
Derivative Financial Instruments		22,023	-	833	496	-	1,457	19,237
		338,627	**1,893**	**2,727**	**8,837**	**31,125**	**3,507**	**290,538**

12. FINANCIAL INSTRUMENTS (CONTINUED)

Hedging
The Company hedges floating-rate debt through stand-alone interest rate swaps.

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	20	01 June 2022	5.10%	6,000
Lloyds	Standalone	15	17 October 2022	5.40%	5,000
Lloyds	Standalone	13	03 April 2023	4.49%	4,000
Lloyds	Standalone	13	03 April 2023	4.61%	5,000
Lloyds	Standalone	15	01 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 2023	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
					72,500

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.

The principal amounts associated with the cash flow hedging instruments have expiry dates with the following profile:

	2022 £'000	2021 £'000
Within one year	**11,000**	**3,000**
Between one and two years	**9,000**	**11,000**
Between two and five years	**15,000**	**19,000**
In five years or more	**37,500**	**42,500**
	72,500	**75,500**

13. SHARE CAPITAL

Authorised share capital

	2022	2021
	£'000	£'000
50,000 Ordinary shares of £1.00 each	**50**	50

Allotted, called up and part paid

	2022 Number	**2022 £'000**	2021 Number	2021 £'000
50,000 Ordinary shares fully paid at £1.00 each	50,000	50	50,000	50

14. RELATED PARTIES

The Company is a wholly owned subsidiary of Longhurst Group Limited, a Community Benefit Society, registered under the Co-operative and Community Benefit Act 2014 and a Registered Provider of Social Housing.

The Directors have taken advantage of the exemption in Financial Reporting Standard 102 from disclosing related party transactions with group companies on the grounds that consolidated accounts are publically available.

15. ULTIMATE PARENT COMPANY

The Company is a wholly owned subsidiary of Longhurst Group Limited, a community benefit society registered in England and Wales. Longhurst Group Limited presents group financial statements which are available from Leverett House, Gilbert Drive, Endeavour Park, Boston, Lincolnshire, PE21 7TQ.