Libra (Longhurst Group) Treasury plc

Annual Report and Financial Statements

For the year ended 31 March 2023

Registered Company no: 08077172

Contents

Corporate Information

The Chair of the Board	Clive Barnett
The Board of Directors	Angie Morris Chris Tyson Damien Régent Rob Griffiths
Company Secretary	Rob Griffiths
Registered Office	Leverett House Gilbert Drive Endeavour Park Boston PE21 7TQ
Auditor	BDO LLP 2 City Place Beehive Ring Road Gatwick RH6 0PA
Bankers	Lloyds Bank Plc 25 Gresham Street London EC2V 7HN
Solicitors	Winckworth Sherwood LLP Minerva House 5 Montague Close London SE1 9BB

Strategic Report

The Directors are pleased to present the strategic report for the year ended 31 March 2023.

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.

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 M&G Trustee Company Limited acting as Security Trustee for each beneficiary.

On 13 December 2022, one of the revolving credit facilities was renewed and extended to include an additional £25m sustainability-linked funding. Another revolving credit facility has been renwed and extended post year-end and one other revolving credit facility has a maturity date of 1 July 2024 and is currently in the process of being renewed, with a carve out agreed for energy performance improvement works relating to the Social Housing Decarbonisation Fund.

The Company's revenue for the year ended 31 March 2023 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.

Strategic Report (continued)

As a result, there is no significant information to report regarding environmental matters, employees or social and community issues.

Political donations
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 30 January 2023, Longhurst Group's A3 negative rating is reflective of its moderate risk appetite and good performance on social housing operations, but reduced operating margin and interest cover metrics due to repairs challenges and inflationary cost increases, along with increased sales activity. Longhurst benefits from strong regulatory framework governing English housing associations and Moody's assessment of a strong likelihood that the government (Aa3 negative) 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 interest rate 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 2023, swaps with a notional value of £61.5m were designated against £54.6m 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 £61.5m swaps are designated against existing floating rate debt with no ineffective element.

To the extent the hedge is effective, movements in fair value, other than adjustments for our own or counterparty 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 or counterparty 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 the Company are monitored at 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 2023, 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.

Strategic Report (continued)

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

Rob Griffiths
28 September 2023

Directors' Report

The Directors are pleased to present their report and the financial statements of the Company for the year ended 31 March 2023.

Results
The total comprehensive income for the year after taxation was £8,371k (2022: £4,928k).

Dividends
There were no dividends paid or proposed in year 2022/23 (2022: nil).

The Board and its Directors
The Board of Directors and the Directors of the Company are set out on page 2. None of the Directors had interests in the share capital of the Company at 31 March 2023.

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.

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law 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, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group 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-conern basis unless it is inappropriate to presume that the Company will continue in business.

Directors' Report (continued)

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

In order to discharge these responsibilities, the Board of Directors 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 details the number of meetings attended by each Director, of which there were 5 during the year.

Director	Date appointed	Attendance
Clive Barnett	7 March 2018	5
Angie Morris	1 September 2018	4
Chris Tyson	1 January 2021	1
Damien Régent	6 October 2022	3
Rob Griffiths	7 March 2018	5

Longhurst Group has a People, 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 People, 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 People, Remuneration and Nominations Committee review this.

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 Rule ('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.

Directors' Report (continued)

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.

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 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 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.

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 for the full year under review and up to the date of approval of the financial statements.

Directors' Report (continued)

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, People, Remuneration and Nominations Committee, Development and Asset Investment Committee, Keystone Board, Finance and Treasury Committee and Libra Boards;
- 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 DTR 7.1.3 R. 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. R. 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 under review and 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.

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.

Directors' Report (continued)

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:

- the likely consequences of any decision in the long term;
- the need to foster the company's business relationships with suppliers, customers and others; and
- 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, which reflects our responsible behaviour.

Key Board Decisions

The Board considers the following to be the key decisions and considerations it has made during the year to 31 March 2023:

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 investors.	Meetings are held with investors on an on-going basis, the last investor meetings took place in November 2022. Regulatory News Service updates are published when required.

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 (negative outlook).

Directors' Report (continued)

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.

Statement of disclosure to auditors

Each of the persons who is a Director at the date of approval of this report confirm that:

As far as each Director is aware, there is no relevant audit information fo which the auditors are unaware. The Directors have taken all steps they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Signed on behalf of the Directors

Rob Griffiths
28 September 2023

Independent Auditors' Report to the Members of Libra (Longhurst Group) Treasury plc

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 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Libra (Longhurst Group) Treasury plc ("the Company") for the year ended 31 March 2023 which comprise Statement of Comprehensive Income, Statement of Financial Position, 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 & Risk committee.

Independence

Following the recommendation of the Audit & Risk Committee, we were appointed by the Board to audit the financial statements for the year ended 31 March 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 4 years, covering the years ended 31 March 2020 to 31 March 2023.

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 included:

- 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 the financial plan against adverse changes in economic conditions.
- 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 entity's market, strategy and profile in the customer base.
- We challenged management on the suitability of the mitigating actions identified by management in their assessment and the quantum and period ascribed to these mitigating actions. Scenarios modelled by management analysed the impact on covenant compliance in scenarios with multiple adverse conditions. We reviewed the reasonableness of the proposed mitigations and if the mitigations were entirely in the control of management to action.

Independent Auditors' Report to the Members of Libra (Longhurst Group) Treasury plc (continued)

- We obtained details and assessed the availability of financing facilities, including the nature of facilities, repayment terms and financial covenants. We considered management's financial covenant compliance calculations over the period of management's review and confirmed the consistency of such calculations with the ratios stated in the relevant lender agreements.
- We considered 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.

Opinion

Key audit matters		2023	2022
	Recoverability of intergroup debt	✓	✓
Materiality	*Financial statements as a whole* £1,800k (2022: £1,900k) as communicated by the Group Auditor		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may 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 as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report to the Members of Libra (Longhurst Group) Treasury plc (continued)

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>Recoverability of intergroup debt

Accounting policy note 1

Balance disclosure note 8</td><td>As the entity on-lends to its ultimate parent and fellow group entities, the principal risk facing the entity is that the parent group 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 group 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 intergroup 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 assessing the appropriateness of the assumptions involved, and as such this has been identified as a Key Audit Matter.</td><td>Our audit response involved the following:
Assessment of management's review of the recoverability of intergroup 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 the potential negative scenarios 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.</td></tr>
</table>

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.

In order 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:

<table>
<tr><th></th><th colspan="2">Company financial statements</th></tr>
<tr><td></td><td>2023
£</td><td>2022
£</td></tr>
<tr><td>Materiality</td><td>1,800k</td><td>1,900k</td></tr>
<tr><td>Basis for determining materiality</td><td>As communicated by the Group Auditor</td><td>As communicated by the Group Auditor</td></tr>
<tr><td>Rationale for the benchmark applied</td><td colspan="2">The entity on lends funds raised on the capital markets to group companies and therefore the level of this debt raised from these activities is the area that will have greatest impact on decisions made by users of the accounts.</td></tr>
</table>

Independent Auditors' Report to the Members of Libra (Longhurst Group) Treasury plc (continued)

	Company financial statements (continued)	
	2023 £	**2022 £**
Rationale for the benchmark applied (continued)	As the Company is part of a Group, materiality was communicated by the Group Auditor based on the assessment of the risk of material misstatement.	
Performance materiality	1,200k	1,235k
Basis for determining performance materiality	65%	65%
Rationale for determining performance materiality	This threshold has been used based on management's openness to audit adjustments, no expectation of material errors and no historic problems of adjustments.	

Reporting threshold

We agreed with the Audit & Risk Committee that we would report to them all individual audit differences in excess of £36,000 (2022: £38,000). 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 course of 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 in the course of 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

Independent Auditors' Report to the Members of Libra (Longhurst Group) Treasury plc (continued)

Strategic report and Directors' report (continued)	• 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 in the course of 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 and the part of the Directors' remuneration report to be audited 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 the 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:

Independent Auditors' Report to the Members of Libra (Longhurst Group) Treasury plc (continued)

Non-compliance with laws and regulations

Based on:
- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations

we considered the significant laws and regulations to be the Companies Act 2006 and UK tax legislation.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be data protection and stock exchange regulations.

Our procedures in respect of the above included:
- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:
- Enquiry with management, those charged with governance and the Audit & Risk Committee regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
    - Detecting and responding to the risks of fraud; and
    - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override through inappropriate journal entries.

Our procedures in respect of the above included testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent Auditors' Report to the Members of Libra (Longhurst Group) Treasury plc (continued)

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: https://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, United Kingdom

28 September 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Comprehensive Income

	Note	**2023** **£'000**	2022 £'000
Revenue	2	**17,190**	16,210
Operating expenditure	3	**(18,801)**	(19,531)
Operating loss	4	**(1,611)**	(3,321)
Fair Value movement – ineffective interest rate swap hedges	12	**1,120**	1,872
Loss on ordinary activities before taxation for the year		**(491)**	(1,449)
Tax on loss on ordinary activities	7	**-**	-
Loss on ordinary activities after taxation for the year		**(491)**	(1,449)
Other comprehensive Income:			
Cash flow hedge reserve recycled to profit or loss	12	**1,611**	3,321
Fair Value movement – effective interest rate swap hedges	12	**7,251**	3,056
Total comprehensive income for the year:		**8,371**	4,928

All of the activities of the company are classed as continuing.

Statement of Financial Position

	Note	**2023 £000**	2022 £000
Non current assets			
Debtors: amounts falling due after more than one year	8	**304,356**	308,668
Current assets			
Debtors: amounts falling due within one year	9	**8,912**	9,294
Cash and Cash equivalents		**50**	50
		8,962	9,344
Creditors: amount falling due within one year	10	**(8,901)**	(11,483)
Net current assets		**61**	(2,139)
Total assets less current liabilities		**304,417**	306,529
Creditors: amounts falling due after more than one year	11	**(308,158)**	(320,252)
Net liabilities		**(3,741)**	(13,723)
Capital and reserves			
Called up share capital	13	**50**	50
Revenue reserve		**3,527**	2,407
Cashflow hedge reserve		**(7,318)**	(16,180)
Capital contribution reserve		**-**	-
Shareholder's deficit		**(3,741)**	(13,723)

The financial statements were approved and authorised for issue by the Board of Directors on 4 July 2023 and were signed on its behalf by:

Rob Griffiths
28 September 2023

The notes on pages 22 to 31 form part of these financial statements

Statement of Changes in Equity

	Share capital £'000	Revenue reserve £'000	Cashflow hedge reserve £'000	Capital contribution reserve £'000	Total £'000
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 other comprehensive income (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)**
Loss for the year	-	(491)	-	-	(491)
Cash flow hedge reserve recycled to other comprehensive income (note 12)	-	-	1,611	-	1,611
Fair value movement on financial derivative (note 12)	-	-	7,251	-	7,251
Total comprehensive expenditure for the year	-	(491)	8,862	-	8,371
Capital contribution from parent	-	-	-	1,611	1,611
Realised profit on capital contribution	-	1,611	-	(1,611)	-
Balance at 31 March 2023	**50**	**3,527**	**(7,318)**	**-**	**(3,741)**

Notes to the Financial Statements

LEGAL STATUS

Libra (Longhurst Group) Treasury plc is incorporated in England and Wales and is registered with Companies House under number 08077172. The registered office is Leverett House, Gilbert Drive, Endeavour Park, Boston, Lincolnshire, PE21 7TQ.

1. ACCOUNTING POLICIES

Basis of Accounting
The financial statements have been prepared under the historic cost convention, in accordance with applicable UK accounting standards and in compliance with FRS102 and are presented in sterling (£) to the nearest thousand.

Disclosure Exemptions
The entity satisfies the criteria of being a qualifying entity as defined in FRS 102 and, as such, the Company has adopted the following disclosure exemptions:

- preparation of a cash flow statement;
- disclosure of related party transactions with and between wholly owned subsidiaries; and
- disclosures relating to financial instruments, income, expenses, gains and losses, exposure to and management financial risks.

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, 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 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 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 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.

Notes to the Financial Statements (continued)

- 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
The Company holds floating rate loans which expose the Company to interest rate risk, interest rate swaps are used to mitigate against this risk. 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.

Two of the standalone swaps matured during the year to the combined value of £11m. The total principal amount is now £61.5m.

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 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.

Notes to the Financial Statements (continued)

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 in applying accounting policies and key sources of estimation uncertainty
In preparing these financial statements, judgements have been made in respect of the following:

<u>Calculation of the fair value of loans</u>
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. Management use a third-party valuation to minimise the risk of uncertainty in valuation.

<u>Valuation of interest rate swap derivatives</u>
The interest rate swap derivatives are measured at fair value at each reporting date and are carried within debtors when the fair value is positive and creditors when the fair value is negative. Management use a third-party valuation to minimise the risk of uncertainty in valuation.

<u>Assessment of hedge ineffectiveness</u>
Hedge effectiveness is assessed against the full derivative and loan portfolio, where swaps are designated against existing loans with floating interest rates, at both Group and Company level.

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 or counterparty credit risk are recognised in income and expenditure.

<u>Going concern</u>
Going concern is assessed at both Group and Company level. Sufficient, appropriate information is provided to Board to enable them to consider the ability of each entity to continue as a going concern for the foreseeable future. Judgement is exercised in assessing the existence of any material uncertainties, of which none were identified.

		2023	2022
2.	**REVENUE**	**£'000**	£'000
	Interest receivable and other fees	**17,190**	16,210

		2023	2022
3.	**OPERATING EXPENDITURE**	**£'000**	£'000
	Interest payable and other fees:		
	On external bonds, loans and borrowings	**17,190**	16,210
	On interest rate swap derivatives	**1,611**	3,321
		18,801	19,531

Notes to the Financial Statements (continued)

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

	2023 £'000	2022 £'000
UK corporation tax		
Current tax on profit for the year	**-**	-
Adjustment in respect of previous periods	**-**	-
	-	-
Deferred tax	**-**	-
Tax on loss on ordinary activities	**-**	-

The tax assessed for the year differs to the standard rate of corporation tax in the UK applied to loss before tax. The differences are explained below:

	2023 £'000	2022 £'000
Loss on ordinary activities before tax	**(491)**	(1,449)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19% (2022: 19%)	**(93)**	(275)
Tax losses (utilised)/carried forward but not recognised as a deferred tax asset	**93**	275
Movement on deferred tax and other fixed assets and short term timing differences	**-**	-
Total tax charge for period	**-**	-

The aggregate current and deferred tax relating to items recognised in other comprehensive income is a charge of nil (2022: nil).

8. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	**2023 £'000**	2022 £'000
Loans to group undertakings (note 12)	**304,356**	308,668

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	**2023 £'000**	2022 £'000
Amounts owed by group undertakings	**8,912**	9,294

Notes to the Financial Statements (continued)

	2023 £'000	2022 £'000
10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Amounts owed to group undertakings	**4,242**	3,996
Loan interest and funding costs (note 12)	**2,254**	2,561
Loans repayable	**2,372**	2,575
Trade creditors	**17**	137
Derivative financial instruments (note 12)	**16**	2,214
	8,901	11,483

	2023 £'000	2022 £'000
11. CREDITORS: AMOUNTS DUE AFTER ONE YEAR		
Bond - loans repayable (note 12)	**249,243**	249,215
Bond issue costs	**(1,211)**	(1,290)
	248,032	247,925
Bank - loans repayable (note 12)	**60,700**	65,200
Bank issue costs	**(4,350)**	(4,433)
	56,350	60,767
	304,382	308,692
Derivative financial instruments (note 12)	**3,776**	11,560
	308,158	320,252

Repayment of Loans falling due as follows:	**2023 £'000**	2022 £'000
Within one year	**2,381**	2,600
Between one and two years	**32,271**	6,015
Between two and five years	**7,445**	36,637
After five years	**274,009**	285,511
	316,106	330,763
Loan issue costs	**(5,560)**	(5,723)
	310,546	325,040

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.

Notes to the Financial Statements (continued)

12. FINANCIAL INSTRUMENTS (CONTINUED)

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 2023 the fair value of the £250m bond stock was £254.1m (2022: £320.8m).

The fair value of the bond stock is based on market value at 31 March 2023. 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 96.5% to 3.5%.

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.

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

Notes to the Financial Statements (continued)

12. FINANCIAL INSTRUMENTS (CONTINUED)

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 2023 the fair value of derivative financial instruments held by Libra is £3,792k (2022: £13,774k). At 31 March 2023 the Company is in an 'over-hedged' position - of the net £9,982k movement in fair value (2022: £8,249k), £1,120k (2022: £1,872k) arises from this over-hedged position and is deemed to be ineffective. This ineffectiveness is recognised within 'interest and financing costs' in the statement of comprehensive income. The remaining £8,862k (2022: £6,377k) arises from the effective portion of the interest rate hedges and is therefore recognised in other comprehensive income 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.

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

	2023 £'000	2022 £'000
Financial assets		
Financial assets that are debt instruments measured at amortised cost:		
Cash and cash equivalents	**50**	50
Loans receivable (due within 1 year)	**2,372**	2,375
Loans receivable (due after 1 year)	**312,314**	314,614
Total financial assets	**314,736**	317,039

Notes to the Financial Statements (continued)

12. FINANCIAL INSTRUMENTS (CONTINUED)

	2023 £'000	2022 £'000
Financial liabilities		
Financial liabilities measured at amortised cost:		
Loan interest and funding costs	**2,254**	2,561
Trade creditors	**17**	137
Loans payable (due within 1 year)	**2,372**	2,375
Loans payable (due after 1 year)	**312,314**	314,614
	316,957	319,687
Derivative financial instruments designated as hedges of variable interest rate risk	**3,792**	13,774
Total financial liabilities	**320,749**	333,461

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	16,641
Between 1-2 years	15,088
Between 2-3 years	14,406
Between 3-4 years	14,238
Between 4-5 years	14,088
Over 5 years	140,362
	214,823

Financial Liabilities for the year ended 31 March 2023

	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%	220,877	(205)	(211)	(218)	(226)	(234)	221,971
Fixed Rate	4.365%	27,126	98	103	107	112	117	26,589
Total Bond Stock		248,003	(107)	(108)	(111)	(114)	(117)	248,560
Bank Debt								
Fixed Rate	4.56%	7,283	(85)	(85)	(85)	(85)	(85)	7,708
Floating Rate		51,468	1,918	31,818	2,334	2,145	2,145	11,106
Total Bank Debt		58,751	1,834	31,734	2,249	2,060	2,060	18,814
Derivative Financial Instruments	4.75%	3,792	9	-	211	139	278	3,155
		310,546	**1,736**	**31,626**	**2,349**	**2,085**	**2,221**	**270,529**

Notes to the Financial Statements (continued)

12. FINANCIAL INSTRUMENTS (CONTINUED)

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)	33,200	2 August 2037
Bank debt (RBS)	25,000	1 July 2024
Bank Debt (Barclays)	4,900	1 July 2024
	313,100	

Financial Liabilities for the year ended 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	5.25%	220,679	(198)	(205)	(211)	(218)	(226)	221,737
Fixed Rate	4.37%	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	4.70%	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		13,774	225	193	-	783	610	11,963
		325,040	**2,037**	**5,468**	**30,749**	**2,814**	**2,638**	**281,334**

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	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	19	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	18	03 April 2028	4.49%	4,000
Lloyds	Standalone	25	03 June 2030	4.64%	10,000
Lloyds	Standalone	21	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
					61,500

Notes to the Financial Statements (continued)

12. FINANCIAL INSTRUMENTS (CONTINUED)

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:

	2023 **£'000**	2022 £'000
Within one year	**9,000**	11,000
Between one and two years	**-**	9,000
Between two and five years	**21,000**	15,000
In five years or more	**31,500**	37,500
	61,500	72,500

13. SHARE CAPITAL

Authorised share capital

	2023 **£'000**	2022 £'000
50,000 ordinary shares of £1.00 each	**50**	50

Allotted, called up and part paid

	2023 **£'000**	2022 £'000
50,000 ordinary shares fully paid at £1.00 each	**50**	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 publicly 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.