

**Leazes Homes Limited**  
**(A company limited by guarantee and not having a share capital)**

**Report and Financial Statements**  
**For the year ended 31 March 2016**

**Charity Number: 1133627**  
**Company Number: 6888341**  
**HCA Registration Number: 4633**

## Reference and Administrative Details

### Corporate Information

#### Trustees, Company Secretary and Advisors

##### Trustees

D W Midgley	Chair
C Tweedie	Vice Chair
C Waddell	
M E Reynolds	
V Dunn	
M Talbot	Resigned 27 May 2015
J Streather	Appointed 27 May 2015
D Theobald	Appointed 1 February 2016
C Rabbetts	Appointed 22 February 2016

**Charity number** 1133627

**Company Number** 6888341

**HCA Registration Number** 4633

**Company Secretary** Jill Davison

**Registered Office** YHN House  
Benton Park Road  
Newcastle upon Tyne  
NE7 7LX

**Auditors** Ernst & Young LLP  
Citygate, St James' Boulevard  
Newcastle upon Tyne  
NE1 4JD

**Bankers** Natwest  
16 Northumberland Street  
Newcastle upon Tyne  
NE1 7EL

**Solicitors** Mr J Softly  
Chief Legal Officer, Legal Services  
Civic Centre  
Barras Bridge  
Newcastle upon Tyne  
NE1 8PR

## **Structure, Governance and Management and Objectives and Activities**

### **Principal business**

The principal activity of the Company is the provision of high quality, affordable accommodation to people in need who reside in the City of Newcastle upon Tyne.

As at 31 March 2016, the Company had 529 units in stock comprised of 381 new build properties and 148 acquired properties, of these 328 are general housing including shared ownership, 24 properties for older people, 173 supported properties and 4 properties leased to Newcastle City Council. There are 145 units under construction. The Company entered into a management agreement with Your Homes Newcastle ('YHN') on 1 January 2015 under which YHN provide a range of housing management services to Leazes Homes tenants.

### **Organisational structure**

Leazes Homes (LH) is a company limited by guarantee with charitable status. It is governed by a Board of Trustees who are also the members of the Company. The Trustees are responsible for directing the vision and strategic direction of the Company.

The day to day management of the Company is delegated to an Executive Management Team which consists of the Managing Director and Director of Finance. Along with the Company Secretary, these three roles are staffed by employees from YHN who are seconded to the Company to provide a range of management services. The Executive Management Team manages the business in accordance with the Scheme of Delegation and the Financial Regulations.

YHN provides a range of housing management services to Leazes Homes tenants. In order to provide assurance to the Trustees that the services being provided are of the required standard, YHN provide performance information to the Trustees on a quarterly basis. YHN's Director of Tenancy Services also attends Trustee meetings to present the performance report and to answer any questions raised by the Trustees.

### **Governing Document**

Leazes Homes Limited is a company limited by guarantee and was incorporated on 27 April 2009. The Company was established under a Memorandum of Association which established the objects and powers of the charitable company and is governed under its Articles of Association. The Company is registered with the Charity Commission and is also registered with the Homes and Communities Agency.

## **Structure, Governance and Management and Objectives and Activities (continued)**

### **Organisational structure (continued)**

In the event of the Company being wound up members are required to contribute an amount not exceeding £10.

The Trustees are responsible for the governance, strategy and objectives of the Company. The Good Governance Standard for Public Service and the NHF Excellence in Governance Code are the best practice guides which have been used to underpin Leazes Homes' governance arrangements. The Company is supported by YHN, who provide professional expertise and management as required through a Management Agreement that is monitored quarterly.

### **Recruitment and Appointment of Trustees**

The directors of the Company are also charity trustees for the purposes of charity law and under the Company's Articles of Association are known as Trustees.

In October 2015 the trustees passed a special written resolution to change the Articles of Association.

With effect from October 2015, the Articles of Association state that the Trustees shall consist of at least four and not more than eight individuals; made up of:

- Three individuals nominated by Newcastle City Council (known as 'the Council Trustees'); - V Dunn, J Streather, D Theobald and
- Four individual trustees (known as 'the Ordinary Trustees'). – M Reynolds, C Waddell, B Midgley, C Tweedie
- One Tenant trustee – C Rabbetts

The Ordinary Trustees are appointed by the members. Ordinary Trustees can also be appointed by the existing Trustees, either to fill a casual vacancy or as an addition to the existing Trustees, although the total number of Trustees cannot exceed the number specified in the Articles.

The Council Trustees are appointed by Newcastle City Council ('the Council') to serve for such period of office as shall be confirmed by the Council.

The Tenant trustee is appointed by the members.  
One third of the Ordinary Trustees must retire at each Annual General Meeting.

## **Structure, Governance and Management and Objectives and Activities (continued)**

### **Organisational structure (continued)**

#### Trustee Induction and Training

All new Trustees receive training to brief them on their obligations under charity and company law, the Charity Commission guidance on public benefit, the content of the Memorandum and Articles of Association, the decision-making processes, the business plan and recent financial performance of the Company.

Training is provided to all Trustees throughout the year to ensure they continue to meet all legal and statutory requirements. Trustees are encouraged to attend appropriate external training events where these will facilitate the undertaking of their role.

#### Audit Committee

The Company has an Audit Committee which currently meets twice a year. The purpose of the Audit Committee is to make sure that the Company's internal financial control systems and risk management systems are effective and meet regulatory requirements.

The Audit Committee has a membership of two Ordinary Trustees and an external independent professional who chairs the Committee. This helps the Company to identify and assess potential risks within the business and develop appropriate controls and systems which help to reduce those risks to an acceptable level.

### **Our Aims and Objectives**

The principal objects of the Company are:

- to provide social housing or hostels or other residential accommodation and any associated amenities for persons in necessitous circumstances upon terms appropriate to their means;
- to provide for aged, disabled (whether mentally or physically) or chronically sick persons in need thereof houses or hostels or other residential accommodation and any associated amenities specially designed or adapted to meet the disabilities and requirements of such persons;
- to provide services, advice or assistance upon terms appropriate to their means to aged, disabled (whether mentally or physically) or chronically sick persons or other persons in necessitous circumstances in need thereof and providing any associated amenities specially designed or adapted to meet the disabilities and requirements of such persons;

## **Structure, Governance and Management and Objectives and Activities (continued)**

### **Our Aims and Objectives (continued)**

- the provision of recreation or other leisure facilities in the interest of social welfare with the object of improving the conditions of life for the residents of the Area of Benefit (being the City of Newcastle upon Tyne);
- the relief of poverty amongst the residents of Newcastle upon Tyne;
- the advancement of education, training or retraining, particularly among unemployed people and providing unemployed people with work experience; and
- the maintenance, improvement or provision of public amenities for the public benefit in the interests of regeneration in areas of social and economic deprivation in which the Company owns or manages housing stock.

The strategic aims of the Company are:

- To achieve the charitable objects of the charity by:
  - Providing high quality affordable homes and services, including support services, for people in need; and
  - Supporting education, training or retraining, particularly among unemployed people.
- The provision of new opportunities for people and to build communities for the future.
- Ensure there are more affordable homes available in the City of Newcastle upon Tyne.

The strategic objectives of the Company are to:

- To develop an operational model which enables the efficient development of new social housing;
- To become a preferred partner of related organisations in the social housing field;
- To be a landlord of choice for social housing tenants primarily in the north east; and
- To develop a specific focus on special needs developments.

## **Structure, Governance and Management and Objectives and Activities (continued)**

### **Public Benefit**

The Trustees regularly review and considers the Company's aims and objectives. This is to ensure that they are being achieved and to assess how the Company's activities benefit those residing in Newcastle upon Tyne. The Trustees considered guidance contained within the Charity Commission's general guidance on public benefit when defining its aims and objectives and continue to consider how its activities will benefit the public.

The Trustees confirm that the Company's objectives fully meet the public benefit test and that all activities of the Company described in the report are undertaken in pursuit of its aims.

Further information about the Company's public benefits are set out in the Review of the Year section below.

### **Value for Money**

The Company continues to be committed to delivering value for money for tenants and stakeholders and produced its first Value for Money Statement in the year.

Reductions have been made in housing management and repair and maintenance costs, and a review of grounds maintenance services was completed with changes made to improve the performance of the service. There are further activities planned for the year ahead.

## **Strategic Report**

The Trustees of Leazes Homes Limited ('the Company') present their Strategic Report for the year ended 31 March 2016.

### **Review of the Year**

#### Provision of affordable homes

During the financial year, the Company added a further 78 units to its property portfolio. The Company now owns and manages 529 operational units as at March 2016 providing much needed affordable housing across Newcastle upon Tyne

#### Employment and Training Opportunities

The Company is continuing to provide training and employment opportunities in conjunction with Leazes' Homes development partners. Over the last year, two new apprenticeships have been created alongside a number of employment and training initiatives.

#### Welfare Reform

The four year rent reduction and other changes such as the extension of the Local Housing Allowance have made the financial environment very challenging for Registered Providers. The Company has modelled the impacts of these changes and has taken a number of measures to mitigate adverse impacts. This includes:-

- Building rent reductions into all investment appraisals to ensure the development programme continues to be sustainable;
- Reducing costs in housing management and repairs and maintenance services; and
- Identifying priority areas for review for 2016/17.

### **Future Developments**

The Company's principal objective is the provision of affordable housing across Newcastle upon Tyne. 2016/17 will be an exciting but challenging year for the business and its build programme. 139 new units will be added during the year which will include:

- 42 units at IRDL, Fossway, Byker, Newcastle upon Tyne providing purpose build accommodation for older people;
- 21 units at Springfield, Blakelaw, Newcastle upon Tyne providing purpose built supported housing and housing for older people;
- 31 units in Dinnington, Newcastle upon Tyne providing purpose built accommodation for older people; and



## **Strategic Report (continued)**

### **Future Developments (continued)**

- 45 units on the site of the former primary school at Throckley, which will provide purpose build accommodation for older people.

In addition a further 42 units will start on site at the following schemes:-

- 24 units at Springfield, Blakelaw, Newcastle upon Tyne providing housing for older people and housing for families; and
- 18 units at Dunblane, Newcastle upon Tyne providing housing for older people.

The Company and its Trustees are committed to providing benefits to communities through its activities. Construction related training and employment opportunities will continue to be provided in conjunction with Leazes Homes' construction and development partners. The Company also has plans to enter into partnership with another charity to provide catering services in the Company's supported housing schemes, which will also provide training and employment opportunities alongside additional services for tenants.

### **Financial Review**

#### **Transition to FRS 102**

These financial statements for the year ended 31 March 2016 are the first financial statements of Leazes Homes that comply with FRS 102. The date of transition to FRS 102 is 1 April 2014.

The transition to FRS 102, as interpreted by Housing SORP 2014, has resulted in a single change in accounting policies compared to those used previously.

#### **Principal funding sources**

The principal funding sources for the Company are the receipt of rental and service charge income from tenants, loans from Newcastle City Council and Royal Bank of Scotland as well as grants from the Homes and Communities Agency and Newcastle City Council.

#### **Investment Policy**

Surplus cash is invested with Newcastle City Council. During 2015-16 returns of 0.45% per year were receivable against amounts deposited.

## **Strategic Report (continued)**

### **Financial Review (continued)**

#### Reserves Policy

Reserves are required to bridge the gap between expenditure and income and to cover for unplanned events. The Trustees consider that the ideal level of reserves for the Company as at 31 March 2016 would be £293,000. The Company has a strong balance sheet and as at 31 March 2016 had reserves of £560,000.

#### **Financial Risk Management Policy**

The Company's principal financial instruments comprises loans, cash and short term investments. Other financial assets and liabilities, such as rent debtors and related party balances, arise directly from the Company's operating and financing activities.

The main risks associated with the Company's financial assets and liabilities are set out below. The Company does not undertake any hedging activity.

#### Interest Rate Risk

Financial assets, liabilities, interest income and cash flows can be affected by movements in interest rates. In order to mitigate exposure to interest rate fluctuation, the Company has a target of 80-90% fixed long term borrowings until maturity of the loans. This reflects and matches the long term nature of the Company's fixed asset base and regular rental income arising from it. The Trustees do not consider there to be any significant exposure.

#### Price Risk

There is no significant exposure to changes in the carrying value of financial liabilities.

#### Credit Risk

The Company's policy is aimed at minimising such losses with a key focus on rental arrears collection in order to minimise bad debt exposure. Individual exposures and overdue debts are monitored to ensure that the Company's exposure to bad debts is not significant.

#### Liquidity Risk and Future Borrowings

The Company is not currently exposed to liquidity risks as its liabilities are met directly by Newcastle City Council on its behalf. This is planned to change during 2016-17 and Leazes homes is carrying a £1.0m short term investment in Newcastle City Council to mitigate against any increased risk.

## **Strategic Report (continued)**

### **Financial Risk Management Policy (continued)**

As at 31 March 2016, the Company had £15,486,000 of loan funding (excluding amortisation of loan fees) from Newcastle City Council (2015: £16,374,000) with the earliest maturity in 2026. The company had fully drawn its £5m loan facility with RBS at 31 March 2016. It is anticipated that £9.1m will be drawn during 2016-17 from existing loan facilities with Newcastle City Council.

### **Foreign Currency Risk**

The Company does not engage in any foreign currency transactions. All its activities take place within the United Kingdom and consequently, the Company is not exposed to any foreign currency risk.

### **Risk Management**

The Company has a strategic risk register which is reviewed annually by the Audit Committee. Where appropriate, systems or procedures have been established to mitigate against the risks which the charity faces. The Company also has implemented procedures to minimise any potential impact on the charity should such risks materialise.

### ***Principal Risks and Uncertainties***

The most significant risks facing the Company as at 31 March 2016 were:

1 **Restrictions on availability of funding restricts development**

If the Company faces increased restrictions on accessing funding then development activities will reduce. Actions taken to mitigate this risk include:-

- Funded delivery programme up until March 2018;
- Modelling of alternative financing models; and
- Developing links with other lending institutions.

2 **Failure to plan for management succession disrupts delivery and service provision**

As the Company has no employees it relies on secondment agreements with YHN for its Executive Management Team. Any changes to the Executive Management Team, who have extensive knowledge of the Company's affairs, could affect the delivery of the Company's business and development plans. The following actions are taken to mitigate against the risk:-

- Implementation of a Management Succession Plan;

## Strategic Report (continued)

### Risk Management (continued)

- Development of Service Specification; and
- Developing links with other Registered Providers.

3 Changes in government policy towards housing provision that might create opportunities or threats

The government has introduced different priorities for affordable housing. The risk is that the principle objects of the company may make it difficult to deliver against these priorities. The following actions are taken to mitigate against these risks:-

- Modelling of alternative financing models;
- Developing links with other sectors such as health; and
- Continued focus on supported housing development.

4 Changes introduced through Welfare Reform affect the financial viability Leazes Homes

Tenants affected by benefit changes may be unable to pay their rent which would result in a loss of income to the Company. The following actions are taken to mitigate against the risk.

- Delivery of project plan to respond to Welfare Reform;
- Households affected by Welfare Reform identified and visits to at risk households to continue;
- Awareness and communication exercises undertaken to inform tenants of the potential effects of Welfare Reform.
- Provision for bad debts;
- Interventions in rent arrears escalation process;
- Introduction of one year assured shorthold tenancy for new tenants; and
- Development appraisals for new schemes to build in provision for rent reductions.

The Strategic Report was approved by the Trustees on 1 August 2016 and signed on its behalf by:



D W Midgley  
Chair



Jill Davison  
Company Secretary

## **Trustees' Report**

A list of Leazes Homes' Trustees for the year ended 31 March 2016 is shown at page 1.

The Trustees present their Report and Financial Statements for the year ended 31 March 2016.

The Company has chosen in accordance with Section 414C(ii) of the Companies Act 2006 to set out in the company strategic report the following which the trustees believe to be of strategic importance:

- Review of the Year
- Future developments
- Financial review
- Financial risk management policy

### **Policy on the Employment, Training and Development of Disabled People**

The Trustees have approved an Equality and Diversity Policy that sets out the Company's objectives relating to the employment, service delivery, working with other organizations and involving the community which recognises and seeks to address the inequalities and disadvantages that many communities, including disabled people, face in society.

### **Going Concern**

Having made enquiries, the Trustees consider that the Company's current and future prospects and its availability of financing are adequate to enable it to continue business for the foreseeable future and that they are also satisfied that the Company can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements.

The Trustees consider that a robust going concern assessment process was undertaken and the results discussed and challenged formally at the Audit Committee on 22 July 2016. At that meeting the Audit Committee recommended that the Trustees approve the annual accounts.

The process for determining whether or not the Company is a going concern involved a number of considerations including an assessment of the financial budgets and forecasts for the Company up to 31 March 2046. This period is considered to be 'foreseeable future' as required for this ongoing assessment only and is in accordance with company law and accounting rules.

The assessment also considered the solvency and liquidity risks involved in delivering the financial forecasts for the foreseeable future. Further information on the Company's risks can be found on pages 10 and 11. There were no major changes to the Company's significant liquidity and solvency risks in the year. For this reason, the Trustees continue to adopt the going concern basis of preparation for these financial statements.

## **Trustees' Report (continued)**

### **Statement of Trustees' Responsibilities**

The Trustees are responsible for preparing the Strategic Report, the Trustees' Report and the financial statements in accordance with applicable United Kingdom Law and United Kingdom Generally Accepted Accounting Practice.

Regulation requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the surplus or deficit of the Company for that year. In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies then apply them consistently;
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction Registered Providers of Social Housing 2015. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, bribery and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Disclosure of information to auditors**

So far as each person who was a Trustee at the date of approving this report is aware, there is no relevant audit information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Trustees and the auditor, each Trustee has taken all steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

### **Related Parties**

None of the Trustees receive remuneration or other benefit from their work with the Company. Any connection between a Trustee or member of the Executive Management Team with a contractor, supplier or other third party must be disclosed to the Board of Trustees.

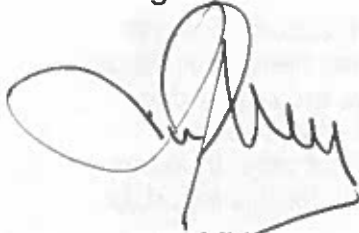
Newcastle City Council holds 3/8<sup>th</sup> of the membership of the Company through the Council Trustees.

## Trustees' Report (continued)

### Auditors

A resolution for the re-appointment of Ernst & Young LLP as auditors of the Company is to be proposed at the Annual General Meeting.

The Trustees' Report was approved by the Trustees on 1 August 2016 and signed on its behalf by:



D W Midgley  
Chair



Jill Davison  
Company Secretary



## **Independent auditors' report**

### **To the members of Leazes Homes Limited**

We have audited the financial statements of Leazes Homes Limited for the year ended 31 March 2016 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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.

### **Respective responsibilities of trustees and auditor**

As explained more fully in the Trustees' Responsibilities Statement set out on page 13, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2016 and of its and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008, the Accounting Direction Registered Providers of Social Housing 2015, the 'Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers', issued in September 2014.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

We have nothing to report in respect of the following matters where the Housing and Regeneration Act 2008, requires us to report to you if, in our opinion:

- proper accounting records of its transactions and its assets and liabilities in relation to its housing activities have not been kept, and
- a satisfactory system of control of those records, its cash holdings and its receipts and remittances in relation to those activities has not been maintained



Caroline Mulley (Senior statutory auditor)  
For and on behalf of Ernst & Young LLP,  
Statutory Auditor  
Newcastle upon Tyne

5 August 2016

Ernst & Young LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006



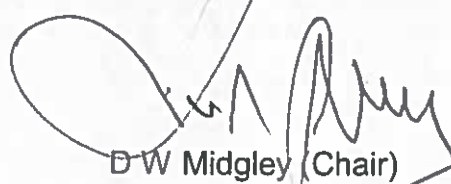
# Statement of Comprehensive Income

For the year ended 31 March 2016

	Note	Year ended 1 March 2016 £'000	Year ended 31 March 2015 £'000 <i>Restated</i>
Turnover	5,6	3,563	2,499
Operating expenditure	5,6	(2,650)	(1,807)
Other Income	5	12	94
<b>Operating surplus</b>	7	925	786
Interest receivable	9	8	13
Interest and financing costs	10	(652)	(633)
<b>Surplus before and after tax</b>		281	166
<b>Total comprehensive income for the year</b>		281	166

All amounts relate to continuing activities.

These financial statements were approved by the Board and authorised for issue on 1 August 2016 and signed on its behalf by:



D W Midgley (Chair)



C Waddell (Member)



J Davison (Company Secretary)



## Statement of Changes in Reserves

At 31 March 2016

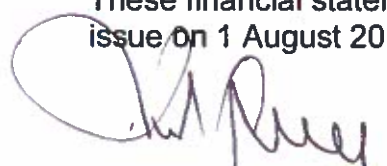
	<i>Revenue Reserves</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>
Balance as at 1 April 2014	113	113
Total comprehensive income for the year	166	166
<b>Balance as at 31 March 2015</b>	<b>279</b>	<b>279</b>
Total comprehensive income for the year	281	281
<b>Balance as at 31 March 2016</b>	<b>560</b>	<b>560</b>

# Statement of Financial Position

At 31 March 2016

	Note	2016 £'000	2015 £'000 <i>Restated</i>
<b>Fixed Assets</b>			
Tangible fixed assets	11,12	48,911	41,569
		<u>48,911</u>	<u>41,569</u>
<b>Current assets</b>			
Properties held for sale	13	261	261
Trade and other debtors	14	251	254
Investments	15	1,000	2,518
Cash and cash equivalents		2,546	1,252
		<u>4,058</u>	<u>4,285</u>
<b>Less Creditors: amounts falling due in less than one year</b>	16	(6,309)	(6,112)
<b>Net current liabilities</b>		<u>(2,251)</u>	<u>(1,827)</u>
<b>Total assets less current liabilities</b>		46,660	39,742
<b>Creditors: amounts falling due in more than one year</b>	17	(46,100)	(39,463)
<b>Total Net assets</b>		<u>560</u>	<u>279</u>
<b>Reserves</b>			
<b>Income and Expenditure reserve</b>		<u>560</u>	<u>279</u>

These financial statements were approved by the Board and authorised for issue on 1 August 2016 and signed on its behalf by:



D W Midgley (Chair)



C Waddell (Member)



J Davison (Company Secretary)

## Statement of cash flows

For the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
<b>Net cash flow from operating activities</b>	18	1,117	3,988
<b>Cash flow from investing activities</b>			
Purchase of tangible fixed assets		(7,442)	(11,881)
Grants received		4,995	3,791
Interest received		8	20
<b>Cash flow from financing activities</b>			
Interest Paid		(792)	(515)
New secured loans		2,783	5,084
Repayment of borrowings		(893)	(232)
Withdrawal from deposits		1,518	19
<b>Net change in cash and cash equivalent</b>		<b>1,294</b>	<b>274</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>1,252</b>	<b>978</b>
<b>Cash and cash equivalents at end of year</b>		<b>2,546</b>	<b>1,252</b>

## Notes to the financial statements

at 31 March 2016

### 1. Legal structure

The Company is registered under the Companies Act 2006 and is a registered provider. The Company is registered and incorporated in England. Refer to page 1 for details.

### 2. Principal accounting policies

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards.

A summary of the more important accounting policies is set out below.

#### ***Going Concern***

The financial statements have been prepared on the going concern basis (notwithstanding the net liabilities of £2,251,000) which the trustees believe to be appropriate for the following reasons.

The company has access to external loan borrowings of £5,000,000. This is a long term loan facility and repayments within 12 months are not expected.

Of the net liabilities above, £2,646,000 was the net current liability with NCC. The company has undrawn loan facilities of £9,100,000 with NCC. LH intends to draw down from this facility during 2016-17 as required.

The trustees consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. Based on the above, the trustees believe that it remains appropriate to prepare the financial statements on a going concern basis.

#### ***Basis of accounting and statement of compliance***

The financial statements have been prepared under the historical cost accounting convention modified to include the revaluation of certain land and buildings and in accordance with applicable accounting standards in the United Kingdom, including Financial Reporting Standard 102 (FRS 102), and the 'Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers', issued in September 2014 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015, for the year ended 31 March 2016.

The Company has transitioned from previous UK GAAP to FRS 102 and Housing SORP 2014, as at 1 April 2014.

This is the first year in which the financial statements have been prepared under FRS 102. These financial statements conform to FRS 102. Refer to note 25 for an explanation on how the transition has impacted the reported financial position and financial performance.



## Notes to the financial statements

at 31 March 2016

### 2. Principal accounting policies (continued)

#### *Significant judgements and key sources of estimation uncertainty*

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date, and the amounts reported for revenues and expenses during the period.

However, the nature of estimation means that actual outcomes could differ from those estimates.

#### *Significant management judgements*

The following judgements have had the most significant effect on the financial statements:

##### Impairment

Housing properties which are depreciated over a period in excess of 50 years are subject to impairment reviews annually. Other assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

From 1 April 2016, social housing rents will be reduced by one per cent per annum and will continue to do so in each year until 2019/20 in accordance with the Housing and Planning Act 2016, which will lead to a reduction in rental income. Whilst a fall in revenue may be an indicator of potential impairment on housing properties, there have been discussions between the National Housing Federation (NHF) and the Financial Reporting Council (FRC) specifically on the this issue, and the FRC has agreed that there is a social benefit to social housing assets such that the rent cut in itself is not considered a trigger for impairment.

The expected future reduction in income is considered within all investment appraisals to ensure that the development programme continues to be sustainable. Management has determined based on this that there is no impairment of the Company's social housing properties.

##### Recognition of grants on accruals basis

An entity shall recognise grants either based on the performance model or an accrual model. All grants which are government grants relating to housing properties are recognised on an accruals basis.

## Notes to the financial statements

at 31 March 2016

### 2. Principal accounting policies (continued)

#### *Significant management judgements (continued)*

##### Determination of financial instruments as basic

There is judgement in determining whether financial instruments meet the definition of basic or complex in accordance with Section 11 of FRS 102.

Management has determined that the Company's financial instruments are deemed as basic on the basis of the following:

- Interest paid on the loans is on a fixed rate basis.
- Loan agreements with external providers do not contain two way break clauses.
- Many of the loans are with Newcastle City Council and these loan agreements do not contain two way break clauses.

These loans have therefore been recognized at amortised historical cost.

##### *Key sources of estimation uncertainty*

The following sources of estimation uncertainty have had the most significant effect on the financial statements:

##### Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets and components at each reporting date based on the expected utility of the assets. Uncertainties in estimates relate to technology obsolescence that may change the utility of the assets and changes to decent homes standards which may require more frequent replacement of key components.

##### Amortisation of deferred government grants

There is a policy choice in the amortisation of government grants received for housing properties. The accruals policy permits either recognition over the expected useful life of the housing property structure (not land) or over the useful life of the housing property and individual components on a pro rata basis. Government grants received for housing properties' is recognised in income over the useful life of the housing property structure.

##### Recoverability of bad debts

A difficult ongoing economic climate and changes in housing benefit may increase the risk of non-recovery of rent and service charge arrears at each reporting date and therefore the Company applies assumptions over the expected recovery of these balances in determining the basis of a bad debt provision. Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts due to the extent that they may not be recoverable.

## Notes to the financial statements

at 31 March 2016

### 2. Principal accounting policies (continued)

#### **Turnover**

Turnover represents rental income receivable, service charge income receivable, other income from tenants and grants from local authorities.

Rent and service charges are also receivable from Newcastle City Council under operating leases for four properties at the Scrogg Road Mental Health Supported Housing Scheme. The annual rent for each property is £1, chargeable annually in advance on 25<sup>th</sup> March. Service charges of £15,000 will be due on these four leases during 2015-16 and each year thereafter, subject to review, chargeable in advance in six-monthly instalments.

#### **Interest payable**

Interest is capitalised on borrowing to finance the development of qualifying assets to the extent that it accrues in respect of the period of development if it represents

- a) interest in borrowings specifically financing the development programme after deduction of related grants in advance.
- b) Fair amount of interest on borrowings of the Company as a whole after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.

Other interest is allocated at a constant rate on the carrying amount over the period of the borrowing, and is charged to income and expenditure in the year.

#### **General Reserve**

The general reserve is part of the charitable company's unrestricted funds and is freely available to spend on any of the charitable company's purposes. As a charitable company Leazes Homes will not hold excessive general reserves.

#### **Designated Reserve**

A designated reserve is identified to fund specific events for the benefit of the tenants of Leazes Homes. Funds collected and relevant expenditure incurred are recorded in the income and expenditure account in the period with net movement transferred between the income and expenditure reserve and the restricted reserve at the end of each year.

#### **Contingent Reserve**

Contingent reserves are set aside for the organisation to be able to react to potential future financial shocks. A judgement of the level of risk that various budget areas have is made using an expected value approach, based on general and specific economic factors effecting the organisation. A reserve is set aside to allow Leazes Homes to react if these events come to fruition. Funds are transferred into this reserve from the income and expenditure reserve to meet the agreed level set by the Leazes Homes Board.

## Notes to the financial statements

at 31 March 2016

### 2. Principal accounting policies (continued)

#### ***Housing properties and depreciation***

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit and are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development costs plus any costs incurred in bringing the asset to its working condition.

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

Interest is capitalised on projects under construction from the time funds are available until completion of the project.

Depreciation is calculated to write off the cost or valuation of housing properties by component on a straight line basis over their useful lives of the component categories as follows:

Land	not depreciated
Structure	50 to 100 years
Major Components	15 to 60 years
Minor components	5 years

Housing properties which are depreciated over a period in excess of 50 years are subject to impairment reviews annually. Other assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### ***Other tangible fixed assets***

Disabled adaptations relate to those major works and equipment installations deemed essential to bring an individual property fit for use by the tenant.

Depreciation is on a straight line basis over their useful lives. The principal rates and bases used are:

Disabled adaptations	10 years
IT Software and Hardware	5 years

#### ***Non routine repairs expenditure***

Non routine repairs expenditure is capitalised to the extent it represents an improvement to the property, otherwise it is expensed in the year in which it is incurred.

## Notes to the financial statements

at 31 March 2016

### 2. Principal accounting policies (continued)

#### ***Shared ownership properties***

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

#### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash at banks and in hand and short term deposits.

#### ***Debtors***

Debtors are measured at transaction price, less any impairment. Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts due to the extent that they may not be recoverable.

#### ***Creditors***

Creditors are measured at transaction price.

#### ***Capital grants***

Where developments have been financed wholly or partly by Social Housing Grant or other capital grants. Capital grants and donations are recognised in the financial statements on the basis of the event dates which must be reached prior to the grant becoming claimable. Where grant received is in excess of costs incurred the excess is transferred to creditors. On disposal of properties which have been financed wholly or partly by Social Housing Grant, the amount of grant not abated by the Housing Corporation is transferred to the recycled Capital Grant Fund and, if not recycled in accordance with Housing Corporation Circular F2 - 21/97, may become repayable.

Government grants received for housing properties' is recognised in income over the useful life of the housing property structure in accordance with Housing SORP 2014.

#### ***Financial instruments***

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model and thus recognised at amortised historical cost.

Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in surplus or deficit. At each year end, the instruments are revalued to fair value, with the movements posted to the income and expenditure.

## Notes to the financial statements

at 31 March 2016

### 3. Corporation taxation

As a registered charity, Leazes Homes is able to claim exemptions from corporation tax where gains are applied for charitable purposes. All gains for Leazes Homes in 2015-16 relate to furthering the charitable purposes of the organisation and are therefore exempt from Corporation Tax.

### 4. Employee information

The charitable company had no employees during the period and there are no staff costs. No remuneration was paid to the trustees of the charitable company.

### 5. Turnover, Operating Costs and Operating Surplus for the Year

	<i>Turnover</i>	<i>Operating costs</i>	<i>Operating surplus</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>2016</b>			
Income and Expenditure from lettings	2,638	(1,756)	882
Service Charge Income	923	(894)	29
Grant income	2	-	2
Other income	12	-	12
	<b>3,575</b>	<b>(2,650)</b>	<b>925</b>

	<i>Turnover</i>	<i>Operating costs</i>	<i>Operating surplus</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>2015 Restated</b>			
Income and Expenditure from lettings	1,958	(1,275)	683
Service Charge Income	537	(532)	5
Grant income	4	-	4
Other income	94	-	94
	<b>2,593</b>	<b>(1,807)</b>	<b>786</b>

Income and expenditure from lettings includes amortised government grants of £261k (2014: £197k).

## Notes to the financial statements

at 31 March 2016

### 5. Turnover, Operating Costs and Operating Surplus for the Year (continued)

	2016 £'000	2015 £'000
Turnover from lettings:		
Rents receivable	2,455	1,787
Service Charge Income	978	542
Rent and service charge voids	(133)	(31)
Amortised government grants	261	197
	<u>3,561</u>	<u>2,495</u>

### 6. Particulars of income and expenditure from social housing lettings

	2016 £'000	2015 £'000 <i>Restated</i>
Premises	15	9
Supplies and services	434	339
Service charge costs	894	532
Maintenance	321	236
Bad debts	13	8
Depreciation of housing properties	973	683
	<u>2,650</u>	<u>1,807</u>

## Notes to the financial statements

at 31 March 2016

### 7. Operating surplus

The operating surplus is arrived at after charging/(crediting)

	2016	2015
	£'000	£'000
Depreciation of housing properties	973	683
Depreciation of other tangible fixed assets	9	3
Auditors remuneration for the audit of the financial statements	5	5

There were no fees paid to the Company's auditor for other services.

### 8. Accommodation in management

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

	2016	2015
General housing	318	305
Sheltered housing/older persons	24	24
Supported housing	173	68
Shared ownership housing	14	14
<b>Total Properties</b>	<b>529</b>	<b>411</b>

As at 31 March 2016 there were 145 properties identified as work in progress.

### 9. Interest Receivable and Other Income

Interest receivable and other income in the year was £8,000 (2015: £13,000), this relates to investment interest gained within the year.

### 10. Interest Payable and Similar Charges

Interest payable of £652,000 was incurred during the year (2015: £633,000). This largely relates to interest on loan agreements.



## Notes to the financial statements

### at 31 March 2016

#### 11. Fixed Assets – Housing Properties

2015-16	<i>Social Housing properties held for letting</i>	<i>Housing properties for letting under construction</i>	<i>Completed shared ownership housing properties</i>	<i>Total</i>
<b>Cost</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
As at 1 April 2015 restated	35,947	6,217	1,131	43,295
Additions:				
Works to existing properties	-	8,166	-	8,166
Interest capitalised	-	125	-	125
Schemes completed	8,246	(8,246)	-	-
As at 31 March 2016	44,193	6,262	1,131	51,586
<b>Depreciation and Impairment</b>				
As at 1 April 2015 restated	(1,739)	-	(8)	(1,747)
Depreciation charged in year	(933)	-	(40)	(973)
As at 31 March 2016	(2,672)	-	(48)	(2,720)
<b>Net Book Value</b>				
As at 31 March 2016	41,521	6,262	1,083	48,866
As at 31 March 2015 Restated	34,208	6,217	1,123	41,548
As at 1 April 2014 Restated	25,127	4,291	1,126	30,544

# Notes to the financial statements

at 31 March 2016

## 11. Fixed Assets – Housing Properties

2014-15 Restated	<i>Social Housing properties held for letting</i>	<i>Housing properties for letting under construction</i>	<i>Completed shared ownership housing properties</i>	<i>Total</i>
<b>Cost</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
As at 1 April 2014	26,189	4,291	1,131	31,611
Additions:				
Works to existing properties	-	11,595	-	11,595
Interest capitalised	-	89	-	89
Schemes completed	9,758	(9,758)		-
As at 31 March 2015	35,947	6,217	1,131	43,295
<b>Depreciation and Impairment</b>				
As at 1 April 2014	(1,062)	-	(5)	(1,067)
Depreciation charged in year	(677)		(3)	(680)
Impairment charged in year	-	-	-	-
Released on Disposal	-	-	-	-
As at 31 March 2015	(1,739)	-	(8)	(1,747)
<b>Net Book Value</b>				
<b>As at 31 March 2015 Restated</b>	<b>34,208</b>	<b>6,217</b>	<b>1,123</b>	<b>41,548</b>
As at 1 April 2014 Restated	25,127	4,291	1,126	30,544

# Notes to the financial statements

at 31 March 2016

## 11. Fixed Assets – Housing Properties (continued)

### Expenditure on works to existing properties

	2016	2015
	£'000	£'000
Improvement works capitalised	2,087	5,432
Components capitalised	6,079	6,163
	<u>8,166</u>	<u>11,595</u>

### Social housing assistance

	2016	2015
	£'000	£'000
Total accumulated social housing Grant received or receivable at 31 March 2016:	<b>27,642</b>	<b>22,646</b>
Recognised in the statement of Comprehensive Income	754	493
Held as deferred income	26,888	22,153
	<u>27,642</u>	<u>22,646</u>

### Finance costs

	2016	2015
	£'000	£'000
Aggregate amount of finance costs included in the cost of housing properties	<u>347</u>	<u>222</u>

**Notes to the financial statements**

at 31 March 2016

**12. Fixed Asset – Plant and Equipment**

	<i>Disabled Adaptations</i>	<i>IT Software &amp; Hardware</i>	<i>Total</i>
<b>Cost</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
As at 1 April 2015	21	-	21
Additions:	17	16	33
As at 31 March 2016	38	16	54
<b>Depreciation and Impairment</b>			
As at 1 April 2015	-	-	-
Depreciation charged in year	(6)	(3)	(9)
As at 31 March 2016	(6)	(3)	(9)
<b>Net Book Value</b>			
As at 31 March 2016	32	13	45
As at 1 April 2015	21	-	21

**13. Properties for sale**

	<i>2016 £'000</i>	<i>2015 £'000</i>
Shared ownership properties	261	261

## Notes to the financial statements

at 31 March 2016

### 14. Trade and other debtors

	2016	2015
	£'000	£'000
Rent and service charge receivable	226	165
Less provision for bad and doubtful debts	(41)	(32)
	<u>185</u>	<u>133</u>
Amounts due from Newcastle City Council	59	31
Other debtors and prepayments	7	90
	<u>251</u>	<u>254</u>

### 15. Investments

Investments amounting to £1,000,000 (2015: £2,518,116) were held with NCC at year end. This yielded a 0.45% (2015: 0.50%) interest rate and earned interest of £8,185 (2015: £12,687) in the financial year.

### 16. Creditors: amounts falling due in less than one year

		<i>Restated</i>
	2016	2015
	£'000	£'000
Amounts due to Newcastle City Council	2,646	3,485
Amounts due to Your Homes Newcastle	497	244
Contractor payments	1,432	675
Interest payable	452	476
Tenant payments in advance	44	53
Other accruals	87	25
Deferred grant income	Note 23 276	261
Local authority loans	Note 24 875	893
	<u>6,309</u>	<u>6,112</u>

**Notes to the financial statements**

at 31 March 2016

**17. Creditors: amounts falling due in more than one year**

		2016	Restated 2015
		£'000	£'000
Deferred grant income	Note 23	26,612	21,892
Local authority loans	Note 24	14,611	15,481
Bank loans	Note 24	5,000	2,200
Loan Issue costs		(123)	(110)
		<b>46,100</b>	<b>39,463</b>

**18. Cash flow from operating activities**

	2016	Restated 2015
	£'000	£'000
Cash flow from operating activities		
Surplus for the year	281	166
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	982	683
Amortisation of grants	(261)	(197)
Decrease in trade and other debtors	3	119
(Increase)/decrease in trade and other Creditors	(532)	2,597
Interest payable	652	633
Interest Received	(8)	(13)
Net cash generated from operating activities	<b>1,117</b>	<b>3,988</b>

**19. Capital commitments**

	2016	2015
	£'000	£'000
Expenditure contracted for but not provided in the accounts	12,362	3,705
Expenditure authorised by the board, but not contracted	-	-
	<b>12,362</b>	<b>3,705</b>

## Notes to the financial statements

at 31 March 2016

### 20. Related party transactions

Leazes Homes Limited is an independent company limited by guarantee and a charitable company. It has seven Trustees who are also the members. There are four ordinary Trustees who are independent, one Trustee appointed by Your Homes Newcastle (YHN) and two Trustees appointed by Newcastle City Council (NCC).

All Leazes Homes senior management team are employees of YHN and YHN provides a housing management service to Leazes Homes. During 2015-16 transactions totalling £783k took place between Your Homes Newcastle and Leazes Homes Limited (2014-15: £532k) relating to salary recharges, provision of services to tenants and management fees. At 31 March 2016, £497k was due to YHN included within creditors (note 16) (2015: £244k).

NCC provides services to Leazes Homes. During 2015-16 transactions totalling £723k (2015: £559k) took place between NCC and Leazes Homes. At 31 March 2016 £75k was due to NCC included within creditors (note 16) (2015: £197k).

NCC makes payments to suppliers and receives cash from tenants on behalf of Leazes Homes. During the 2015-16 Leazes Homes made settlements for notional cash balances to NCC of £9,396k (2015: £11,539k). At 31 March 2016 £2,571k was due to NCC for notional cash balances (2015: £3,288k).

Leazes Homes received no additional loans of £m from NCC during the year, and made loan repayments to NCC of £238k. As at 31.3.2016 Leazes Homes was in receipt of loans of £15,486k from NCC (note 16/17). As at 31 March 2016 £451k for accrued interest was included within creditors (note 16).

In addition at 31 March 2016 NCC had settled £8k in relation to interest receivable on short term investments (note 15).

The Trustees who are Newcastle City Council or YHN Trustees do not use their position as Trustees to gain any commercial advantage. Where conflicts do arise they are fully disclosed either in advance of a Board meeting or at such a meeting. If appropriate the NCC trustee would leave the meeting to enable the matter to be discussed in their absence thereby avoiding a conflict of interest.

## Notes to the financial statements

at 31 March 2016

### 21. Liability of members

The charitable company is a private company limited by guarantee. The liability of the members is limited and every member undertakes to contribute to the assets of the charitable company, in the event of the charitable company being wound up while he or she is a member, or within one year after he or she ceases to be a member, for the debts and liabilities of the charitable company contracted before he or she ceased to be a member and of the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributors among themselves, such amount as may be required not exceeding one pound.

### 22. Interest and financing costs

	2016	2015
	£'000	£'000
Loans and bank overdrafts (net of issue costs)	20,363	18,464
	<u>20,363</u>	<u>18,464</u>
Interest payable capitalised on housing properties under construction	125	89
	<u>125</u>	<u>89</u>
Capitalisation rate used to determine the finance costs capitalised during the period	3.73%	3.35%
	<u>3.73%</u>	<u>3.35%</u>

The Loans from Newcastle City Council bear interest rates of between 3.35% and 5.42%, fixed for between 15 and 30 year periods. The loans are secured against the housing assets and are repaid on an annuity basis in periods of six months or one year. Other loans bear variable interest rates on a Libor basis.



## Notes to the financial statements

### at 31 March 2016

#### 23. Deferred Grant Income

	2016	2015
	£'000	£'000
At 1 April	22,153	18,558
Grant received in the year	4,996	3,792
Released to income in the year	(261)	(197)
At 31 March	<u>26,888</u>	<u>22,153</u>
Amounts to be released within one year	276	261
Amounts to be released in more than one year	<u>26,612</u>	<u>21,892</u>
	<u>26,888</u>	<u>22,153</u>

#### 24. Debt analysis

	2016	2015
	£'000	£'000
<b><i>Due within one year</i></b>		
Local authority loans	<u>875</u>	<u>893</u>
	<b>875</b>	<b>893</b>
<b><i>Due after more than one year</i></b>		
Bank loans	5,000	2,200
Local authority loans	14,611	15,481
Less: issue costs	<u>(123)</u>	<u>(110)</u>
	<b>19,488</b>	<b>17,571</b>
Total Loans	<u>20,363</u>	<u>18,464</u>

#### Security

Local Authority loans are secured by fixed charges on individual properties. The bank loans are secured by a floating charge over the assets of the association and by fixed charges on individual properties

## Notes to the financial statements

at 31 March 2016

### 24. Debt analysis (continued)

#### Terms of repayment and interest rates

The loans from local authorities are repaid in half-yearly instalment, over the estimated life of the scheme on which the loan is secured, at fixed rates of interest ranging from 3.35% to 5.42%. The final instalments fall to be repaid in the period 2016 to 2041.

The bank loan with RBS will be paid in full by a single instalment on the final repayment date in August 2024.

At 31 March 2016 Leazes Homes had undrawn loan facilities of £13.2m (2015: £11.2m).

Maturity of the loans are as follows:

	2015 £'000	2015 £'000
In one year or less, or on demand	875	893
Between one and two years	622	597
Between two and five years	1,354	1,945
In five years of more	17,635	15,139
	<b>20,486</b>	<b>18,574</b>

All loans are shown on an amortised cost basis.

### 25. Transition to FRS 102

The following notes to the financial statements describe the differences between capital and reserves and profit or loss presented previously, and the amounts as restated to comply with the accounting policies selected in accordance with FRS 102 for the reporting period ended at 31 March 2015 (i.e. comparative information), as well as capital and reserves presented in the opening statement of financial position (i.e. at 1 April 2014). It also describes all the required changes in accounting policies made on first-time adoption of FRS 102.

#### Reconciliation of capital and reserves

		At 1 April 2014 £ '000	At 31 March 2015 £ '000
Capital and reserves (as previously stated)	Note	268	532
Re-measurement of grant amortisation	(i)	(155)	(253)
Capital and reserves (as restated)		<b>113</b>	<b>279</b>

## Notes to the financial statements

at 31 March 2016

### 25. Transition to FRS 102 (continued)

#### Reconciliation of surplus for the year

	Note	Year ended 31 March 2015 £ '000
Surplus for the year (as previously stated)		264
Re-measurement of grant amortisation	(i)	(98)
Surplus for the year (as restated)		<u>166</u>

#### Restated statement of financial position as at 31 March 2015

	Note	Reported at 31 March 2015 £'000	Impact of FRS 102 £'000	Restated as at 31 March 2015 £'000
<b>Fixed Assets</b>				
Tangible fixed assets	(ii)	19,670	21,899	41,569
		<u>19,670</u>	<u>21,899</u>	<u>41,569</u>
<b>Current assets</b>				
Properties held for sale		261		261
Trade and other debtors		254		254
Investments		2,518		2,518
Cash and cash equivalents		1,252		1,252
		<u>4,285</u>		<u>4,285</u>
<b>Less Creditors: amounts falling due in less than one year</b>		<u>(5,851)</u>	<u>(261)</u>	<u>(6,112)</u>
<b>Net current liabilities</b>		<u>(1,566)</u>	<u>(261)</u>	<u>(1,827)</u>
<b>Total assets less current liabilities</b>		<u>18,104</u>	<u>21,638</u>	<u>39,742</u>
<b>Creditors: amounts falling due in more than one year</b>	(i, ii)	<u>(17,572)</u>	<u>(21,891)</u>	<u>(39,463)</u>
<b>Total Net assets</b>		<u>532</u>	<u>(253)</u>	<u>279</u>
<b>Reserves</b>				
<b>Income and Expenditure reserve</b>	(i)	<u>532</u>	<u>(253)</u>	<u>279</u>

## Notes to the financial statements

### at 31 March 2016

#### 25. Transition to FRS 102 (continued)

##### Restated statement of financial position as at 1 April 2014

	Note	Reported at 31 March 2014 £'000	Impact of FRS 102 £'000	Restated as at 1 April 2014 £'000
<b>Fixed Assets</b>				
Tangible fixed assets	(ii)	12,165	18,403	30,568
		12,165	18,403	30,568
<b>Current assets</b>				
Properties held for sale		261		261
Trade and other debtors		373		373
Investments		2,537		2,537
Cash and cash equivalents		977		977
		4,148		4,148
<b>Less Creditors:</b> amounts falling due in less than one year		(2,917)		(2,917)
<b>Net current assets</b>		1,231		1,231
<b>Total assets less current liabilities</b>		13,396	18,403	31,799
<b>Creditors:</b> amounts falling due in more than one year	(i, ii)	(13,128)	(18,558)	(31,686)
<b>Total Net assets</b>		268	(155)	113
<b>Reserves</b>				
<b>Income and Expenditure reserve</b>	(i)	268	(155)	113

## Notes to the financial statements

at 31 March 2016

### 25. Transition to FRS 102 (continued)

#### Note to the reconciliations

##### Re-measurement of grant amortisation

- (i) Prior to applying FRS 102, as clarified in Housing SORP 2014, Leazes Homes income from SHG and other public grants was recognised over the useful life of the housing property structure and its individual components (including land) on a pro rata basis. The Housing SORP 2014 requires government grants received for housing properties' to be recognised in income either:
  - a. Over the expected useful life of the housing property structure (not land and structure), even if the fair value of the grant exceeds the carrying value of the structure in the financial statements, or
  - b. Over the useful life of the housing property structure and its individual components (excluding land) on a pro rata basis

Leazes Homes adopted the second option (a.) as its new accounting policy. The impact of this is to reduce the amount of grant amortisation recognised previously by reducing opening reserves as at 1 April 2014 by £155k and reduce the amount of grant income taken to profit for the year ended 31 March 2015 by £98k.

- (ii) Prior to applying FRS 102, as clarified in Housing SORP 2014, SHG and other public grants were previously recognised net of housing property assets. In accordance with the Housing SORP 2014 and FRS 102 government grants are shown within deferred grant liabilities.

