



Leazes Homes Limited

(A company limited by guarantee and not having a share capital)

**Report and Financial Statements
For the year ended 31 March 2019**

Charity Number :	1133627
Company Number:	6888341
RSH Registration Number:	4633

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Corporate Information

Chair	D Keightley (appointed as Chair 6 August 2018) D W Midgley (resigned 11 July 2018)
Trustees	C Waddell M E Reynolds V Dunn J Streather (resigned 9 April 2018) D Theobald (resigned 9 April 2018) M Brady W Thompson (appointed 9 April 2018) G Walsh (appointed 9 April 2018) Appointed after year end: K Heathcote (appointed 9 May 2019)
Company Secretary	Jon Mitford
Registered Office	Jubilee Court Kenton Road Newcastle Upon Tyne NE3 3BW
Company Number	6888341
Charity Number	1133627
RSH Number	4633
External Auditors	Ernst & Young LLP Citygate St James' Boulevard Newcastle Upon Tyne NE1 4JD
Bankers	NatWest 16 Northumberland Street Newcastle Upon Tyne, NE1 7EL
Solicitor	Mr John Softly 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 2019, the Company had 765 units in stock comprised of 617 new build properties and 148 acquired properties, of these 424 are general housing including shared ownership, 52 properties are for older people and, 289 are supported housing properties. Following a procurement exercise the Company entered into contract with Your Homes Newcastle ('YHN') on 19th November 2018 under which YHN continues to provide a range of housing management and associated services to Leazes Homes.

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 (also the Company Secretary) and Director of Finance. The Managing Director has been employed directly by Leazes Homes, having previously been seconded from Your Homes Newcastle to the Company, since April 2017. Following a recruitment and selection exercise a new Finance Director was appointed in December 2018. A further appointment was made to the position of Contracts Manager in January 2019. 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 and associated services to Leazes Homes and Leazes Homes' tenants. In order to provide assurance to the Trustees that the services being provided are of the required standard, YHN provides performance information to the Trustees on a quarterly basis. YHN's Customer Services Director also attends Trustee meetings to present the performance report and to answer any questions raised by the Trustees.

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

Organisational structure (continued)

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 Regulator of Social Housing.

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 ensuring the objectives of the Company are delivered. The Company adopted the National Housing Federation Code of Governance 2015 edition in October 2017 and has put in place the necessary arrangements to comply with the Code. The Company is supported by Newcastle City Council, who provide expertise and support as required through a Service Level Agreement.

Statement of Compliance with National Housing Federation, Code of Governance, 2015 edition

The Board of Trustees recognise the importance of effective governance arrangements to support the operation of the Company. Leazes Homes has adopted and is acting in compliance with the National Housing Federation's Code of Governance, 2015

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 April 2018 the Trustees passed a special written resolution to change the Articles of Association to ensure compliance with the Regulation of Social Housing (influence of Local Authorities) (England) Regulations 2017. These regulations limit the level of Local Authority representation on the Boards of private Registered Providers of Social Housing in England (with some exceptions). As a result, with effect from 9 April 2018 the organisation's Articles of Association state that the Board of Trustees shall consist of at least five and not more than eight individuals, made up as follows :-

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

Organisational structure (continued)

- One individual nominated by Newcastle City Council (known as 'the Council Trustee'): - V Dunn;
- A minimum of three and maximum of six individuals (known as 'the Ordinary Trustees'): - M Reynolds, C Waddell, DW Midgley (resigned July 2018), D Keightley, G Walsh and W Thompson, K Heathcote (appointed 9 May 2019); and
- One Tenant Trustee - M Brady

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 Trustee is 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.

The Tenant Trustee and one third of the Ordinary Trustees must retire at each Annual General Meeting (*article 12.5.1*). All Trustees serve a maximum of nine years.

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.

As necessary, 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.

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

Audit Committee (continued)

The Audit Committee has a membership of three 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 housing, including 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;
- 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 objectives of the Company as defined in its 2018-2023 Business Plan are

- To achieve the charitable objects of the charity by:
- Identifying the key areas of housing need that are not being met by the market in the North of Tyne area;

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

Our Aims and Objectives (continued)

- Developing housing solutions to meet housing need and failure in the housing market that support our charitable purposes;
- Responding flexibly to opportunities to acquire and build homes; and
- Meeting the needs and aspirations of our tenants where we can and be a good landlord.

Public Benefit

The Trustees regularly review and consider 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 the Company's primary operating area, which is currently 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

Our Strategy

Our purpose is to provide high quality, affordable accommodation to people in need who reside in the City of Newcastle upon Tyne. This drives a focus on delivering value for money for tenants and stakeholders. This requires that we operate a financially sound business, with efficiency and effectiveness of the services we provide to our customers.

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

Value for Money (continued)

Our approach

The Board sets the strategy and has overall responsibility for ensuring the organisation operates effectively, economically and efficiently. A Value for Money ethos is embedded in our governance arrangements and is evident in our procurement activities and expenditure decisions.

We are committed to achieving value for money for residents and other stakeholders in all relevant activities, including the procurement of third-party goods and services, which has recently been evidenced by the reductions in grounds maintenance costs following the completion of a procurement exercise.

The Board considers significant projects and scrutinises these against the organisation's development strategy and investment hurdles. The Audit and Risk Committee's objectives include the promotion of high standards of propriety in the use and stewardship of the resources of the business, encouraging transparency and accountability over the use of the organisation's assets.

Our Commitment

We are committed to balancing the investment in new and existing assets, to ensure we deliver the affordable housing needs of our customers. We aim to achieve this by using the skills and experience of our direct employees and trusted partners who provide an extensive range of supporting activities. In reaching a balanced approach we are, informed by customer feedback of our service provision, offer services that meets customers needs, have a viable business for the long term and understand our capacity to undertake new initiatives.

Progress in measuring Value for Money

The regulator produced the standard code of practice in April 2018, which referred to seven value for money metrics that providers are expected to report against. The following performance for those seven metrics is presented for the current financial year, the previous year as a comparator, together with a sector comparator for the average of all organisations with less than 2,500 property units:

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

Value for Money (continued)

Progress in measuring Value for Money (continued)

	2018/19	2017/18	Sector
Reinvestment %	8.9%	29.7%	4.0%
New Supply delivered %	6.1%	17.7%	0.9%
Gearing %	43.3%	52.0%	30.4%
Earnings %	195%	200%	248%
Headline social housing cost per unit (£'000's)	£3.86	£3.30	£3.65
Operating margin % - social housing	27.6%	26.9%	31.5%
Operating margin % - overall	27.6%	26.9%	28.0%
Return on capital employed %	2.6%	2.1%	3.7%

Reinvestment:

Reinvestment is almost 9% in the year which reflects the spending of social housing activities in line with our strategic ambitions and approved budgets.

New Supply delivered:

The new supply delivered for social housing units has increased by 6.1%, which is well in excess for organisations in the relevant part of the sector. Although the growth is less than the previous year, that was an exceptional comparator due to the number of schemes that were completed during 2017/18.

Gearing:

Gearing has reduced during the year as the organisation has repaid loans that matured during the period. The low gearing does give us capacity to potentially borrow further loans to assist with the development of the business in the future. Whilst we appear to borrow more than the sector average, it is well below our loan covenant conditions which have a maximum of 60%.

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

Value for Money (continued)

Earnings:

Earnings have reduced slightly from 200% to 195%, however this erosion of our surplus was consistent with approved budgets in a climate where rent reductions have obliged to be funded by the business.

Operating Margin:

The operating margin has increased from 26.9% to 27.6% , but remains slightly lower than sector comparisons which appears to be due to the organisation having a greater proportion of lower margin business than the average in the sector.

Return on Capital Employed:

The return on Capital Employed (ROCE) has increased to 2.6% from 2.1%, also as a consequence of the higher operating margin achieved in the year.

Additional measurements

In addition to the regulatory metrics being measured, the Board have also been more routinely monitoring a range of financial ratios about key financial indicators during the year. This has allowed trends for Leazes homes to be identified, together with projections for future years' plans. Further, comparisons with relevant local peer group organisations have been produced to inform a wider assessment of the significant financial matters. Increasing the regularity of such comparative KPI's allows the Board to review the progress of Value for Money.

The additional KPI's considered by the Board include:

- Loan debt per unit
- Loan interest cost per unit
- Average loan interest rate
- Average property cost per unit

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

Governance and Financial Viability Standard

The Company has assessed their compliance with Regulator of Social Housing's Governance and Financial Viability Standard and complies with the requirements of Regulator of Social Housing's Governance and Financial Viability Standard. Leazes Homes has adopted the National Federation's guidance and carries out an external independent review on governance arrangements every three years. In intervening years an internal review of our practice is carried out and discussed with Trustees.

Strategic Report

The Trustees of Leazes Homes Limited ('the Company') present their Strategic Report for the year ended 31 March 2019.

Review of the Year

Provision of affordable homes

During the financial year, the Company added a further 47 units to its property portfolio. The Company now owns and manages 765 operational residential units as at March 2019 providing much needed affordable housing across Newcastle upon Tyne

Welfare Reform

The four year rent reduction and welfare reform measures have made the financial environment 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;
- Reviewing operational models to ensure that services are being organised and delivered efficiently; and
- Reducing costs in services.

Future Developments

The Company's principal objective is the provision of affordable housing across Newcastle upon Tyne. 2019/20 will be an exciting but challenging year for the business. The Company has reviewed its activities as part of its annual business planning process and is revising its priorities with more focus being placed on supported housing. The Company qualified for the Newcastle Housing Delivery Partnership in January 2019, which should support this priority area.

In addition several sites are in the early stages of development and it is anticipated that additions will be made to the Company's new build programme over the coming year. The Company is also looking to acquire built units to increase the number of properties it owns.

Strategic Report (continued)

Future Developments (continued)

The Company and its Trustees are committed to providing benefits to communities through its activities and delivering on its social value obligations through its procurements. Historically the Company has secured training and employment opportunities through procurement exercises and this is to continue next year through the procurement exercise for building cleaning services.

Financial Review

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 Homes England and Newcastle City Council.

Investment Policy

Surplus cash is invested with Newcastle City Council. No investments were made during 2018-19.

Reserves Policy

Reserves are required to bridge the gap between expenditure and income and to cover for unplanned events. The Trustees consider that an acceptable level of reserves are retained for the current needs of the business.

The Company has a strong balance sheet and as at 31 March 2019 had reserves of £1,799,000.

Financial Risk Management Policy

The Company's principal financial instruments comprise 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.

Strategic Report (continued)

Financial Risk Management Policy (continued)

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.

As at 31 March 2019, the Company had £27,671,000 of loan funding (excluding amortisation of loan fees) from Newcastle City Council (2018: £28,691,000) with the earliest maturity in 2026. The Company had fully drawn its £5,000,000 loan facility with RBS at 31 March 2019. There are no plans to draw from existing loan facilities of £1,044,000 with Newcastle City Council during 2019-20.

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 Risk Management Policy, which sets out the Company's approach to managing risk. The Board sets the risk appetite for the Company annually using a risk appetite framework and also reviews the strategic risk register annually. The Company's Audit Committee amended the approach taken to identifying, reporting and reviewing risks and the Company now has a strategic risk register and an operational risk register. The Company's Audit Committee monitors and reviews the strategic risk register and operational risk register as a standing item and recommends changes to the Board. Where appropriate, systems or procedures have been established to mitigate against the risks which the Company faces. The Company also has implemented procedures to minimise any potential impact on the Company should such risks materialise. The Company's arrangements for risk management were reviewed by Internal Audit during 2018/19 and the assessment was full assurance with no recommendations for improvement.

Strategic Report (continued)

Financial Risk Management Policy (continued)

Principal Risks and Uncertainties

The most significant risks facing the Company as at 31 March 2019 were:

1. Restrictions on availability of funding and / or land that is affordable restricts development

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

- Modelling of alternative financing models;
- Developing links with other lending institutions; and
- Developing partnerships with developers.

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

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:-

- Direct employment by the Company of the Managing Director, Finance Director and Contracts Manager;
- Implementation of a Management Succession Plan;
- New Contract for housing management and associated services; and
- Developing links with other Registered Providers.

3. Inability to let properties reduces income and the ability to service debt

Reductions in income will restrict new activities and reduce services to customers. Actions to mitigate against this risk include:-

- Building measures into business cases to take account of reductions in income; and
- Reviewing the voids process to identify actions to reduce void periods and improve letting performance.

Strategic Report (continued)

Financial Risk Management Policy (continued)

4. Changes introduced through Welfare Reform affect the financial viability of 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 this 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; and
- Development appraisals for new schemes to build in provision for rent reductions.

5. Failure to meet Charity Commission Regulations

Failure would have a serious impact on the reputation of the Company and could put the ongoing financial viability of the Company in jeopardy. Actions taken to mitigate this risk include:

- External legal updates / advice provided to Board every 6 months; and
- Expert advice accessed when needed.

This report was approved by the Trustees on 5 August 2019 and signed on its behalf by:



J Mitford
Company Secretary



D Keightley
Chair

Trustees' Report

A list of Leazes Homes' Trustees for the year ended 31 March 2019 is shown on page 2.

The Trustees present their Report and Financial Statements for the year ended 31 March 2019.

The Company has chosen in accordance with Section 414C(ii) of the Companies Act 2006 to set out in the Company Strategic Report detailed above 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 8 July 2019. 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 2049. 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.

Trustees' Report (continued)

Going Concern (continued)

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 in the Strategic Report section.

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.

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; and
- 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 for Private 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.

Trustees' Report (continued)

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.

As of 9 April 2018 Newcastle City Council holds 1/8th of the membership of the Company through the Council Trustee.

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 **5 August 2019** and signed on its behalf by:



D Keightley

Chair



J Mitford

Company Secretary

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEAZES HOMES LIMITED

Opinion

We have audited the financial statements of Leazes Homes Limited for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEAZES HOMES LIMITED (continued)**Conclusions relating to going concern**

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

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

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEAZES HOMES LIMITED (continued)**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and Trustees' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 Trustees' Report.

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 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.

Responsibilities of trustees

As explained more fully in the Trustees' responsibilities statement set out on page 17, the Trustees 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 trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEAZES HOMES LIMITED (continued)**Responsibilities of trustees (continued)**

In preparing the financial statements, the Trustees 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 trustees 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.

A further description of our responsibilities for the audit of the financial statements is located 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.

Ernst & Young LLP

Nicola Wright (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle upon Tyne
8 August 2019

Financial Statements

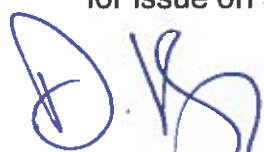
Statement of Comprehensive Income

For the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Turnover	5,6	6,288	5,187
Operating expenditure	5,6	(4,554)	(3,790)
Operating surplus	7	1,734	1,397
Gain on disposal of property	8	-	-
Interest receivable	10	-	-
Interest payable and financing costs	11	(1,456)	(1,021)
Surplus before and after tax		278	376
Total comprehensive income for the year		278	376

All amounts relate to continuing activities.

These financial statements were approved by the Board and authorised for issue on 5 August 2019 and signed on its behalf by:



D Keightley (Chair)



C Waddell (Member)



J Mitford (Company Secretary)

Statement of Changes in Reserves

At 31 March 2019

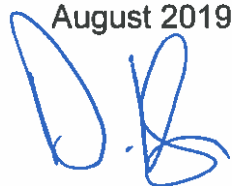
	Revenue Reserve £'000	Designated Reserve £'000	Total Reserves £'000
Balance as at 31 March 2017	1,079	41	1,120
Total comprehensive income for the year	376	-	376
Transfer between reserves	(68)	68	-
Balance as at 31 March 2018	1,387	109	1,496
Total comprehensive income for the year	278	-	278
Transfer between reserves	(120)	120	-
Balance as at 31 March 2019	1,545	229	1,774

Financial Statements

(continued)

Statement of Financial Position		Company registration no: 6888341	
as at 31 March 2019			
	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible fixed assets	12,13	64,862	66,027
		64,862	66,027
Current assets			
Properties held for sale	14	329	450
Trade and other debtors	15	115	88
Cash at bank and in hand		6,234	4,889
		6,678	5,427
Creditors: amounts falling due in less than one year			
	16	(3,668)	(3,558)
Net current assets			
		3,010	1,869
Total assets less current liabilities		67,872	67,896
Creditors: amounts falling due in more than one year			
	17	(66,098)	(66,400)
Total net assets		1,774	1,496
Reserves			
Income and expenditure reserve		1,545	1,387
Designated reserve		229	109
Total reserves		1,774	1,496

These financial statements were approved by the Board and authorised for issue on 5 August 2019 and signed on its behalf by:



D Keightley (Chair)



C Waddell (Member)



J Mitford (Company Secretary)

Financial Statements

(continued)

Statement of Cash Flows

For the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Net cash flow from operating activities	19	3,024	(280)
Cash flow from investing activities			
Purchase of tangible fixed assets		(513)	(6,236)
Grants received		1,145	2,702
Net cash flow from investing activities		632	(3,534)
Cash flow from financing activities			
Interest paid		(1,446)	(951)
New secured loans	25	-	7,270
Repayment of borrowings	25	(865)	(382)
Net cash flow from financing activities		(2,311)	5,938
Net change in cash and cash equivalents		1,345	2,125
Cash and cash equivalents at beginning of year		4,889	2,764
Cash and cash equivalents at 31 March		6,234	4,889

Notes to the Financial Statements at 31 March 2019

1 . Legal structure

The Company is registered under the Companies Act 2006 and is a provider of housing registered with the Regulator of Social Housing.

2 . Principal accounting policies

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

A summary of the accounting policies is set out below.

Going Concern

The financial statements have been prepared on the going concern basis which the Trustees believe to be appropriate for the following reasons. Net current assets position as at 31 March 2019 was £3,034,000 compared to a net current assets position of £1,869,000 in 2018.

The Company has drawn down 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 current assets above, £2,245,000 was the net current liability with Newcastle City Council (NCC). The Company has undrawn loan facilities of £1,044,000 with NCC (2018: £1,024,000). Leazes Homes does not intend to draw down from this facility during 2019-20.

The Trustees consider that these factors 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 2019.

Notes to the Financial Statements at 31 March 2019

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 have been 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 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 2019

2 . Principal accounting policies (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

- Interest paid on the loans is on a fixed rate basis.
- Loan agreements with external providers do not contain two way break clauses.

These loans have therefore been recognised at amortised historical cost.

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 are 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 entitlements 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 2019

2 . Principal accounting policies (continued)

Turnover

Turnover represents rental income receivable, service charge income receivable, amortised grants, other income from tenants and revenue 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 25th March. Service charges of approximately £17k were due on these four leases during 2018-19, invoiced bi-annually in arrears, with subsequent annual charges subject to review.

A management agreement also exists with Thirteen Group with regards to 14 domestic violence units. The annual charge totals £88,102 and is raised in arrears in monthly instalments. This charge is subject to an annual review.

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 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 Social Housing Grant (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.

Income and Expenditure Reserve

The income and expenditure reserve is part of the Company's unrestricted funds and is freely available to spend on any of the Company's purposes. As a Charitable Company Leazes Homes will not hold excessive I&E 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 by scheme in the income and expenditure account in the period with net movement transferred between the income and expenditure reserve and the designated reserve at the end of each year.

Notes to the Financial Statements at 31 March 2019

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 the 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 - 3-5 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 2019

2 . Principal accounting policies (continued)

Shared ownership properties

Shared ownership properties are split proportionally between current and fixed assets based on the expected element relating to first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover, with the associated cost of sales in operating costs. The remaining element is classed as a 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 Homes England is transferred to the recycled Capital Grant Fund or Disposals Proceeds Funds, depending upon the disposal, and, if not recycled in accordance with Housing Corporation Circular F2 - 21/97, may become repayable.

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

Notes to the Financial Statements

at 31 March 2019

2 . Principal accounting policies (continued)

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.

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 2018-19 relate to furthering the charitable purposes of the organisation and are therefore exempt from Corporation Tax.

4 . Employee information

a) Staff costs

The average number of persons employed during the year, expressed as equivalent of whole time employees was:

	2019 No's	2018 No's
Housing management	0.8	0.0
Administration and clerical	0.1	0.6
	0.9	0.6

Costs for the above employees were:

	2019 £'000	2018 £'000
Wages & Salaries	59	43
Social security costs	7	8
Employers pension contribution	8	8
Past & current pension service costs above cash	0	0
	74	59

b) Directors emoluments

	2019 £'000	2018 £'000
Emoluments payable to directors (including pension contributions and benefits in kind)	66	59
	66	59

Leazes Homes has, for the first time in 2018-19, directly employed staff by the formation of a dedicated Executive Management Team.

This is reflected in the increase in the equivalent employee numbers, however the prior year's staff numbers have been amended to correctly reflect the part-time working of such resources.

Notes to the Financial Statements

at 31 March 2019

5 . Turnover, operating costs and operating surplus for the year

	Turnover £'000	Operating costs £'000	Operating surplus £'000
2019			
Income and expenditure from lettings	4,525	(2,911)	1,614
Service charge income	1,763	(1,643)	120
	6,288	(4,554)	1,734
2018			
Income and expenditure from lettings	3,664	(2,335)	1,329
Service charge income	1,523	(1,455)	68
	5,187	(3,790)	1,397

Income and expenditure from lettings includes amortised government grants of £425k (2018: £384k).

6 . Particulars of income and expenditure from social housing lettings

	2019 £'000	2018 £'000
Turnover from lettings and service charges:		
Rents receivable	3,871	3,570
Service charge income	1,814	1,686
Rent and service charge voids	(139)	(455)
Amortised government grants	425	384
First tranche shared ownership sales	300	-
Other income	17	-
	6,288	5,187

Notes to the Financial Statements

at 31 March 2019

6 . Particulars of income and expenditure from social housing lettings

	2019	2018
	£'000	£'000
Premises	86	12
Supplies and services	518	533
Service charge costs (excluding depreciation)	1,574	1,395
Maintenance	489	399
Bad debt	13	18
Depreciation of housing properties	1,573	1,399
Non dwellings depreciation	16	11
Cost of first tranche shared ownership sales	255	-
Auditors fees in total	11	7
Office Costs	6	9
IT expenses	2	2
Other	11	5
	4,554	3,790

7 . Operating Surplus

	2019	2018
	£'000	£'000
The operating surplus is arrived at after charging:		
Depreciation of housing properties	1,573	1,399
Depreciation of other tangible fixed assets	16	11
Operating leases	9	-
Auditors remuneration for audit of statements	8	7
Other services obtained by appointed auditor	-	-

8 . Gain on disposal of property

	2019	2018
	£'000	£'000
Disposal proceeds	-	-
Grant income discount accrual	-	-
Less:		
Carrying value of fixed assets	-	-
Carrying value of grant on disposal (note 23)	-	-
Administrative costs of sale	-	-
	-	-
Transfer to disposal proceeds fund (note 26)	-	-
Net gain on disposal of properties	-	-

Notes to the Financial Statements

at 31 March 2019

9 . Accommodation in management

At the end of the year accommodation in management for each class of accommodation was as follows:	2019	2018
	No.	No.
Social housing		
- social rent	192	192
- affordable rent	208	152
Supported housing	275	284
Housing for older people	52	52
Low cost home ownership	24	24
Total managed	751	704
Managed by agent	14	14
Total owned and managed	765	718
Accommodation in development at the year end	-	46

10 . Interest receivable and other income

	2019 £'000	2018 £'000
Interest receivable	-	-
	-	-

This relates to investment interest gained within the year.

11 . Interest payable and similar charges

	2019 £'000	2018 £'000
Interest payable	1,456	1,021
	1,456	1,021

This largely relates to interest on loan agreements.

Notes to the Financial Statements

at 31 March 2019

12 . Fixed Assets - Housing properties

	Social housing properties held for letting £'000	Housing properties for letting under construction £'000	Completed shared ownership housing properties £'000	Total £'000
Cost:				
At 1 April 2018	64,771	4,854	1,493	71,118
Additions	93	391	-	484
Interest capitalised	-	34	-	34
Schemes completed	5,268	(5,268)	-	-
Transfer to current assets	-	-	(120)	(120)
As at 31 March 2019	70,132	11	1,373	71,516
Depreciation:				
At 1 April 2018	(5,080)	-	(87)	(5,167)
Transfer between categories	6	-	(6)	-
Depreciation charged in year	(1,552)	-	(21)	(1,573)
As at 31 March 2019	(6,626)	-	(114)	(6,740)
Net Book Value:				
As at 31 March 2019	63,506	11	1,259	64,776
As at 31 March 2018	59,691	4,854	1,405	65,950
			2019	2018
<u>Expenditure on works to existing properties</u>			£'000	£'000
Improvement works capitalised			-	5
Amounts charged to expenditure			489	399
			489	404

Notes to the Financial Statements at 31 March 2019

12 . Fixed Assets - Social housing assistance

	2019 £'000	2018 £'000
Total accumulated social housing grant received or receivable at 31 March 2019:	35,707	34,562
Recognised in statement of comprehensive income	1,867	1,442
Held as deferred income	33,840	33,120
	35,707	34,562

	2019 £'000	2018 £'000
Aggregate amount of finance costs included in the cost of housing properties	805	771
	805	771

13 . Fixed Assets - Plant and equipment

	Disabled adaptations £'000	IT software & hardware £'000	Total £'000
Cost:			
At 1 April 2018	56	49	105
Additions	6	19	25
As at 31 March 2019	62	68	130
Depreciation and impairment:			
At 1 April 2018	(16)	(11)	(28)
Depreciation charged in year	(6)	(10)	(16)
As at 31 March 2019	(22)	(21)	(44)
Net Book Value:			
As at 31 March 2019	40	47	86
As at 31 March 2018	40	38	77

14 . Properties for sale

	2019 £'000	2018 £'000
Shared ownership properties	329	450
	329	450

Notes to the Financial Statements

at 31 March 2019

15 . Trade and other debtors

	2019 £'000	2018 £'000
Rent and service charge receivable	164	149
Less provision for bad and doubtful debts	(80)	(65)
	84	84
Amounts due from Newcastle City Council	15	1
Other debtors and prepayments	16	3
	115	88

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

	Note	2019 £'000	2018 £'000
Amounts due to Newcastle City Council		619	712
Amounts due to Your Homes Newcastle		143	60
Accounts payable		12	78
Interest payable		31	27
Interest payable (NCC)		625	599
Tenants payments in advance		93	90
Other accruals		84	101
Deferred grant income	23	436	420
Local authority loans (NCC)	25	1,625	1,471
		3,668	3,558

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

	Note	2019 £'000	2018 £'000
Deferred grant income	23	33,404	32,700
Local authority loans (NCC)	25	27,671	28,691
Bank loans	25	5,000	5,000
Disposals proceeds fund	26	112	112
Loan issue costs	25	(89)	(103)
		66,098	66,400

Notes to the Financial Statements

at 31 March 2019

18 . Financial Instruments

	2019 £'000	2018 £'000
		Restated
<i>Financial liabilities measured at amortised cost</i>		
Loans	34,207	35,060
Trade payables	12	78
Interest payable	656	626
Accruals	846	873
<i>Financial assets measured at amortised cost</i>		
Trade receivables	8	-
Rent and service charge receivable	164	149
Other debtors	15	4
Cash	6,234	4,889

The 2018 figures have been restated to ensure the presentation of the note is compliant with FRS 102.

19 . Cash flow from operating activities

	2019 £'000	2018 £'000
Cash flow from operating activities:		
Surplus for the year	278	376
<u>Adjustments for non-cash items:</u>		
Depreciation of tangible fixed assets	1,589	1,408
Amortisation of grants	(425)	(384)
Transfers to current assets	120	-
(Increase)/decrease in trade and other debtors	(27)	53
Decrease in property held for sale	120	-
Increase/(decrease) in creditors	(87)	(2,887)
Interest payable	1,456	1,153
Net cash generated from operating activities	3,024	(280)

20 . Capital commitments

	2019 £'000	2018 £'000
Expenditure contracted for but not provided in the accounts	-	466
Expenditure authorised by board, but not contracted	2,041	-
	2,041	466

Notes to the Financial Statements at 31 March 2019

21 . Related party transactions

During the year Leazes Homes entered into transactions, in the ordinary course of business, with other related parties.

Key Management Personnel

The Directors consider that the Board of Trustees and Managing Director comprise the key management personnel of Leazes Homes. None of the Trustees received remuneration for the year ended March 2019. The Managing Director and Finance Director are now employed directly by Leazes Homes. For part of 2018-19 the Finance Director was employed by YHN and £17,000 was recharged to Leazes Homes for services provided by the Finance Director.

One Trustee is a tenant of Leazes Homes and all transactions with this Trustee take place under normal commercial conditions. Associated transactions can be seen in the table below.

Entities with significant influence over the Company

Newcastle City Council (NCC)

Most cash book payments and receipts are made via NCC's banking facilities with the net balance owing to or from NCC being disclosed as a current asset or liability as appropriate.

The Trustees who are Newcastle City Council 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.

Your Homes Newcastle (YHN)

Your Homes Newcastle is the largest supplier to Leazes Homes Limited, providing housing management, marketing and public relations support, and financial and accounting services throughout 2018-19. In addition, the Finance Director of Leazes Homes was also an Assistant Director within YHN for 9 months of the year ended 31 March 2019. The provision of supporting services was re-tendered during 2018-19, with a new contract for management services being awarded to Your Homes Newcastle which commenced in November 2019.

Notes to the Financial Statements

at 31 March 2019

21 . Related party transactions (continued)

	Sales-to related party £'000	Purchases from related party £'000	Amounts owed from related party £'000	Amounts owed to related party £'000
Key Management Personnel - Tenant trustee				
2019	5	-	-	-
2018	5	-	-	-
NCC				
2019	86	3,313	15	30,540
2018	87	2,614	2	31,473
YHN				
2019	-	1,394	-	143
2018	-	1,410	-	66

During the year Leazes Homes drew no loans and received grants of £944,500 from NCC. Leazes Homes repaid loans of £866,300.

22 . 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 ten pounds.

Notes to the Financial Statements at 31 March 2019

23 . Deferred Grant Income

	2019	2018
	£'000	£'000
At 1 April	33,120	31,602
Grant received in the year	1,145	1,911
Released to income in the year	(425)	(393)
Grants repaid or repayable	-	-
At 31 March	33,840	33,120
Amounts to be released within one year	436	420
Amounts to be released in more than one year	33,404	32,700
	33,840	33,120

24 . Interest and Financing Costs

	2019	2018
	£'000	£'000
Loans and bank overdrafts (net of issue costs)	34,207	35,060
	34,207	35,060
Interest payable capitalised on housing properties under construction	34	187
Capitalisation rate used to determine the finance costs capitalised during the period	4.26%	3.98%

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 2019

25 . Debt analysis

	2019 £'000	2018 £'000
Due within one year:		
Local authority loans	1,625	1,471
	1,625	1,471
Due after more than one year:		
Bank loans	5,000	5,000
Local authority loans	27,671	28,691
Less: issue costs	(89)	(102)
	32,582	33,589
	34,207	35,060

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 company and by fixed charges on individual properties.

Terms of repayment and interest rates

The loans from local authorities are repaid in half-yearly instalments, 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 2018 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 2019 Leazes Homes had undrawn loan facilities of £1,044,000 (2018: £1,024,000).

Maturity of the loans are as follows:	2019 £'000	2018 £'000
In one year or less, or on demand	1,625	1,471
Between one and two years	1,065	1,020
Between two and five years	3,485	3,338
In five years or more	28,121	29,333
	34,296	35,162

All loans are shown on an amortised cost basis.

Notes to the Financial Statements

at 31 March 2019

26 . Disposals Proceeds Fund

	2019 £'000	2018 £'000
Funds pertaining to activities within areas covered by the HE:		
At 1 April 2018	112	112
Inputs to DPF: Funds Recycled	-	-
Outputs from DPF: Recycling of grant	-	-
At 31 March 2019	112	112
Amounts 3 years old or older	-	-
Total Disposal Proceeds Fund Balance	112	112

27 . Parent undertaking and controlling party

The Trustees consider the Leazes Homes Board to be the ultimate controlling party.