Onward

Liverpool Housing Trust Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

FCA Registration number 17186R

HCA Registration number LH0250

CONTENTS

Annual Report and Financial Statements

BOARD AND ADVISORS

Members of the Board

Non-Executive Directors

Neil Goodwin (Chairman)

Wyn Dignan

Breda Dutton

Paul High

Brian Roebuck

Mike Verrier

Charlene Wallace (resigned June 2018)

Company Secretary

Tejvinder Minhas (resigned October 2017)

William Gill (appointed October 2017, resigned July 2018)

Catherine Farrington (appointed July 2018)

Principal Banker

Nat West plc
33 Piccadilly
Manchester, M1 1LR

Principal Solicitors

Brabners Chaffe Street LLP

Horton House, Exchange Flags
Liverpool, L2 3YL

Towers & Hamlins LLP

55 Princess Street, Manchester M2 4EW

External auditor

KPMG LLP

1 St Peter's Square, Manchester, M2 3AE

STRATEGIC REPORT

Introduction

The Board presents its Strategic Report, containing the Operating and Financial Review and value for money section, for the year ended 31 March 2018.

Overview and background

Liverpool Housing Trust Limited was formed in September 1965 as a housing association based in Merseyside and is a subsidiary of Onward Homes.

Legal structure

Liverpool Housing Trust Limited is registered under the Housing Act 1996 with the Homes and Communities Agency, the regulator of Social Housing in England, as a Registered Provider of social housing with a registration number of LH0250.

The association is a charitable Registered Society under the Cooperative and Community Benefit Societies Act 2014. It is registered with the Financial Conduct Authority, registration number of 17186R.

Financial review

The association is proud to report a surplus for the year of £9.2m (2017 restated: £7.6m) which was ahead of budget (£8.8m). The surplus is 15.0% as a percentage of turnover (2017: 11.2%) and the operating margin was 23.1% (2017 restated: 19.0%).

Overall turnover decreased from £63.1m to £61.4m in 2018 – a decrease of 2.8%. This includes the reduction in general needs rents by 1% in April 2017 plus a change in the useful life of grant for housing properties.

The association ended the year with cash and short-term investments of £20.5m. These resources will be optimised over the next financial year to ensure they fund the association's business objectives over the next three to five years.

These results recognise the commitment to safeguarding the association's long-term financial viability. The surplus achieved in 2018 will be used to increase future investments in our homes, services and neighbourhoods. In January 2018 the group's financial viability rating was confirmed as V1 by the HCA. The group's viability assessment is also underpinned by a robust sensitivity and stress testing analysis.

Financial review (cont'd)

Income and expenditure account (£'000)	2018	2017 Restated	2016	2015	2014*
Turnover	**61,372**	63,139	61,986	58,916	53,715
Operating costs and cost of sales	**(47,205)**	(51,164)	(49,840)	(46,571)	(44,932)
Operating surplus	**14,167**	11,975	12,146	12,345	8,783
Net interest charge	**(4,043)**	(4,302)	(4,613)	(4,305)	(4,116)
Surplus on disposal of assets	**(836)**	(100)	1	8	1,411
Surplus for the year before tax	**9,288**	7,573	7,534	8,048	6,078
Balance sheet (£'000)	**2018**	2017 Restated	2016	2015	2014
Fixed assets and long-term debtors	**452,120**	449,177	455,622	444,286	428,758
Net current assets	**9,089**	8,573	15,801	14,094	26,246
Total assets less current liabilities	**461,209**	457,750	471.423	458,380	455,004
Long term liabilities	**312,433**	318,386	331,215	335.905	336,979
Revenue reserves	**148,776**	139,364	140,208	122,475	118,025
Long term creditors and reserves	**461,209**	457,750	471,423	458,380	455,004
Financial Ratios	**2018**	2017 Restated	2016	2015	2014
Operating margin	**23.1%**	19.0%	19.6%	21.0%	16.4%
Net margin	**15.1%**	12.0%	12.2%	13.7%	11.3%
Return on net assets (RONA)	**2.0%**	1.7%	1.6%	1.8%	1.3%
Return on capital employed (ROCE)	**3.1%**	2.6%	2.6%	2.7%	1.9%
Interest cover	**3.5**	2.8	2.6	2.9	2.2
Gearing	**43.3%**	43.6%	49.4%	52.8%	46.3%
Operating cost per unit	**£4,217**	£4,711	£4,284	£4,136	£4,852
Net debt per unit	**£10,564**	£12,556	£13,192	£14,542	£14,926

*Figures not restated for FRS102

Operating review

The association has maintained performance against targets set in the first year of its 2017-18 financial plan and maintained its financial viability and strength.

The last twelve months has seen significant restructure in the business of the group with the implementation of a single management structure. The creation of the Onward Homes brand and purpose "to make a positive difference in the communities we serve" flowed out of our legacy as a group of organisations with rich histories.

Performance

The Board is proud to provide the following performance indicators. These reflect the measures that the Executive Team and Board review to ensure the association is achieving its objectives and strategies.

Measure	2018	2017	2016	2015	2014
Void Loss %	**2.1%**	2.1%	2.3%	3.1%	3.2%
Average re-let (days)	**40.9**	56.3	54.2	61.2	47.1

One of the association's key performance indicators is the amount of money lost when properties become void and days empty when properties cannot be immediately re-let to tenants in need of homes. The association aims to re-let properties as soon as possible after the previous resident leaves. However, sometimes this may not be possible because the property may require redecorating or refurbishment. They will continue to be monitored by Board. Although this year's figure is a significant improvement there is still work to do in this area.

Performance (cont'd)

Measure	2018	2017	2016	2015	2014
Rent Collection %	**99.6%**	99.3%	99.1%	98.6%	99.3%
Arrears - current residents %	**4.3%**	6.2%	6.2%	5.9%	6.5%
Arrears - former residents %	**2.4%**	1.9%	2.3%	1.6%	1.2%
Arrears - Total %	**6.7%**	8.1%	8.5%	7.5%	7.7%

Rent collected and the volume of arrears are a key indicator of our ability to deliver core business. Our overall rent collection performance remains high and has improved in the year at 99.6% (2017: 99.3%). Our team remain vigilant to the emerging challenges of universal credit and are deploying changing working processes to ensure collection.

The quality of the homes we provide to our customers and the repairs service they rely on are of paramount importance to us. The indicator below demonstrates a reduced volume of incidents.

Measure	2018	2017	2016	2015	2014
Ave no. repairs per property	**3.75**	4.05	3.98	3.23	3.15
Repairs cost per property	**£372**	£369	£328	£353	£358

On financial management the association adopts realistic and prudent financial assumptions when setting its budgets and business plans. Our actual results against our budgets are closely monitored to ensure that any adverse variances are identified early and corrective action is taken.

Opportunities to secure efficiency gains, deliver VfM and where possible make cash savings are also actively pursued.

Risk and uncertainty

Effective risk management is vital to the success of any association or entity. The group risk map details those risks that could prevent the business from achieving its strategic objectives. The Audit and Risk Committee review and scrutinise the strategic risk maps on a regular basis. The Board considers the following risks the most likely to affect future performance and our ability to achieve our five year plan.

Risk and uncertainty (cont'd)

Risk	Description
Health and Safety: the group does not comply with health and safety legislation	The Board have established a Health and Safety Committee and review process. This is focussed on ensuring health and safety is established across the organisation through training, qualifications and a culture of transparency to enable any incidents to be reported quickly and dealt with effectively
Operations: the selected responsive repairs contractor working in partnership with Onward does not generate the expected improved customer experience and price efficiency.	Tender process being run as a group project with regular review from Board and Executive team to ensure quality of ITT, competitive dialogue and ultimate selection process are effective.
Data: non-compliance with data protection legislation including non-compliance with the requirements of GDPR	The group's operations have been reviewed for compliance. An action plan to address gaps has been established with owners and timelines.
Development: non delivery of the Homes England development programme	Onward has successfully bid on the 2015-18 and 2016-21 programmes. Pipeline schemes have been identified to provide coverage of the units bid. The development team review the pipeline monthly to understand the probability of delivery against each scheme and the volume of new opportunities required to cover the required units
Pensions: the triennial valuation could increase the requirement for deficit funding and impact on the exposure to the scheme and future accounting treatment	The group has already closed any SHPS DB schemes to new entry and will consider the next steps as part of the pension strategy when the results of the valuation are known.
Compliance: breach of the Regulatory Framework	The Executive and Board team are ensuring improved compliance processes are embedded across the group. Regular internal audits are carried out to review procedures associated with compliance.
Fraud: that we are subject to money laundering and acts of bribery	All senior managers are mandated to complete money laundering and anti-fraud training. In practical terms we are reducing our cash transactions in the business by encouraging on line and card transactions. Onward became PCI compliant in 2017-18
Economics: The group is unable to respond to an economic downturn and deliver services effectively within the parameters of the financial plan	Onward scans the horizon and stress tests the financial plan against perceived economic risks such as cost inflation, increased debt and increasing interest rates.

In April 2016 a number of issues arose which raised concerns about the group's compliance with its legal obligations and the HCA's Regulatory Framework. The issues related to non-compliance with standards due to concerns about data and assurance, which were raised in an internal audit of fire safety.

The above concerns were reported to the HCA's regulatory team in May 2016. Following a regulatory review and judgement the group was found non-compliant with the governance requirements set out in the Governance and Viability Standard, which has resulted in the group's governance rating being downgraded to G3.

In January 2018, after a progress review on the Onward recovery plan, the Regulator of Social Housing announced a revised regulatory judgement to an improved G2 rating. Work continues to embed the governance work to support continued compliance. The group's viability rating remains unchanged at V1.

Treasury objectives and strategy

The association regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities focuses on their risk implications for the association.

It also acknowledges that effective treasury management supports the achievement of Onward's objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

In addition to these core objectives, the Board has set annual targets and approval criteria within which the treasury management function operates, including:

- A limit on exposure to variable interest rates, currently within tolerance at 41.6% (2017:36%)
- Use of derivative instruments only when approved by the Onward Board; £Nil at 31 March 2018
- Approved sources of borrowing and investment; all borrowing is from approved sources

The association is financed by a combination of retained reserves, long-term loan facilities and project-specific grants to part-fund the acquisition and development of new homes. The association has the financial capacity to repay its loans in accordance with the repayment profile of its loan facilities.
Pursuit of further development opportunities beyond 2018-19 may involve new funding facilities being agreed or varied to provide additional flexibility. Should this be necessary, it will be presented to Board for approval in a timely and ordered manner.

The association prepares detailed 12-month rolling cash flow forecasts which are updated each month, in addition to the longer-term forecasts linked to our financial plans.

All surplus cash balances are invested in accordance with a prudent Credit and Counterparty Policy. Investments are time limited and are restricted to institutions or money market funds that meet minimum credit criteria. All financial covenant limits set by lenders during the year have been met.

Corporate governance

The Board complies with the National Housing Federation Code of Governance and is committed to upholding the Code of Practice for Board Members. The Board meets frequently to determine policy and to monitor the performance of the group and member organisations. Other than issues relating to internal control as disclosed separately in this report, there are no areas of non-compliance.

The Group operates three committees:

- Audit and Risk Committee
- Finance and Performance Committee
- Nominations and Remunerations Committee

The Board has delegated day to day management to a group of Executive Directors. The Executive Team is led by the Chief Executive and has responsibility for making decisions in relation to strategic issues and other issues with group-wide implications, overseeing regulation and monitoring financial viability. The Executive Team meets on a regular basis and recommends policy and strategy decisions to the Board.

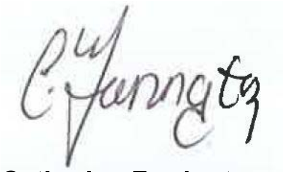
STRATEGIC REPORT

Value for Money (VfM)

The group's approach to and performance on Value for Money (VfM) is set out in the consolidated group accounts for Onward Homes.

Strategic report

The Strategic report including the Operating and Financial Review was approved by the Board on 18 July 2018 and signed on its behalf by:



Catherine Farrington
Company Secretary

12 Hanover Street, Liverpool, L1 4AA

DIRECTORS' REPORT

The Board presents the Liverpool Housing Trust Annual Report (the 'Annual Report') and the audited financial statements for the year ended 31 March 2018.

Principal activities

The association's principal activity is the provision of general needs, sheltered and supported housing accommodation at affordable rents to those in housing need and providing low- cost home ownership. It is also engaged in improving the social, economic and environmental problems facing the neighbourhoods in which it operates.

These objectives are carried out for the public benefit as set out in the financial statements. The Board considers legal advice and Charity Commission guidance when determining the activities that the group undertakes to deliver these objectives.

Board members and executive directors

The current Board members of the association are set out on page 2.

The Board members are drawn from a wide background bringing together professional, commercial and other experiences. Board members are not remunerated for their services to the association but are permitted to claim expenses incurred in the performance of their duties.

Statement of compliance

The Board report and financial statements have been prepared in accordance with applicable reporting standards and legislation**.**

Health and safety

Health and Safety is an integral part of the proper management of all the undertakings over which the association has control. The association promotes safe practices and continuous improvement through a Health and Safety Committee and forums on which all parts of the group are represented. Liverpool Housing Trust is committed to ensuring:

- The health, safety and welfare of all our tenants, leaseholders, staff, contractors and third parties involved in the operations of the association
- The safety of the general public who use or have access to premises or sites under its control
- The way in which it operates contributes to the wellbeing of the community at large

Donations

The association made charitable donations totalling £500 in the year (2017: £1,000). No political donations were made during the year.

Corporate governance

The association is governed by a Board of non-executive members who delegate day-to-day operational control to the Chief Executive and executive directors.

The Board complies with the National Housing Federation Code of Governance and is committed to upholding the Code of Practice for Board members. The Board meets frequently to determine policy and to monitor the performance of the association. There are no areas of non-compliance.

The group operates an Audit and Risk Committee which reports to the Board. The committee receives reports from Business Assurance which validates, processes and advises on risk and the effectiveness of internal controls.

Board membership of the group and subsidiaries is tailored to the individual circumstances of its operations. The Nominations and Remuneration Committee has responsibility for ensuring that each Board has effective governance arrangements and that these are fully implemented.

Executive team

The group executive directors have overall responsibility for the services and activities of the society. The Executive Team meets on a weekly basis and recommends policy decisions.

The Executive Team ensures the effective performance and successful service delivery of the society to customers, communities and neighbourhoods in line with the business plan objectives and collaborates with the group to meet the shared objectives.

Employee involvement

The Board recognises that its employees are its greatest asset and that it cannot achieve its aims and objectives without their involvement and contribution towards running the organisation.

The association communicates and consults with its employees through a variety of structures including regular team briefings, employee emails, newsletters and trade union meetings (consultation through staff forum).

The association is committed to developing a culture in which equality and diversity is integral to all of its activities, including the recruitment and development of staff. It aims to achieve an inclusive culture that respects and values differences and eliminates discrimination in all areas.

Corporate social responsibility

The Board are committed to being a socially responsible organisation. Managing in a socially responsible way, ensuring adherence to legislation and ethical operation. The association is actively working with local communities and partners to improve the life chances of our tenants and residents.

Disclosure of information to auditor

So far as each of the directors of the association is aware, at the time this report is approved:

- There is no relevant information which the association's auditor is unaware; and
- The directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the association's auditor is aware of that information.

Statement of Board responsibilities in respect of the Board's report and the financial statements

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 t*he Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of its income and expenditure for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

Statement of Board responsibilities in respect of the Board's report and the financial statements (cont'd)

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of internal control

The Board acknowledges its ultimate responsibility for ensuring that the association has in place a system of internal control and risk management that is appropriate to the various business environments in which they operate and for the review of the effectiveness of that system during the year.

The Audit and Risk Committee is responsible to the Board for monitoring this system and reporting on its effectiveness.

Internal controls are designed to identify and manage rather than eliminate risks which may prevent an organisation from achieving its objectives. The system of internal control is designed to manage risk and give reasonable rather than absolute assurance with respect to:

- the achievement of key business objectives and expected outcomes
- the preparation and reliability of financial and operational information used within the organisation and for publication
- the maintenance of proper accounting and management records
- the safeguarding of assets against unauthorised use or disposition

Internal assurance activities
The process followed to identify, evaluate and manage significant risks faced by the association is ongoing and has been in place during the past financial year and up to the date of the annual report and financial statements.

Internal audit assurance
The group's in-house internal audit function is used to provide assurance on the operation of the control framework and the management of risk. Internal audit are not responsible for the design and construction of control systems but provide an assessment as to their effectiveness.

The Audit and Risk Committee oversee the work of the internal auditor and review reports issued by them. The committee is responsible for monitoring that actions identified as a result of internal audit findings are implemented in a timely fashion.

External audit assurance
The work of the external auditor provides some independent assurance over the adequacy of the internal control environment. The association receives a management letter from the external auditor which identifies any internal control weaknesses. The Board itself and through the activities of the Audit and Risk Committee has reviewed the outcome of external audit work and the external audit management letter.

Statement of internal control (cont'd)

Fraud
The association has a current policy on fraud which includes both fraud prevention and detection. A register of frauds and losses is maintained and is reported to the Audit and Risk Committee.

Review of risk management and governance arrangements
Risk management arrangements should mitigate against risks materialising.

During the 2015-16 financial year, risks in relation to how the group ensures there is adequate compliance with statutory health and safety responsibilities were highlighted within the group. Further investigation by the group has led to the identification of control failures which increase the risk of issues materialising.

Following identification, the group established, with independent advice appropriate improvement plans which include a range of actions to address identified control issues and improve risk management, governance and assurance arrangements.

The group notified the regulator of its concerns and in early July 2016 it received a regulatory judgement that the group is non-compliant with the governance requirements set out in the Governance and Viability Standard and as a result, the group's governance rating was downgraded to G3.

In January 2018, after reviewing the remediation plan from Onward, the Regulator of Social Housing announced a revised regulatory judgement to an improved G2 rating. Work continues to embed the governance work to support continued compliance. The group's viability rating remains unchanged at V1.

Conclusion
The Board acknowledges that its responsibility applies to the full range of risks and controls across all group activities and is to ensure that planned remedial and improvement actions agreed were implemented in a timely and comprehensive manner.

The Board has considered the effectiveness of the system of internal control in place in the year ended 31 March 2018. The Board acknowledges that internal control and risk management arrangements were not working adequately across the entire entity earlier in the year but considers that systems of internal control, governance and risk management arrangements are now working effectively.

The Board has also formally reviewed compliance with the RSH's Governance and Viability Standard and supporting Code of Practice. An evidence based assessment against each element of the Standard and the Code was carried out in preparation for making a statement of compliance to the Board. The Board approved the statement and formally certified its compliance with the Standard and Code for 2017-18 at its meeting in May 2018.

Going concern

The association has in place long-term debt facilities (including £50million of undrawn facilities at 31 March 2018), which provide adequate resources to finance committed reinvestment and development programmes, along with the association's day to day operations. The association also has a long-term financial plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the Board has a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the annual report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

DIRECTORS' REPORT

Independent auditor

A resolution to appoint the association's auditor will be proposed at the forthcoming Annual General Meeting. KPMG LLP have indicated their willingness to continue in office should a resolution concerning their reappointment be agreed at the AGM.

The Directors' Report, including the financial statements, was approved by the Board on 18 July 2018 and signed on its behalf by:

Catherine Farrington
Company Secretary

12 Hanover Street, Liverpool, L1 4AA

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of Liverpool Housing Trust Limited

Opinion

We have audited the financial statements of Liverpool Housing Trust Limited ("the association") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the association as at 31 March 2018 and of its income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The association's Board is responsible for the other information, which comprises the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the association has not kept proper books of account; or
- the association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

INDEPENDENT AUDITOR’S REPORT

Board’s responsibilities

As more fully explained in their statement set out on page 10, the association’s Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the association’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities

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 our opinion in an auditor’s report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC’s website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association as a body, for our audit work, for this report, or for the opinions we have formed.

Amanda Latham

Amanda Latham
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants, 1 St Peter’s Square, Manchester, M2 3AE

30 July 2018

FINANCIAL STATEMENTS

Statement of Comprehensive Income
for the year ended 31 March 2018

	Notes	2018 £'000	2017 Restated £'000
Turnover	3	**61,372**	63,139
Cost of sales	3	**(703)**	(18)
Operating costs	3	**(46,805)**	(51,273)
Gain/(loss) on disposal of housing properties	3 and 6	**303**	127
Operating surplus	7	**14,167**	11,975
(Loss)/gain on disposal of other tangible fixed assets	10	**(836)**	(100)
Interest receivable and similar income	11	**128**	213
Interest payable and similar charges	12	**(4,171)**	(4,515)
Surplus on ordinary activities before taxation		**9,288**	7,573
Taxation on surplus on ordinary activities	13	**-**	-
Surplus for the year after taxation		**9,288**	7,573
Other comprehensive income			
Actuarial (loss)/gain in respect of pension schemes	39	**124**	(11)
Other comprehensive income for the year		**124**	(11)
Total comprehensive income for the year		**9,412**	7,562

The accompanying notes form part of these financial statements.

Historical cost surpluses and deficits are the same as those shown in the statement of comprehensive income.

The financial statements were approved by the Board on 18 July 2018 and signed on its behalf by:

Dr Neil Goodwin

Wyn Dignan

Catherine Farrington
Company Secretary

Statement of Changes in Equity

	Notes	Non-equity share capital £'000	Revenue reserves £'000	Total reserves £'000
Balance at 31 March 2017 as previously reported		-	147,239	**147,239**
Prior year adjustment	41	-	(7,875)	**(7,875)**
Balance at 31 March 2017 as restated		-	139,364	**139,364**
Total comprehensive income for the period				
Surplus / (deficit) for the year		-	9,412	**9,412**
Actuarial gains / (losses)		-	-	**-**
Balance at 31 March 2018	**33**	-	148,776	**148,776**

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

Statement of Financial Position
as at 31 March 2018

	Notes	2018 £'000	2017 Restated £'000
Intangible assets	14	-	181
Tangible fixed assets			
Housing properties	15	**439,831**	435,058
Investments including properties	16	**7,525**	7,279
Other tangible fixed assets	17	**3,621**	4,834
		450,977	447,352
Debtors due after one year	18	**1,143**	1,825
		452,120	449,177
Current assets			
Properties for sale and work in progress	19	**857**	850
Debtors due within one year	20	**6,482**	4,121
Investments	21	**14,830**	22,801
Cash and cash equivalents		**5,689**	5,200
		27,858	32,972
Creditors: amounts falling due within one year	22	**(18,769)**	(24,399)
Net current assets		**9,089**	8,573
Total assets less current liabilities		**461,209**	457,750
Creditors: amounts falling due after one year	23	**(311,720)**	(317,964)
Provisions for liabilities and charges	30	**(700)**	(221)
Pension liabilities	31	**(13)**	(201)
		(312,433)	(318,386)
Total net assets		**148,776**	139,364
Capital and reserves			
Non-equity share capital	32	**-**	-
Revenue reserves	33	**148,776**	139,364
Total capital and reserves		**148,776**	139,364

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 18 July 2018 and signed on its behalf by:

Neil Goodwin .... Dr Neil Goodwin

Wyn Dignan .... Wyn Dignan

C Farrington .... Catherine Farrington
Company Secretary

Statement of Cash Flows
for the year ended 31 March 2018

	Notes	**2018 £'000**	2017 £'000
Net cash generated from operating activities	37	**16,836**	23,228
Cash flow from investing activities			
Purchase and construction of tangible fixed assets		**(12,571)**	(18,345)
Additions to investment properties		**(52)**	-
Purchase of other tangible fixed assets		**(339)**	(638)
Proceeds from sale of tangible fixed assets		**1,130**	1,039
Grants received		**1,635**	990
Interest received		**119**	213
Net cash from investing activities		**(10,078)**	(16,741)
Cash flow from financing activities			
Interest paid		**(4,066)**	(3,991)
New funding		**-**	-
Repayment of existing borrowing		**(10,174)**	(6,421)
Movement in cash deposits		**7,971**	(15,278)
Net cash from financing activities		**(6,269)**	(25,690)
Net change in cash and cash equivalents		**489**	(19,203)
Cash and cash equivalents at start of year		**5,200**	24,403
Cash and cash equivalents at end of year		**5,689**	5,200

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Legal status

Liverpool Housing Trust Limited is registered under the Housing Act 1996 with the Homes and Communities Agency, the regulator of Social Housing in England, as a Registered Provider of social housing (registration number of LH0250). The registered office is 12 Hanover Street, Liverpool, L1 4AA.

The association is a non-charitable Registered Society under the Cooperative and Community Benefit Societies Act 2014. It is registered with the Financial Conduct Authority, registration number of 17186R. The association is a public benefit entity.

2. Accounting policies

Basis of accounting

The financial statements of the association are prepared in accordance with Financial Reporting Standard 102 – the applicable financial reporting standard in the UK and Republic of Ireland (FRS 102) and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2014 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The association's ultimate parent undertaking, Onward Homes, includes the association in its consolidated financial statements. The consolidated financial statements of Onward Homes are available to the public and may be obtained from http://www.onward.co.uk/ or 12 Hanover Street, Liverpool, L1 4AA.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Onward Homes, the group parent, is exploring the process for amalgamation which may happen in the next twelve months. As a result there is a possibility that the results of the association may be combined with others by the time of the next financial statements although this is not yet certain.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

The association has sufficient financial resources based on forecasts and current expectations of future sector conditions. As a consequence, the Board believes that the association is well placed to manage its business risks successfully. The Board has a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future. The Board therefore continues to adopt the going concern basis in preparing these financial statements.

Judgement and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements, estimates and assumptions have had the most significant effect in amounts recognised in the financial statements:

Tangible fixed assets - housing properties

In determining the intended use, the group has considered if the asset is held for social benefit or to earn commercial rentals. The group has determined that market rented properties are investment properties. The useful depreciable lives of each component of housing properties are reviewed at each reporting date and compared to actual experience to ensure the assumed lives remain appropriate;

2. Accounting policies (cont'd)

Judgement and estimates (cont'd)

Other tangible fixed assets

Other than investment properties, tangible assets are depreciated over their useful lives taking into account residual values where appropriate. The estimates of useful life for the different component types and assets are detailed below;

Investment properties

The valuation of investment properties is considered at each reporting date based on either third party valuation reports or an update to those reports based on market conditions. The valuation is most sensitive to assumptions on rental growth and the discount rate applied to those cash flows;

Impairment

Reviews for impairment of housing properties are carried out when a trigger has occurred. In 2015 the government announced a change in rent policy which resulted in a material impact on the net income collected in the future for housing properties.

Following the Grenfell disaster a review of tower blocks and any additional fire safety investment expenditure on them has also been considered. The association has assessed that these events represent a trigger for impairment review. The impairment review is conducted at the scheme level ie. the cash generating unit;

Basic financial instruments

The assessment of certain loans and interest rate fixes as basic financial instruments requires judgement. Such instruments have been reviewed in detail and have been assessed as basic because key clauses indicate that funders will not suffer a loss on breakage. In addition such instruments are only entered into by the group in order to give budgetary and cash flow certainty; they are not entered into for trading purposes.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and long term nature of these plans, such estimates are subject to considerable uncertainty and the group relies on the expert input of actuaries.

Basic financial instruments

Tenant arrears, trade and other debtors

Tenant arrears, trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

2. Accounting policies (cont'd)

Basic financial instruments (cont'd)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the association's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Turnover

Turnover represents rental and service charge income receivable (net of void losses), fees receivable, proceeds from first tranche sales of low-cost home ownership and from properties developed for open market sales, and amortisation of Social Housing Grant (SHG) under the accrual model. Rental income is recognised on the execution of tenancy agreements. Proceeds on sales are recognised on practical completions. Other income is recognised as receivable on the delivery of services provided. Rental income is taken up to 31 March.

Expenses

Cost of sales

Cost of sales represents the costs including capitalised interest and direct overheads incurred in the development of the properties, and marketing, and other incidental costs incurred in the sale of the properties.

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred.

Interest

Interest payable and similar charges include interest payable and finance charges on liabilities recognised in the statement of comprehensive income using the effective interest method and unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of housing properties that take a substantial time to be prepared for use are capitalised as part of the cost of that asset.

Other interest receivable and similar income includes interest receivable on funds invested.

Taxation

Tax on the surplus or deficit for the year comprises current tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised directly in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or deficit for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Value added tax

The association is VAT registered but a large proportion of its income (rent) is exempt from VAT giving rise to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT and the input tax recoverable is shown in the statement of comprehensive income.

2. Accounting policies (cont'd)

Tangible fixed assets - housing properties

Tangible fixed assets – housing properties are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs, interest at the average cost of borrowing for the development period, and expenditure incurred in respect of improvements which comprise the modernisation and extension of existing properties.

Shared ownership properties are included in housing properties at cost related to the percentage of equity retained, less any provisions needed for impairment or depreciation. For shared ownership properties under construction, the forecast first tranche sale percentage of costs incurred to date are shown in work in progress.

Properties acquired from Rodney Housing Association Limited were stated at Existing Use Value – Social Housing (EUVSH) when transferred in 2007.

Depreciation

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each component part of housing properties. Freehold land is not depreciated. The estimated useful lives of assets which are separately identified are as follows:

New build housing structure	100 years
Other housing structure	50 years
Boundary walls and car hard-standings	50 years
Roofs	50 years
Windows	30 years
Electrical installation	30 years
Bathrooms	30 years
Fascia	40 years
External doors	30 years
Boilers and heating systems	30 years
Kitchens	20 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the association expects to consume an asset's future economic benefits.

Non-component works to existing properties

The amount of expenditure incurred which relates to an improvement, which is defined as an increase in the net rental stream or the life of a property, has been capitalised. Expenditure incurred on other major repairs, cyclical and day-to-day repairs to housing properties is charged to the statement of comprehensive income in the period in which it is incurred.

Interest capitalised

Interest on borrowings is capitalised to housing properties during the course of construction up to the date of completion of each scheme. The interest capitalised is either on borrowings specifically taken to finance a scheme or on net borrowings to the extent that they are deemed to be financing a scheme. This treatment applies irrespective of the original purpose for which the loan was raised. Interest has been capitalised at an average rate that reflects the weighted average effective interest rate on the association's borrowings required to finance housing property developments.

2. Accounting policies (cont'd)

Social Housing Grant

Social Housing Grant (SHG) is initially recognised at fair value as a long term liability, specifically as deferred grant income and released through the statement of comprehensive income as turnover income over the life of the structure of housing properties in accordance with the accrual method applicable to social landlords accounting for housing properties at cost.

On disposal of properties, all associated SHG is transferred to either the Recycled Capital Grant Fund (RCGF) or the Disposal Proceeds Fund (DPF) until the grant is recycled or repaid to reflect the existing obligation under the social housing grant funding regime.

Other grants

These include grants from local authorities and other organisations. Grants in respect of revenue expenditure are credited to the statement of comprehensive income in the same period as the expenditure to which they relate. Other grants which are received in advance of expenditure are included as a liability. Grants received from other organisations are accounted for in accordance with the performance method.

Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost. Investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in the statement of comprehensive income in the period that they arise.

No depreciation is provided in respect of investment properties applying the fair value model. This treatment, as regards the association's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the Board consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Rental income from investment property is accounted for as described in the turnover accounting policy.

Properties held for sale and work in progress

Completed properties and properties under construction for open market sales are recognised at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Interest incurred is also capitalised during the course of obtaining planning and throughout the work in progress up to the point of practical completion of the development scheme. Assessing net realisable value requires use of estimation techniques. In making this assessment, management considers publicly available information and internal forecasts on future sales activity. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Impairment

A financial asset not carried at fair value through the statement of comprehensive income is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

2. Accounting policies (cont'd)

Impairment (cont'd)

For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the association would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in the statement of comprehensive income. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Housing property sales

Properties sold through tenants exercising their preserved right to buy or right to acquire, proceeds from the first tranche sales of shared ownership properties, subsequent tranche sales and properties sold that were developed or acquired for outright sale are included within turnover as part of normal operating activities.

Non-housing asset sales are included within gain / (loss) on disposal of fixed assets.

Intangible assets

Depreciation is provided on a straight line basis on the cost of intangible fixed assets to write them down to their estimated residual values over their expected useful lives. The principal annual rates used for other assets are:

Computer software	3 years

Other tangible fixed assets

Other tangible fixed assets include those assets with an individual value in excess of £1,000.

Depreciation is provided on a straight line basis on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Office premises	50 years
Furniture, fixtures and fittings	5 years
Motor vehicles	4 years
Computers and office equipment	3 years
Scheme equipment	Over expected life of component

2. Accounting policies (cont'd)

Bad debt provisions

A bad debt provision is held against the risk of failure to recover current and former tenant rent and service charge arrears. The provision is calculated as at 31 March and any adjustment required is written off or back through the statement of comprehensive income. The provision is calculated in line with the following aged debt:

Current arrears aged 1-8 weeks	10%
Current arrears aged 9-16 weeks	50%
Current arrears aged 17-32 weeks	75%
Current arrears aged 33+ weeks	90%
Former arrears	100%
Other debts (accounts receivable)	Case by case basis

Property managed by agents

Where the association carries the financial risk on property managed by agents, all the income and expenditure arising from the property is included in the statement of comprehensive income.

Where the agency carries the financial risk, the statement of comprehensive income includes only that income and expenditure which relates solely to the association.

Provisions

A provision is recognised in the statement of financial position when the association has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the association pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The association's net obligation in respect of defined benefit plans and other long term employee benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The association determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the statement of financial position date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the association's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The association recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

2. Accounting policies (cont'd)

Employee benefits (cont'd)

Defined benefit plans (cont'd)

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in the statement of comprehensive income.

Remeasurement of the net defined benefit liability/asset is also recognised in the statement of comprehensive income.

The association participates in two defined benefit plans as set out below:

- LGPS schemes – Merseyside Pension Fund
- Social Housing Pension Scheme

The Social Housing Pension Scheme (SHPS) provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the association. The association is unable to obtain sufficient information to use defined benefit accounting for this multi-employer plan, and accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the statement of comprehensive income represents the contributions payable to the scheme in respect of the accounting period. To the extent that payments plans relate to funding a deficit, the contributions are recognised as a liability payable arising from the agreement with the multi-employer plan and results in a charge to the statement of comprehensive income. Where these payments are not expected to be settled within twelve months the liability is measured at the present value of the contributions payable.

Termination benefits

Termination benefits are recognised as an expense when the association is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the association has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than twelve months after the reporting date, then they are discounted to their present value.

3. Turnover, cost of sales, operating costs and operating surplus

	2018				2017			
	Turnover £'000	**Cost of sales £'000**	**Operating costs £'000**	**Operating surplus £'000**	Turnover £'000	Cost of sales £'000	Operating costs Restated £'000	Operating surplus £'000
Social housing lettings								
General needs accommodation	**43,269**	**-**	**(33,750)**	**9,519**	44,213	-	(36,736)	7,477
Older persons housing	**4,032**	**-**	**(3,660)**	**372**	4,242	-	(3,695)	547
Supported housing	**9,578**	**-**	**(6,173)**	**3,405**	9,843	-	(6,694)	3,149
Low cost home ownership	**1,129**	**-**	**(645)**	**484**	1,077	-	(821)	256
	58,008	**-**	**(44,228)**	**13,780**	59,375	-	(47,946)	11,429
Other social housing activities								
Regeneration and development	**11**	**-**	**(662)**	**(651)**	467	-	(1,384)	(917)
Management services	**110**	**-**	**(110)**	**-**	91	-	(91)	-
Estate services	**-**	**-**	**(1,137)**	**(1,137)**	-	-	(1,005)	(1,005)
Shared Ownership first tranche sales	**699**	**(703)**	**-**	**(4)**	55	(44)	-	11
Other	**1,237**	**-**	**(7)**	**1,230**	1,766	-	12	1,778
	2,057	**(703)**	**(1,916)**	**(562)**	2,379	(44)	(2,468)	(133)
Surplus on disposal of housing properties				**303**				127
Total social housing activities	**60,065**	**(703)**	**(46,144)**	**13,521**	61,754	(44)	(50,414)	11,423
Non-social housing activities								
Market rents	**444**	**-**	**(154)**	**290**	438	-	(256)	182
Revaluation of investment properties	**194**	**-**	**-**	**194**	341	-	-	341
Healthy Living Centre	**401**	**-**	**(401)**	**-**	405	-	(405)	-
Commercial	**153**	**-**	**(34)**	**119**	155	-	(92)	63
Management services	**-**		**-**	**-**	-		-	-
Leaseholders	**72**	**-**	**(72)**	**-**	54	-	(65)	(11)
Properties developed for outright sale	**-**	**-**	**-**	**-**	(26)	26	-	-
LGPS pension settlement and curtailment	**29**	**-**	**-**	**29**	-	-	-	-
Other	**14**	**-**	**-**	**14**	18	-	(41)	(23)
Total non-social housing activities	**1,307**	**-**	**(661)**	**646**	1,385	26	(859)	552
Total	**61,372**	**(703)**	**(46,805)**	**14,167**	63,139	(18)	(51,273)	11,975

4. Income and expenditure from social housing lettings

	General needs accommodation £'000	Older persons housing £'000	Supported housing £'000	Low cost home ownership £'000	Total 2018 £'000	Total Restated 2017 £'000
Income						
Rents receivable net of voids	40,397	2,413	6,372	775	**49,957**	50,046
Service charge income	1,306	1,439	2,652	273	**5,670**	5,784
Amortised government grants	1,434	153	269	78	**1,934**	3,094
Supporting people grants	3	26	282	3	**314**	312
Revenue grants	-	-	-		**-**	-
Other income from social housing	129	1	3		**133**	139
Turnover from social housing lettings	43,269	4,032	9,578	1,129	**58,008**	59,375
Expenditure						
Management	8,967	1,198	1,531	168	**11,864**	12,640
Service charge costs	1,563	858	1,741	72	**4,234**	4,945
Routine maintenance	9,071	433	751	49	**10,304**	8,925
Planned maintenance	7,110	551	1,244	130	**9,035**	8,498
Major repairs expenditure	651	113	139	6	**909**	890
Rent losses from bad debts	293	23	(8)	7	**315**	505
Depreciation of housing properties	5,417	477	754	172	**6,820**	10,963
Impairment of housing properties	-	-	-	-	**-**	106
Other costs	678	7	21	41	**747**	474
Expenditure on social housing lettings	33,750	3,660	6,173	645	**44,228**	47,946
Operating surplus on social housing lettings	**9,519**	**372**	**3,405**	**484**	**13,780**	11,429
Void losses	319	55	760	13	**1,147**	1,203

5. Accommodation owned, managed and under development

	2018 Number	2017 Number
The number of properties in ownership at the year-end were:		
General needs accommodation (social rent)	**8,429**	8,422
General needs accommodation (affordable rent)	**782**	767
Older persons housing	**609**	609
Supported housing	**1,286**	1,244
Low-cost home ownership	**-**	-
	11,106	11,042
The number of properties in ownership but managed by others at the year-end were:		
General let accommodation (affordable rent)	**34**	33
Supported housing	**-**	43
Low-cost home ownership	**546**	530
Total homes owned	**11,686**	11,648
Accommodation managed by other bodies	**(668)**	(680)
Accommodation managed for other bodies / owner occupiers	**-**	(43)
Leasehold	**48**	47
Total homes managed	**11,066**	10,972

	2018 Number	2017 Number
Non-social housing in ownership and management at the year-end:		
Market rents	**71**	71
	71	71

	2018 Number	2017 Number
The number of properties under development at the year-end were:		
General needs accommodation	**89**	63
Supported housing	**-**	-
Low-cost home ownership	**47**	10
	136	73

	2018 Number	2017 Number
The following agencies managed properties on behalf of the association		
Related parties		
Atrium (non-regulated)	**-**	647
Contour Homes	**536**	-
Contour Property Services (non-regulated)	**48**	-
Ribble Valley	**44**	33
Other agencies		
Alternative Futures	**189**	259
Community Integrated Care	**54**	78
Brothers of Charity	**35**	75
Imagine	**44**	57
Creative Support	**47**	47
Mencap Homes Foundation	**43**	42
Forum	**40**	40
Others (individually less than 30)	**337**	402
	1,417	1,680

6. Disposal of housing properties

	2018 £'000	2017 £'000
Disposal proceeds from property sales	**1,130**	935
Proceeds from land sales	**-**	-
	1,130	935
Carrying value of fixed assets from property sales	**(751)**	(748)
Costs on disposal	**(76)**	(60)
Gain on disposal of housing properties	**303**	127

	2018	2017
Analysis of housing property sales		
Preserved Right to Buy sales	**15**	7
Right to Acquire	**-**	2
Shared ownership staircasing	**12**	6
Other sales	**3**	2
	30	17

7. Operating surplus

Operating surplus is stated after charging:	2018 £'000	2017 Restated £'000
Depreciation of housing properties	**6,831**	10,403
Depreciation of other fixed assets	**273**	1,042
Impairment of housing properties	**-**	106
Amortisation of intangible assets	**181**	136
(Surplus) on disposal of housing properties	**(303)**	(127)
Deficit/(surplus) on disposal of other tangible fixed assets	**836**	(104)
Amortisation of government grant	**(1,923)**	(3,094)
Revaluation of investment properties	**(194)**	(341)
Pension adjustments	**(39)**	(22)
Auditor's remuneration (excluding VAT):		
In their capacity as auditor	**-**	23
In respect of other services	**-**	7
Operating lease payments	**74**	90

Audit fees and fees to the auditors for other services were paid by Onward in the year.

8. Board members and executive directors

	2018 £'000	2017 £'000
The aggregate emoluments paid to or receivable by key management personnel (including pension contributions and benefits in kind)	**-**	687
The aggregate amount of pension contributions in respect of services as directors	**-**	41
The aggregate compensation paid to or receivable by key management personnel	**-**	231
The emoluments paid to the highest paid director (excluding pension contributions but including benefits in kind)	**-**	241
Pension contributions for the Managing Director	**-**	10

The Managing Director and Directors left the organisation on 31 March 2017 and the day to day operations of the association are now managed by the Onward Executive Team. No remuneration was paid to the non-executive directors on the Board.

9. Employee information

	2018 Number	2017 Number
Average number of employees (including executive directors) expressed as full time equivalents (based on an average of 35 hours per week)	**257**	275

	2018 £'000	2017 £'000
Staff costs (for the above persons)		
Wages and salaries	**6,636**	7,374
Social security costs	**565**	642
Other pension costs	**263**	893
Defined benefit scheme pension adjustments	**(39)**	(22)
Severance payments	**39**	232
	7,464	9,119

Some staff working for the association are employed by and all salary costs relating to these employees are paid by Onward Homes. Liverpool Housing Trust repays Onward Homes through a management charge which also covers time spent carrying out Liverpool Housing Trust work by other staff on joint contracts.

Total employee costs recharged to Liverpool Housing from Onward Homes amounted to £31,000 (2017: £Nil).

During the year ended 31 March 2018 redundancy payments for Liverpool Housing Trust staff have been paid for by Onward amounting to £1,090,000 (2017: £Nil).

The aggregate number of full time equivalent staff whose remuneration (including salaries, benefits in kind, pension contributions paid by the employer and any termination payments) exceeded £60,000 was as follows:

Remuneration between	2018	2017
£60,000 and £69,999	**7**	1
£70,000 and £79,999	**4**	-
£80,000 and £89,999	**2**	3
£90,000 and £99,999	**4**	-
£100,000 and £109,999	**2**	-
£180,000 and £189,999	**-**	1
£250,000 and £259,999	**-**	1

10. Disposal of other tangible fixed assets

	2018 £'000	2017 £'000
Disposal proceeds from other fixed assets	**-**	104
Carrying value of other fixed assets	**(836)**	(204)
Gain on disposal of other fixed assets	**(836)**	(100)

11. Interest receivable and similar income

	2018 £'000	2017 £'000
Bank and building society interest	**103**	212
Interest income on net deficit benefit plan assets	**24**	-
Other interest and dividends	**1**	1
	128	213

12. Interest payable and similar charges

	2018 £'000	2017 £'000
Interest payable on bank and building society loans	**2,387**	2,535
Interest payable on other loans	**1,432**	1,444
Loan administration fees	**12**	20
Loan security costs	**17**	20
Non utilisation fees	**224**	277
Interest expense on net defined benefit liabilities	**28**	7
Unwinding of the discount factor on pension past service deficit	**149**	273
Interest on Recycled Capital Grant Fund and Disposal Proceeds Fund	**1**	1
	4,250	4,577
Capitalised interest	**(79)**	(62)
	4,171	4,515

Interest has been capitalised at 2.5% (2017: 2.6%) per annum, the average cost of borrowing, or is based on a specific loan facility used to fund the development.

13. Taxation

	2018 £'000	2017 £'000
UK corporation tax		
Current tax charge for the year	**-**	-
Adjustment in respect of previous years	**-**	-
Total tax charge on surplus on ordinary activities	**-**	-

All amounts of taxation are recognised in the statement of comprehensive income.

Factors affecting the tax charge for the period

The current rate of tax for the year is lower than the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below:

	2018 £'000	2017 £'000
Surplus on ordinary activities before taxation	**9,288**	7,573
Current tax at standard corporation tax rate	**1,765**	1,515
Effects of tax free income due to charitable activities	**(1,765)**	(1,515)
Expenses not deductible for tax purposes	**-**	-
Income not taxable for tax purposes	**-**	-
Adjustments in respect of prior periods	**-**	-
Total tax charge on surplus on ordinary activities	**-**	-

14. Intangible assets

	Software £'000	**Total £'000**
Cost		
At 1 April 2017	706	**706**
Additions	-	**-**
At 31 March 2018	706	**706**
Amortisation and impairment		
At 1 April 2017	(525)	**(525)**
Amortisation for the year	(181)	**(181)**
At 31 March 2018	(706)	**(706)**
Net book value		
At 1 April 2017	181	181
At 31 March 2018	**-**	**-**

15. Housing properties

	Social housing properties held for letting £'000	Social housing properties under construction £'000	Completed low-cost home ownership properties £'000	Low-cost home ownership properties under construction £'000	Non-social housing properties held for letting **£'000**	Total £'000
Cost						
At 1 April 2017 as previously reported	534,647	5,761	19,720	589	1,049	561,766
Prior year adjustment (note 41)	(11,612)	-	-	-	-	(11,612)
At 1 April 2017 as restated	523,035	5,761	19,720	589	1,049	550,154
Additions	5,874	4,899	4	2,387	-	13,164
Capitalised interest	-	65	-	14	-	79
Disposals	(1,177)	-	(447)	-	-	(1,624)
Transfer from/(to) stock	-	-	-	(797)	-	(797)
Transfer to abortive	-	(56)	-	(68)	-	(124)
Transfer on completion	4,214	(4,214)	1,129	(1,129)	-	**-**
Reclassifications	(186)	-	186	-	-	**-**
At 31 March 2018	531,760	6,455	20,592	996	1,049	**560,852**
Depreciation						
At 1 April 2017 as previously reported	(118,095)	-	(1,035)	-	(203)	(119,333)
Prior year adjustment (note 41)	5,568	-	-	-	-	5,568
At 1 April 2017 as restated	(112,527)	-	(1,035)	-	(203)	(113,765)
Charge for the year	(6,664)	-	(156)	-	(11)	(6,831)
Disposals	875	-	31	-	-	906
Transfers from/(to) stock	12	-	(12)	-	-	-
Reclassifications	-	-	-	-	-	-
At 31 March 2018	(118,304)	-	(1,172)	-	(214)	**(119,690)**
Impairment						
At 1 April 2017	(1,331)	-	-	-	-	(1,331)
Charge for the year	-	-	-	-	-	-
At 31 March 2018	(1,331)	-	-	-	-	**(1,331)**
Net Book Value						
At 1 April 2017 restated	409,177	5,761	18,685	589	846	435,058
At 31 March 2018	**412,125**	**6,455**	**19,420**	**996**	**835**	**439,831**
Freehold	356,901	6,455	17,729	996	835	**382,916**
Long-leasehold	55,224	-	1,691	-	-	**56,915**
At 31 March 2018	**412,125**	**6,455**	**19,420**	**996**	**835**	**439,831**

Additions to housing properties in the year included improvement works to existing properties of £5,835,000 (2017: £6,972,000) and capitalised interest of £79,000 (2017: £62,000) at an average rate of 2.5% (2017: 2.6%). Expenditure on works to existing properties charged to the statement of comprehensive income totalled £13,720,000 (2017: £12,699,000).

The net book value of housing properties includes £Nil (2017: £Nil) in respect of assets held under finance leases.

16. Investments including properties

	Investment properties £'000	Total £'000
At 1 April 2017	7,279	**7,279**
Additions	52	**52**
Revaluation	194	**194**
At 31 March 2018	7,525	**7,525**

The investment properties are market rent schemes and developments originally developed for sale. Due to the downturn in the housing market, these are now being rented either at market rent, or on the rent to home-buy scheme with the intention of selling the properties in due course.

Full valuations of the properties were carried out in March 2017 by external valuers, Sutton Kersh, Chartered Surveyors in accordance with the RICS Appraisal and Valuation Manual. Their reports indicated that the market value of investment property was £7.3million.

If the investment properties were shown at historic cost less depreciation the carrying value would be as follows:

	2018 £'000	2017 £'000
Historic costs	**6,129**	6,076
Accumulated depreciation	**(392)**	(369)
	5,737	5,707

17. Other tangible fixed assets

	Freehold land and buildings £'000	Scheme equipment £'000	Vehicles, fixtures and equipment £'000	Total £'000
Cost				
At 1 April 2017 as previously	5,120	3,220	9,654	17,994
Prior year adjustment (note 41)	-	(3,220)	-	(3,220)
At 1 April 2017 as restated	5,120	-	9,654	14,774
Additions	-	-	339	339
Disposals	-	-	(7,288)	(7,288)
At 31 March 2018	5,120	-	2,705	**7,825**
Depreciation				
At 1 April 2017 as previously	(2,100)	(1,389)	(7,840)	(11,329)
Prior year adjustment (note 41)	-	1,389	-	1,389
At 1 April 2017 as restated	(2,100)	-	(7,840)	(9,940)
Charge for the year	(83)	-	(190)	(273)
Disposals	-	-	6,009	6,009
At 31 March 2018	(2,183)	-	(2,021)	**(4,204)**
Net book value				
At 1 April 2017 as restated	3,020	-	1,814	4,834
At 31 March 2018	**2,937**	**-**	**684**	**3,621**

18. Debtors: amounts falling due after one year

	2018 £'000	2017 £'000
Amounts owed by related parties – pension past service	**1,143**	1,825
	1,143	1,825

19. Properties for sale and work in progress

	2018 £'000	2017 £'000
Properties under construction – low-cost home ownership	**640**	565
Completed properties – outright sales	**217**	190
Stock	**-**	95
	857	850

20. Debtors

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Rent and service charge arrears	**4,743**	5,147
Bad debt provision	**(1,847)**	(1,950)
	2,896	3,197
Trade debtors	**67**	-
Social Housing Grant and other grant receivable	**1,413**	19
Amounts owed by related parties	**1,179**	20
Amounts owed by related parties – pension past service	**173**	299
Prepayments and sundry debtors	**754**	586
Other taxation and social security	**-**	-
	6,482	4,121

For rent and service charge arrears, no adjustment is required for those debts on a repayment schedule.

NOTES TO THE FINANCIAL STATEMENTS

21. Investments

	2018 £'000	2017 £'000
Bank and building society deposits	**14,780**	22,751
Investments in Credit Unions	**50**	50
	14,830	22,801

As at 31 March 2018 the following charges on bank deposits were in place:

Deposits under charge	Liability secured £'000	Amount charged
Pension fund	128	128
Loan security	30	30
Leaseholder sinking funds	391	391
	549	549

22. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Bank and building society loans (note 24)	**5,166**	3,563
Other loans (note 24)	**560**	6,657
Issue costs (note 24)	**(29)**	(12)
	5,697	10,208
Trade creditors	**-**	-
Capital creditors and retentions	**1,054**	629
Rent and service charges received in advance	**1,351**	1,240
Other taxation and social security	**196**	197
Recycled Capital Grant Fund	**-**	82
Disposal Proceeds Fund	**-**	13
Deferred Government Grant (Financial Assistance)	**1,948**	3,256
Social housing grant received in advance	**963**	4
Pension past service deficit	**1,536**	1,612
Accruals and deferred income	**3,698**	5,586
Other creditors	**-**	648
Amounts owed to related parties	**2,162**	811
Amounts owed to related parties – pension past service	**144**	95
Amounts owed to leaseholders	**20**	18
Corporation tax	**-**	-
	18,769	24,399

23. Creditors: amounts falling due after one year

	2018 £'000	2017 £'000
Bank and building society loans (note 24)	**120,817**	125,984
Other loans (note 24)	**11,919**	12,432
Issue costs (note 24)	**(650)**	(655)
	132,086	137,761
Capital creditors and retentions	**228**	184
Recycled Capital Grant Fund	**776**	795
Disposal Proceeds Fund	**106**	184
Deferred Government Grant (Financial Assistance)	**167,747**	166,099
Pension past service deficit	**9,036**	11,518
Accruals and deferred income	**-**	-
Other creditors	**223**	101
Amounts owed to related parties – pension past service	**912**	714
Amounts owed to leaseholders	**606**	608
	311,720	317,964

24. Debt analysis

	2018 £'000	2017 £'000
Bank and Building Society loans	**125,983**	129,547
Other loans	**12,479**	19,089
Issue costs	**(679)**	(667)
	137,783	147,969

All bank, building society and other loans are secured by charges either on the association's housing properties or on the rental streams arising from properties. Loans are repayable in instalments with final dates up to 2048. As at 31 March 2018 interest rates chargeable varied from 0.9% to 10.7%.

	2018 £'000	2017 £'000
Gross debt is repayable in instalments as follows:		
Within one year	**5,726**	10,220
Between one and two years	**5,908**	5,681
Between two and five years	**20,784**	22,298
After five years	**106,044**	110,437
	138,462	148,636

	Properties under charge	Amount drawn £'000	Valuation of units £'000
Loan charges	6,206	**138,462**	251,076

25. Deferred Capital Grant (Financial Assistance)

	2018 £'000	2017 £'000
The total accumulated government grant and financial assistance received or receivable at 31 March:		
Held as deferred capital grant at start of the year	**169,355**	171,758
Grant received in the year	**2,263**	691
Recognised in the Statement of Comprehensive Income	**(1,923)**	(3,094)
At end of the year	**169,695**	169,355
Due within one year	**1,948**	3,256
Due after one year	**167,747**	166,099
	169,695	169,355

26. Recycled Capital Grant Fund

	2018 £'000	2017 £'000
At start of the year	**877**	507
Grants recycled	**97**	396
Transfers from group members	**740**	-
Interest accrued	**1**	2
Recycling to new build development	**(939)**	(28)
At end of the year	**776**	877
Amount three years or older where repayment may be required	**-**	-

27. Disposal Proceeds Fund

	2018 £'000	2017 £'000
At start of the year	**197**	25
Grants recycled	**-**	185
Interest accrued	**1**	-
Recycling to new build development	**(92)**	(13)
At end of the year	**106**	197
Amount three years or older where repayment may be required	**-**	-

28. Financial instruments

The carrying amounts of the financial assets and liabilities include:	2018 £'000	2017 £'000
Trade and other debtors measured at amortised cost	**7,625**	5,946
Trade and other creditors measured at amortised cost	**(23,084)**	(25,039)
Loan commitments measured at cost	**(137,783)**	(147,969)
	(153,242)	(167,062)

29. Obligations under operating leases

The association holds some of its office equipment on operating leases and contract hires some of its motor vehicles. Payments are accounted for in the month in which they fall due. The future minimum lease payments under non-cancellable operating leases is as follows:

	Land and buildings		Vehicles and equipment	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Leases expiring:				
Within one year	**36**	36	**44**	53
In the second to fifth years	**3**	36	**7**	53
In more than five years	**-**	-	**-**	-
At end of the year	**39**	72	**51**	106

During the year £74,000 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2017: £90,000).

30. Provisions for liabilities

	2018 £'000	2017 £'000
Public liability insurance and disrepair claims:		
At start of the year	**221**	236
Transfer into / (out of) provisions	**479**	(15)
At end of the year	**700**	221

31. Pension liabilities

	2018 £'000	2017 £'000
At start of the year	**201**	205
Interest on pension liabilities	**4**	7
Transfers to reserves (actuarial gain in period)	**(124)**	11
Contributions in period	**(45)**	(40)
Administration expenses	**-**	-
Current service costs in the period	**6**	18
	(29)	
At end of the year	**13**	201

32. Non-equity share capital

	2018 £	2017 £
Shares of £1 each fully paid and issued:		
At start of the year	**29**	20
Shares issued in the year	**-**	11
Cancelled during the year	**(2)**	(2)
At end of the year	**27**	29

The association's shares are not transferable or redeemable. Payments of dividends or other benefits are forbidden by the association's rules and by the Housing Association Acts.

33. Revenue reserves

	2018 £'000	2017 Restated £'000
At start of year as previously reported	**147,239**	140,208
Prior year adjustment (note 41)	**(7,875)**	(8,406)
At start of year as restated	**139,364**	131,802
Surplus for the year	**9,339**	7,562
At end of the year	**148,703**	139,364

34. Transactions with related parties

During the year the association transacted with Onward Homes, its ultimate parent organisation and other subsidiaries as set out below. There are no guarantees given over and above the normal trading terms set out in the intra-group agreement. There are no provisions required for uncollectible balances and no bad debt expense is required.

	2018 £'000	2017 £'000
Recharge by related party		
Onward Homes	**1,362**	1620
Atrium (non- regulated)	**6**	24
Cobalt	**-**	155
Contour Homes	**87**	83
Contour Property Services (non- regulated)	**-**	1
Hyndburn Homes	**14**	14
Peak Valley	**3**	6
Ribble Valley	**5**	16
	1,477	1,919

	2018 £'000	2017 £'000
Recharge by service		
Management services	**469**	479
Central services	**898**	192
Customer services	**-**	-
Pension past service deficit recharges	**110**	211
Staff secondments	**-**	92
Depreciation recharges	**-**	945
	1,477	1,919

The association received charges from:	2018 £'000	2017 £'000
Onward Homes	**8,262**	4,821
Atrium (non- regulated)	**132**	182
Cobalt	**-**	-
Ribble Valley	**3**	2
	8,397	5,005

34. Transactions with related parties (cont'd)

Debtors falling due within one year	2018 £'000	2017 £'000
Onward	-	-
Atrium (non-regulated)	15	14
Cobalt	-	345
Contour Homes	1,129	82
Contour Property Services (non-regulated)	5	3
Hyndburn Homes	43	30
Peak Valley	76	14
Ribble Valley	84	44
	1,352	532

Debtors falling due after more than one year	2018 £'000	2017 £'000
Onward	-	-
Atrium (non-regulated)	87	95
Cobalt	-	2,488
Contour Homes	565	595
Contour Property Services (non-regulated)	20	23
Hyndburn Homes	202	223
Peak Valley	86	97
Ribble Valley	183	199
	1,143	3,720

Creditors: amounts falling due within one year	2018 £'000	2017 £'000
Onward Homes	2,251	876
Atrium (non- regulated)	55	4
Contour Homes	-	26
	2,306	906

Creditors: amounts falling due after more than one year	2018 £'000	2017 £'000
Onward Homes	912	714
	912	714

All transactions with related parties are provided and received at cost and are apportioned in accordance with an agreed group recharge methodology. The recharge methodology recharges costs mainly on the basis of time, headcount or service usage. Transactions with Atrium City Living and Contour Property Services (non-regulated) are based on an agreed fee structure per unit for management and development or per property sale.

35. Capital commitments

	2018 £'000	2017 £'000
Capital expenditure contracted for but not provided for in the financial statements	**9,802**	3,699
Capital expenditure authorised by the Board of Management but not yet contracted for	**4,154**	12,167

Capital expenditure commitments are funded through grant funding (HCA Affordable Homes Programme) and recycled grant, £1,743,000, and cash from approved loan agreements and retained surpluses, £12,213,000.

36. Impairment

Under FRS102 the association is required to perform impairment tests on its housing stock so that properties are not shown at an amount exceeding their recoverable amount. At the year-end a detailed impairment review was carried out and reviewed by the Board. In total the association approved impairment provisions of £Nil (2017: £106,000).

37. Cash flows generated from operating activities

	2018 £'000	2017 £'000
Surplus for the year	**9,288**	7,573
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	**7,104**	11,445
Impairment of tangible fixed assets	**-**	106
Amortisation of intangible fixed assets	**181**	136
Change in value of investment property	**(194)**	(341)
Decrease / (increase) in properties for sale and work in progress	**790**	(828)
(Increase) / decrease in trade and other debtors	**(300)**	669
Increase / (decrease) in trade and other creditors	**(724)**	1,014
(Decrease) / increase in provisions	**479**	(15)
Pension costs less contributions payable	**(39)**	(964)
Pension settlement	**(29)**	-
Pension past service deficit movement	**(2,707)**	2,108
Carrying amount of tangible fixed asset disposals	**1,997**	2,156
Amortisation of deferred Government Grant	**(1,923)**	(3,094)
Adjustments for investing or financing activities		
Proceeds from disposal of tangible fixed assets	**(1,130)**	(1,039)
Interest receivable	**(128)**	(270)
Interest payable	**4,171**	4,572
Net cash generated from operating activities	**16,836**	23,228

38. Contingent liabilities

LHT has underwritten £533,000 of ERDF funding in relation to Unity 4. The original ERDF funding was in respect of New Century Halls Limited who went into voluntary liquidation in February 2011 and the building reverted to the association. LHT is now leasing the building to Oakmere Community College for ten years with an option for them to purchase it. The liability has been novated to the association. Government Office North West was satisfied that Oakmere are operating the resource centre in accordance with the terms of the ERDF funding so as to avoid any claw back of the grant. The contingent liability in respect of the ERDF funding ceases in August 2019.

An amount of £29.6m social housing grant relating to Rodney Housing Association properties acquired in April 2007 is not shown in the notes to the accounts but is disclosed for information.

39. Pension costs

(a) The Social Housing Pension Scheme – Overview

Liverpool Housing Trust participates in the Social Housing Pension Scheme (SHPS), a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30th December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the group is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30th September 2014. This actuarial valuation was certified on 23rd November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions	
Tier 1	£40.6m per annum
from 1 April 2016 to 30 September 2020:	(payable monthly and increasing by 4.7% each year on 1 April)
Tier 2	£28.6m per annum
from 1 April 2016 to 30 September 2023:	(payable monthly and increasing by 4.7% each year on 1 April)
Tier 3	£32.7m per annum
from 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 April)
Tier 4	£31.7m per annum
from 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 April)

Liverpool Housing Trust closed its Defined Benefit schemes (Final salary 1/60th, Final Salary 1/70th and CARE 1/60th) to future accrual from April 2016. All members of these schemes were transferred into the SHPS Defined Contribution Scheme which has been open since 1st October 2011. From April 2016 there is one benefit structure available to Liverpool Housing Trust which is the SHPS Defined Contribution Scheme.

39. Pension costs (cont'd)

(b) The Social Housing Pension Scheme

Where the scheme is in deficit and where the association has agreed to a deficit funding arrangement, a liability for this obligation is recognised. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

	2018 £'000	2017 £'000	2016 £'000
Present value of provision	**10,572**	13,130	14,107

	2018 £'000	2017 £'000
Reconciliation of opening and closing provisions		
Provision at start of the year	**13,130**	14,107
Removal of pension liability relating to Cobalt Housing on exit	**(982)**	-
Incorporation of Growth Plan	**60**	-
Unwinding of the discount factor	**149**	273
Deficit contribution paid	**(1,635)**	(1,634)
Remeasurement impact of any change in assumptions	**(150)**	384
Remeasurement amendments to the contribution	**-**	-
Provision at the end of the year	**10,572**	13,130

	2018 % per annum	2017 % per annum	2016 % per annum
Assumptions			
Rate of discount	1.72	1.33	2.06

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

(c) Local Government Pension Scheme

Liverpool Housing Trust also makes contributions to another defined benefit schemes, Merseyside Pension Fund. The association is a participating employer in its respective scheme.

The most recent actuarial valuations of these schemes have been updated for accounts purposes by independent qualified actuaries. The disclosures represent each entity's share of the overall scheme's assets and liabilities. As permitted by FRS102 the disclosures for these entities have been consolidated. The assumptions used, which have been combined on a weighted average basis on asset values, are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered may not necessarily be borne out in practice.

The major assumptions used in this valuation are:

39. Pension costs (cont'd)

(c) Local Government Pension Scheme (cont'd)

Assumptions	2018	2017
Inflation	**2.2%**	2.3%
Rate of discount on scheme	**2.7%**	2.5%
Rate of salary increase	**3.7%**	3.8%
Rate of increase of pensions	**2.2%**	2.3%
Life expectancy male non-pensioner	**25.0**	24.9
Life expectancy female non-pensioner	**27.8**	27.7
Life expectancy male pensioner	**22.0**	21.9
Life expectancy female pensioner	**24.8**	24.7
Mortality assumptions (normal health)		
Basis	S2PA CMI_2015	S2PA CMI_2015
Non-retired members	1.75% 107% male, 1.5% 92% female	1.75% 107% male, 1.5% 92% female
Retired members	1.75% 112% male, 1.5% 99% female	1.75% 112% male, 1.5% 99% female

The fair value of the schemes' assets at 31 March 2018, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and are thus inherently uncertain, were:

	2018 £'000	2017 £'000
Fair value of assets	**-**	2,145
Present value of liabilities	**(13)**	(2,346)
Deficit in the scheme	**(13)**	(201)

The market value of the assets of the scheme and the expected long term rates of return at 31 March were:

	2018 £'000	2017 £'000
Market value		
Equities	**-**	1,149
Government Bonds	**-**	86
Other Bonds	**-**	245
Property	**-**	167
Cash/liquidity	**-**	73
Other	**-**	425
Total	**-**	2,145

39. Pension costs (cont'd)

(c) Local Government Pension Scheme (cont'd)

	2018 £'000	2017 £'000
Analysis of the amount charged to operating surplus		
Current service cost	**6**	18
Past service cost / (gain)	**-**	-
Total operating charge	**6**	18

	2018 £'000	2017 £'000
Analysis of the amount credited to other finance income		
Expected return on pension assets	**24**	57
Interest on pension liabilities	**(28)**	(64)
Net return	**(4)**	(7)

	2018 £'000	2017 £'000
Movement in (deficit) during the year		
Deficit in schemes at start of the year	**(201)**	(205)
Movement in year:		
Current service cost	**(6)**	(18)
Past service cost	**-**	-
Contributions	**45**	40
Expected return on plan assets	**24**	57
Interest on pension liabilities	**(28)**	(64)
Administration expenses	**-**	-
Remeasurement gain / (loss)	**-**	-
Settlement on exit	**29**	-
Actuarial (loss)/gain in SCI	**124**	(11)
Deficit in schemes at end of the year	**(13)**	(201)

	2018 £'000	2017 £'000
Amount recognised in the Statement of Comprehensive Income		
Actual return less expected return on pension scheme assets	**8**	452
Experienced gains (losses) arising on the scheme liabilities.	**-**	(28)
Change in assumptions underlying the present value of scheme liabilities	**116**	(435)
Actuarial (loss)/gain recognised in SCI	**124**	(11)

39. Pension costs (cont'd)

(c) Local Government Pension Scheme (cont'd)

	2018	2017
History of experienced surpluses and deficits		
Difference between actual and expected returns on assets (£'000)	**8**	452
% of scheme assets	**-**	21.1%
Experienced (losses)/gains on liabilities (£'000)	**-**	(28)
% of scheme liabilities	**-**	(1.2%)
Total amount recognised in SCI (£'000)	**124**	(11)
% of scheme liabilities	**954%**	(0.5%)

	2018 £'000	2017 £'000
Reconciliation of assets		
Assets at start of year	**2,145**	1,650
Employer contributions	**45**	40
Employee contributions	1	5
Benefits paid	**(90)**	(59)
Expected return on plan assets	**24**	57
Remeasurement of assets	**8**	452
Administration expenses	**-**	-
Settlement on exit	**(2,133)**	-
Assets at end of year	**-**	2,145

	2018 £'000	2017 £'000
Reconciliation of liabilities		
Benefit obligation start of year	**2,346**	1,855
Operating charge	**6**	18
Interest cost	**28**	64
Employee contributions	1	5
Benefits paid	**(90)**	(59)
Actuarial gain(loss)	**(116)**	463
Settlement on exit	**(2,162)**	-
Benefit obligation at end of year	**13**	2,346

40. Post Balance Sheet Events

There were no significant post Balance Sheet events requiring adjustment to the financial statements.

41. Prior year adjustment

The accounts have been restated following a review undertaken into housing property components and scheme equipment. The resulting accounting policy has reduced the number of components capitalised so this is consistent across the group. The new accounting policy for component replacement and capitalisation is aligned to the group's stock condition survey. The change has resulted in a write down to reserves of £7,875,000.

	2018 £'000	2017 £'000
Summary of the prior year accounting impact		
Reduction in net book value of housing properties	**6,044**	6,423
Reduction in net book value of other fixed assets – scheme equipment	**1,831**	1,983
Prior year adjustment	**7,875**	8,406

42. Change in estimate

Following a review of the group's stock condition survey the accounting estimates for the useful economic lives of housing property components have been revised and made consistent. The impact on housing property depreciation in the year was a reduction in the charge by £4,694,000 and an equivalent increase in the carrying value of housing properties. The useful economic life of deferred capital grant was affected by the same change and this resulted in a reduction in grant amortisation by £1,324,000 and an equivalent increase in the deferred capital grant creditor.