Annual Report & Financial Statements

Year ended 31 March 2018

LiveWest

A home for everyone

Team activities offer a fantastic opportunity for staff volunteering. This year our teams dedicated an incredible 500 volunteering hours to support local communities like Champernowne Play Park in Modbury

Contents

Annual Report and Financial Statements 2017/18 for LiveWest
Community Benefit Society registration number: 7724
Regulator of Social Housing registration number: 4873

Introduction

By the Chair and Chief Executive

This is the first annual report for LiveWest, following the successful merger of DCH and Knightstone in March 2018 to create the largest provider of affordable homes in the South West.

Paul Crawford our Chief Executive and our Chair Linda Nash

In coming together, we have ensured that the previous successes of each individual organisation are firmly embedded in LiveWest, creating an incredibly strong position to deliver our strategic ambitions. Our thanks go to those outgoing non-executives and executives, who were instrumental in achieving merger and have subsequently moved on.

In addition, our collaborative work prior to merger has also meant that we have hit the ground running, with real clarity reached on understanding our role in investing in housing in the South West to change people's lives.

It is now universally acknowledged that our housing market is in crisis, not just supply, but affordability and, in many instances, the quality of homes available to meet peoples' needs.

In creating LiveWest, our strategic ambitions recognise these challenges and our future focus is very much on delivering a substantial increase in the number of new homes, continuing to deliver high-quality services, and ensuring that our financial and organisational resilience underpins our ambitious plans.

Increasing the number of new homes

Our merger ambitions have already acknowledged stepping up to meet the challenge of delivering at least 15,000 new homes over the next 10 years, substantially more homes than both DCH and Knightstone planned to deliver. This is particularly important in our region where house prices and private rent levels are unaffordable for so many.

Through our growth ambitions and success in securing Homes England funding we will deliver

16,000

new homes

Last year we developed 812 much-needed new homes for shared ownership, affordable and social rent. Additionally, we developed 159 homes for open market sale, both through LiveWest independently and through joint ventures with our partners.
Our sales activities, including shared ownership, delivered £10 million profit, with open market sales activity generating gift aid of £5 million, an increase of 34% from 2017.

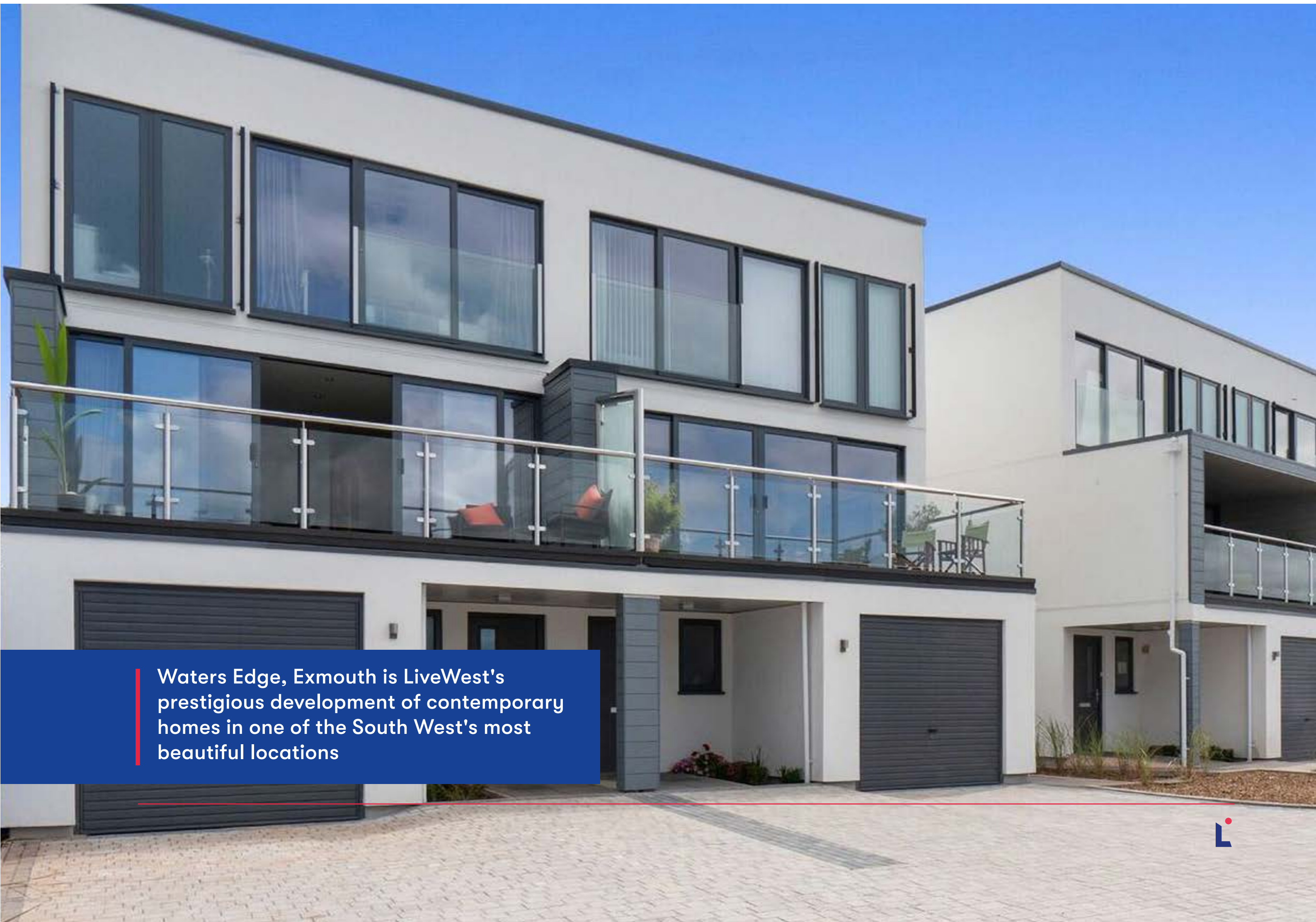
Since merger our growth ambitions have been further expanded, through LiveWest's selection by Homes England, to deliver a further 2,275 homes by 2024 in partnership with Sovereign Housing, with the support of £112 million of capital grant funding. In addition to the 15,000 new homes proposed as part of our recent merger, LiveWest will be accelerating the development of an additional 1,000 new homes over the next five years, for social rent, affordable rent and shared ownership in areas across the South West where there are significant delivery and affordability challenges.

Last year we invested £85m in new homes across the South West

A key part of our work in the first few months of LiveWest has also been to continue to build and strengthen our relationships with partners of DCH and Knightstone, particularly local authorities, as part of growing our development pipeline.

Alongside this work, we continue to make the case for further capital investment in our region, including through our membership of Homes for the South West, a group of eleven housing associations who are working together to identify and tackle the barriers to new housing. As well as prioritising key themes on planning, land supply and construction skills, Homes for the South West are particularly emphasising the role of housing investment in supporting the infrastructure of our region. LiveWest's own plans to invest over £2bn in the local economy over the next ten years are a key contributor to this.

We plan to invest over **£2bn** in the local economy over the next ten years



Waters Edge, Exmouth is LiveWest's prestigious development of contemporary homes in one of the South West's most beautiful locations

Continuing to deliver high-quality services

Our sound performance in 2017/18 on all operational indicators provides a great platform for future improvement in LiveWest, building on the previous successes of both organisations, and maximising the learning from each other across our new organisation.

We are above all a people organisation, and customer service is at the heart of what we do. Each of the former organisations improved in their comparable customer satisfaction surveys in 2017/18, and this provides a firm basis for further improvement next year. Linked to this will be our programme of digital change, making it easier for customers to do business with us in ways that are most convenient and cost-effective.

Listening to our customers and acting on their feedback continues to be fundamental to what we do, underlined by the extensive customer consultation that took place during our merger. We are currently developing LiveWest's customer engagement strategy and will be working with customers on this during autumn 2018. We are also developing our LiveWest approach to community investment, with plans to identify priority neighbourhoods across our region.

The horrific tragedy of Grenfell tower has re-emphasised that the most fundamental part of our service delivery remains the safety of our customers and re-assurance that effective fire prevention and management systems are pivotal to LiveWest's service delivery.

We welcome reforms to the Universal Credit system in reducing the waiting time for payments, and we will continue to support individual customers in navigating their way through a complex and difficult process that has huge impacts on managing household income. During the year we participated in joint research with the Institute of Customer Service, highlighting that customers find their housing associations to be the most helpful source of support when making a Universal Credit claim, after friends and family.

Ensuring financial and organisational resilience

Our improved underlying operating surplus of £76m (2017: £73m), excludes non-recurring cost of £5.3m and merger related costs of £1.7m.

Strong operational cash flows after interest payments of £70m, together with a reduction of cash balances held, financed investment of £85m in new homes. LiveWest's strong financial metrics of gearing and interest cover provide significant borrowing capacity and underpin our growth ambitions.

We have maintained our strong underlying operating margin at 33%, and our plan is to improve this through reducing costs as part of our integration and efficiency planning as set out in our merger objectives.

Extensive stress-testing, as part of the new business plan, has demonstrated the resilience of LiveWest to environmental change, including the uncertainty and potential impacts surrounding Brexit. We welcome the contribution to certainty brought by the new CPI +1% rent settlement from 2020, as well as recent announcements on retaining Housing Benefit funding for supported housing.

Our new offices programme continues to progress and, in June this year, we opened our Exeter Skypark office, providing a working environment that will hugely benefit our staff in the way they collaborate and deliver services. This will be followed with a new office opening in Tolvaddon, Cornwall in early 2019, and further capital investment in our Weston-super-Mare office to create another great working environment. Our ambition is that these offices, supported by investment in touchdown office spaces across the region, and investment in technological solutions will support our staff teams to deliver great services to our customers.

Finally, our thanks go to our non-executive board members and our hugely committed team of 1,400 colleagues. These are the people that are making LiveWest the success that it is, and who are the driving force for our future ambitions.

Linda Nash, Chair

Paul Crawford, Chief Executive

We want to provide the best possible choice, value and service to our customers. Over 89% of our residents said they were satisfied with our services. A tremendous achievement by our staff

Highlights for the year ended 31 March 2018

Income and expenditure

Turnover

£231m
2018

£220m
2017

£205m
2016

Surplus generated from properties built for sale

£10m
2018

£10m
2017

£7m
2016

Underlying operating surplus as a percentage of turnover

33%
2018

33%
2017

28%
2016

Underlying operating surplus
£76m
2018

Underlying operating margin excludes non-recurring and merger related costs

35,439
Managed homes

812
New homes for rent and shared ownership

159
Homes sold on the open market

Investment and cash flow

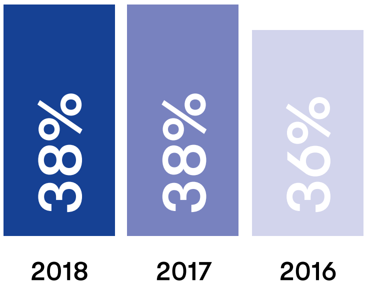
£55m
Spent on maintaining and improving existing homes

£85m
Spent on building new homes

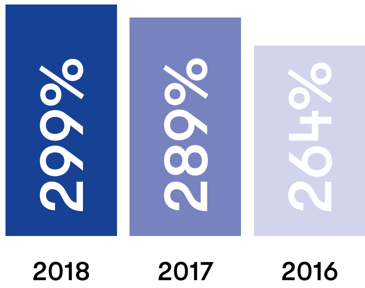
£70m
Net operating cash flow after interest

Treasury

Gearing



Underlying EBITDA – MRI



A2

Moody's rating is one of the highest in our sector

Our staff this year

82%

Overall staff satisfaction

24

Individuals currently enrolled in our apprenticeships programme

111

Our staff who have engaged in leadership development this year

Supporting people

550

People moved on from supported housing to live independently

467

Outcomes of helping customers get closer to finding employment

500

Volunteer hours donated by LiveWest staff

What our customers think

89%

Overall customer satisfaction

89%

Satisfaction with neighbourhood

01 Our strategy

Our initial LiveWest strategy is to take forward the key themes from our merger business case, to:

- deliver a substantial increase in the number of new homes
- continue to deliver high-quality services, and ensure these are fit for the future
- ensure the financial and organisational resilience that underpins our ambitious plans.

Our people are the driving force for our future ambition

Our strategic programme to deliver these themes includes:

01 Integration of teams and ways of working across the former organisations, ensuring a one-team approach for LiveWest and a shared culture for all our people, as well as achieving the efficiency savings that contribute to our ambitions.

02 Development of our customer services and engagement strategy, including our plans to ensure customer voice is heard at the highest levels.

03 Development of our asset management strategy, including our standard for all our homes.

04 Our growth strategy, developing a step change in the delivery of new homes across our region for affordable and social rent, shared ownership and open market sale.

05 Implementation of the Civica CX housing and repairs management system across LiveWest, going live during 2019, providing a platform for further integration and new approaches to customer services.

06 Our digital change agenda, ensuring contemporary and adaptable solutions for customer services and back-office processes.

07 Development of our people strategy, to include harmonisation of reward, and recruitment and talent management, ensuring that LiveWest is a great place to work, thrive and deliver great services.

08 Our offices programme that follows our newly-constructed headquarters in Exeter with a major new office in Tolvaddon, Cornwall and refurbishment of our Weston-super-Mare office.

Later this year we will also be developing our new corporate strategy for 2019-2024, which aims to build on the business case for merging so that we have clarity regarding LiveWest's future risk appetite, our strategic priorities, social purpose and core values.

Our apprentice Ross won the South West Regional Apprenticeship Awards, Apprentice of the Year category and scooped the Nationally Highly Commended title for the Intermediate Apprentice of the Year Award 2017

02 Business review

This year's sustained business measures have delivered strong financial and customer satisfaction outcomes for us.

As previously noted on page 5, underlying operating surplus excludes non-recurring costs of £5.3m and merger costs of £1.7m (see note 3) which has improved by £3m to £76m.

Underlying operating margin has remained at 33%, whilst social housing letting margin has improved to 35% as value for money initiatives have continued to be embedded.

There were also one off merger costs for lender consent of £0.7m and termination fees in respect of an uneconomic facility loan of £3.3m.

Group operating cash flow after net interest payments continues to increase as a result of improved cost control and operational performance supporting the significant investment in our new homes.

The following table summarises the key financial indicators for the past four years.

Key financial indicators	2018	2017	2016	2015
Underlying operating margin	33%	33%	28%	29%
Underlying social housing lettings operating margin	35%	33%	30%	33%
Operating cash flow after net interest payments	£70m	£64m	£54m	£52m
Underlying EBITDA - MRI	299%	289%	264%	275%
Gearing	38%	38%	36%	37%
Debt as a multiple of turnover	3.09	3.10	3.00	3.27
Net debt per dwelling owned	£20,738	£20,213	£18,793	£18,882

Underlying performance excludes non-recurring and merger costs in 2018 and gains on stock swaps in 2016 and 2015.

Underlying EBITDA – MRI has increased as a result of improved earnings and a benign interest rate environment. Performance is very strong with significant headroom to lenders' covenants and internal targets, which underpin our strong credit rating and financial strength.

These key metrics position us well to continue to increase development, improve our service offerings and maximise the opportunities that will result from our recent merger.

03 Financial and operational performance

Surplus

The following table summarises our combined results for the last four years with the current year showing both statutory and underlying performance:

	2018			2017	2016	2015
	Financial accounts	Non-recurring adjustments	Underlying performance			
	£m	£m	£m	£m	£m	£m
Social housing lettings	171	-	171	168	166	151
Other turnover	60	-	60	52	39	36
Total turnover	**231**	**-**	**231**	**220**	**205**	**187**
Operating costs	(169)	7	(162)	(154)	(150)	(135)
Profit on asset disposals	7	-	7	7	20	17
Operating surplus	**69**	**7**	**76**	**73**	**75**	**69**
Net interest payable	(26)	4	(22)	(23)	(28)	(21)
Other	2	-	2	2	(5)	(2)
Surplus before exceptional item	**45**	**11**	**56**	**52**	**42**	**46**
Exceptional item	-	-	-	-	-	37
Surplus before tax	**45**	**11**	**56**	**52**	**42**	**83**

Turnover

Total turnover increased by 5% to £231m (2017: £220m).

Social housing lettings income increased by 2% to £171m (2017: £168m) and continues to be our most significant income stream accounting for 74% of turnover (2017: 76%). The increase reflects 812 new homes which is mitigated by an annual rent reduction of 1.0% from April 2017.

Other turnover of £60m is largely represented by £29m of open market property sales and £23m of first tranche shared ownership sales. These are anticipated to increase further in future years as our development ambitions are realised.

Operating costs

Total operating costs increased to £169m (2017: £154m) as a result of £5.3m of non-recurring costs, £1.7m of merger costs and £8m of higher cost of sales on market property sales.

Operating costs on social housing lettings increased to £119m (2017: £112m), largely as a result of non-recurring accounting and merger related costs. Underlying cost control and efficiency plans remain on target.

Maintenance spend on responsive, cyclical and major repairs largely remained constant at £39m. The maintenance cost per unit of £1,618 (2017: £1,600) showed a marginal increase in actual expenditure per unit compared to the previous year, reflecting the continuing investment in our homes and value for money measures undertaken during the year to mitigate inflationary increases.

Management costs increased to £37m from £35m, reflecting non-recurring and merger related expenditure resulting in average cost per unit of £1,083 (2017: £1,051). If the non-recurring costs were excluded, management costs fell to £1,033 per unit. The organisation continues to monitor all costs and processes in order to identify efficiencies and improvements.

Operating surplus

Underlying operating surplus increased to £76m (2017: £73m) as a result of successful business improvements across LiveWest.

The operating margin on other social housing activities decreased by £2m as a result of lower shared ownership sales margin.

The operating surplus on non-social housing activities improved to £7m (2017: £6m) resulting from increased open market property sales.

Underlying operating surplus increased to

£76m

Interest

Interest payable, net of interest receivable, increased to £26m (2017: £23m) largely as a result of non-recurring loan termination costs and arrangement fees of £4m. The average cost of borrowing in the year was 3.15% compared to 3.17% in 2017 with the organisation continuing to benefit from the low interest environment.

Surplus for the year

A strong year of financial and operational performance has seen underlying surplus before tax increase to £56m (2017: £52m).

Statement of financial position

The following table summarises the group statement of financial position for the last four years:

	2018	2017	2016	2015
	£m	£m	£m	£m
Housing properties	1,882	1,821	1,722	1,656
Cash	23	58	79	22
Loans	(736)	(740)	(694)	(633)
Grant	(610)	(610)	(615)	(616)
Derivative liabilities	(95)	(114)	(116)	(113)
Pension liabilities	(26)	(29)	(32)	(27)
Other fixed assets	27	19	30	31
Other net liabilities	(3)	(4)	(17)	(5)
Net assets	**462**	**401**	**357**	**315**
Revenue reserves	436	399	356	311
Cash flow hedge reserve	(79)	(95)	(64)	(59)
Designated reserve	105	97	65	63
Total funds	**462**	**401**	**357**	**315**

Housing properties

We continue to have a substantial development programme, investing £85m in housing properties during the year which was largely funded from operational cash flows.

Loans

Our loans are substantially long-term facilities of which 59% are repayable in more than five years' time. Of the loan portfolio of £736m, 73% are hedged against market movements. Further details are shown in the funding and treasury management section of this report.

Cash flow

We continued to enjoy strong cash flow during the year delivering an operating inflow of £93m (2017: £87m) before interest payments of £23m resulting in net operating cash flow of £70m. Borrowings decreased marginally to £736m (2017: £740m) as operating cash flow and a reduction in cash holdings funded investment in our new homes.

Reserves

Total reserves increased by £61m in the year as a result of the surplus for the year of £45m and increase in long-term interest rates reducing the cash flow hedge reserve by £16m.

Each year we adopt and support many regional charities across the South West and we are exceptionally proud of the fund raising achieved by our staff

04 Value for money and benchmarking

The introduction of the new Value for Money Standard 2018 by the Regulator of Social Housing and the associated changes in the required reporting framework, has come at the same time as LiveWest is outlining for the first time our approach to value for money (vfm) for the new organisation.

The vfm frameworks and targets for the former DCH and Knightstone Housing Group (KHG) were maintained and operated throughout the year. With the formation of LiveWest, to provide clarity, only it's performance is included in these financial statements and no reference is made to the former organisations' targets or performance.

Set out in this section is the first set of vfm performance as LiveWest in compliance with the new reporting format and to then provide analysis and commentary on improvements in subsequent reports.

Our adopted approach has been to report on the full Sector Scorecard indicators, which ensure compliance with the new vfm standard

A key driver for the formation of LiveWest was delivering improved vfm, over and above that achievable separately by KHG and DCH.

As a result the LiveWest board has agreed to deliver an efficiency target of £12m per annum by 2020/21 on a phased approach, whilst maintaining or improving upon current operational performance and at least meeting top quartile performance across all key indicators.

The financial capacity created by the merger will enable us to fulfil our strategic growth objective of developing a minimum of 16,000 new homes over the next 10 years.

To achieve the efficiency targets set, it is essential that vfm is incorporated into our operational and strategic activities, and included in our culture and decision making, including maintaining and building upon the previous robust and transparent assessments of the performance of all assets and resources.

In doing this, we compare ourselves against a selection of Moody's rated housing associations and against a broader group of English housing associations by using HouseMark data.

The Moody's benchmark group comprises current A2 or higher rated associations with the benchmark group comprising the following associations:

- Clarion Housing Group Limited
- Bromford Housing Group Limited
- Flagship Housing Group Limited
- Midland Heart Limited
- Moat Homes Limited
- Orbit Group Limited
- Sanctuary Housing Association
- Southern Housing Group Limited
- Sovereign Housing Association Limited
- Stonewater Limited.

By benchmarking against the strongest of the Moody's ranked associations, it enables us to measure those areas where we are performing well and to focus on those areas where we need to improve.

We also compare ourselves with others by using HouseMark data, where available, and:

- compare our current performance to the previous years' results
- set targets as part of our stated aim of continuous improvement.

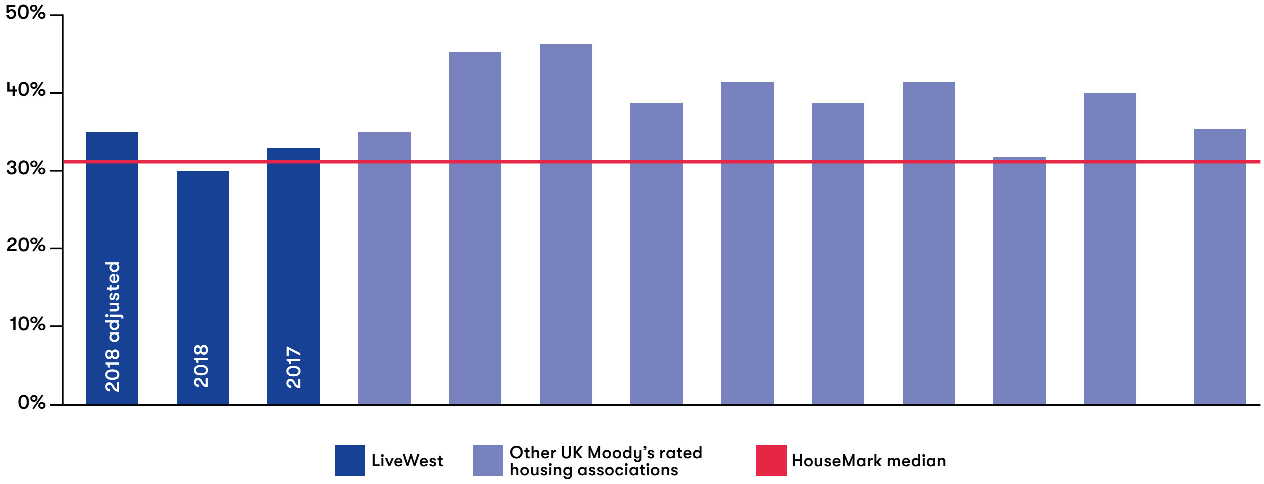
In addition to our actual results, we have also provided a comparison to underlying performance by excluding non-recurring and merger costs, which is shown as the '2018 adjusted' column.

The principal focus of vfm activities within LiveWest is:

- generating additional financial capacity to maximise the provision of new affordable housing through delivery of efficiency savings
- ensuring that the new operational indicator and specifically customer satisfaction targets for LiveWest are met and where possible exceeded.

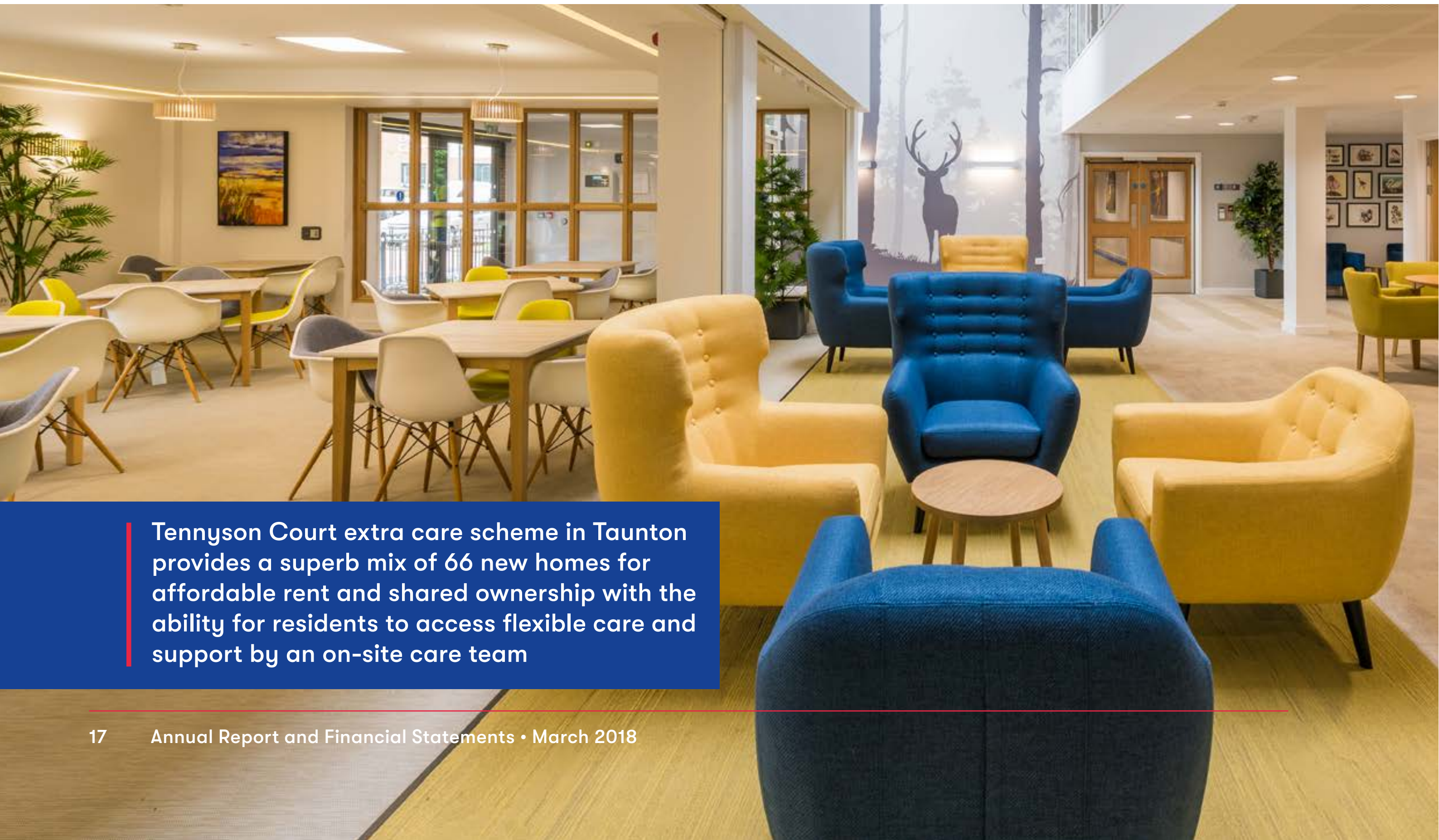
Business health

Operating margin – social housing lettings



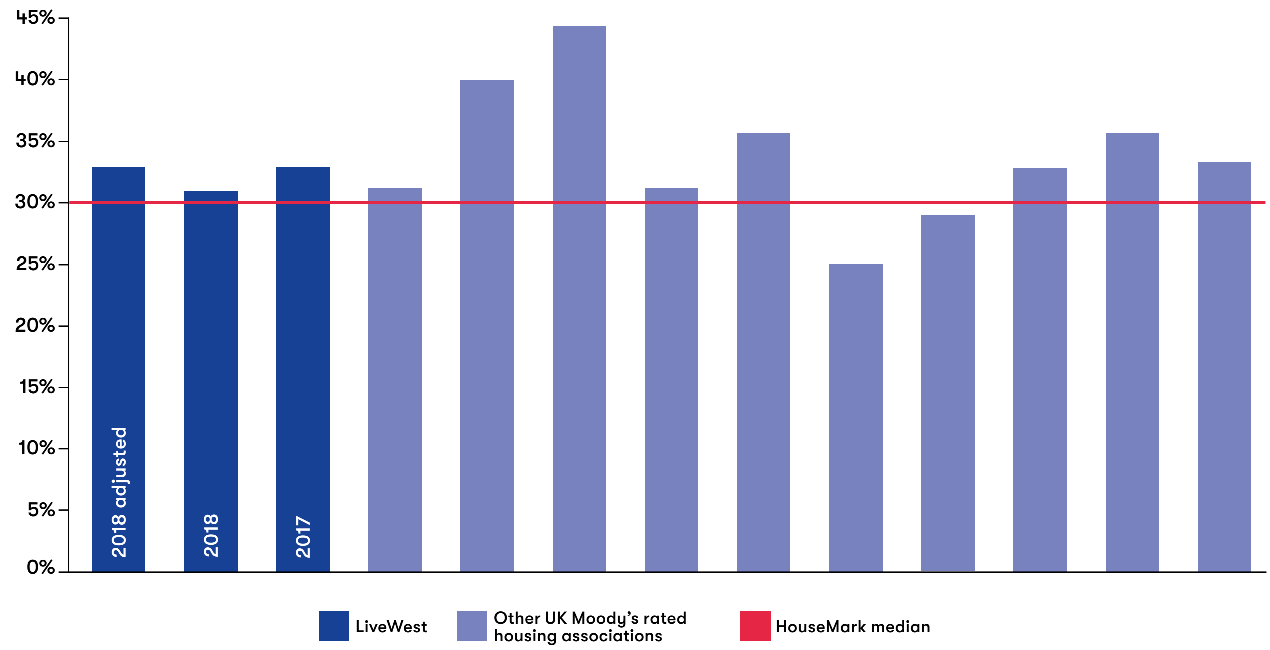
Social housing lettings' operating margin is the key driver for overall financial performance and enables us to focus on the level of operating costs that we incur to deliver our turnover. Underlying operating margin has improved to 35%, demonstrating a continued focus on cost control across the organisation.

The 2017/18 underlying margin after one-off costs is above the HouseMark median (32%) but below the benchmark group median (39%) and whilst not taking account of the relative rent levels within the group, which vary as rent is calculated on a county by county basis, is considered a key area for improvement in 2018/19 and subsequent years through delivery of efficiency savings as a result of the merger.



Tennyson Court extra care scheme in Taunton provides a superb mix of 66 new homes for affordable rent and shared ownership with the ability for residents to access flexible care and support by an on-site care team

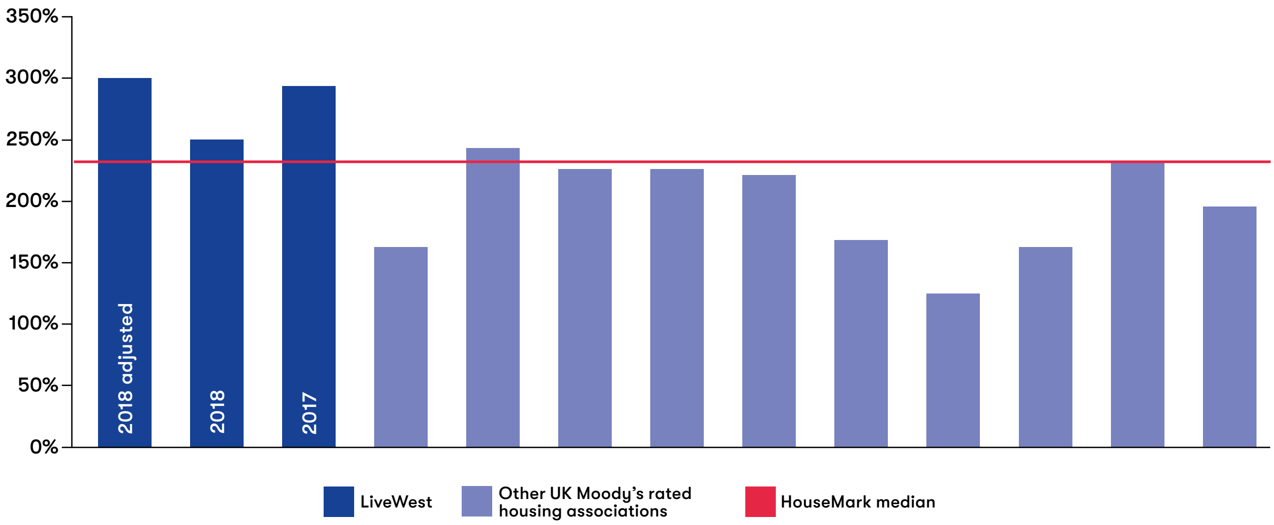
Operating margin – overall



Underlying operating margin remained consistent at 33%. This is significantly influenced by social housing lettings, which is the largest part of the organisation where the operating margin improved to 35% (2017:33%).

As lower margin open market sales become a bigger proportion of our business, it will result in the overall operating margin becoming under pressure.

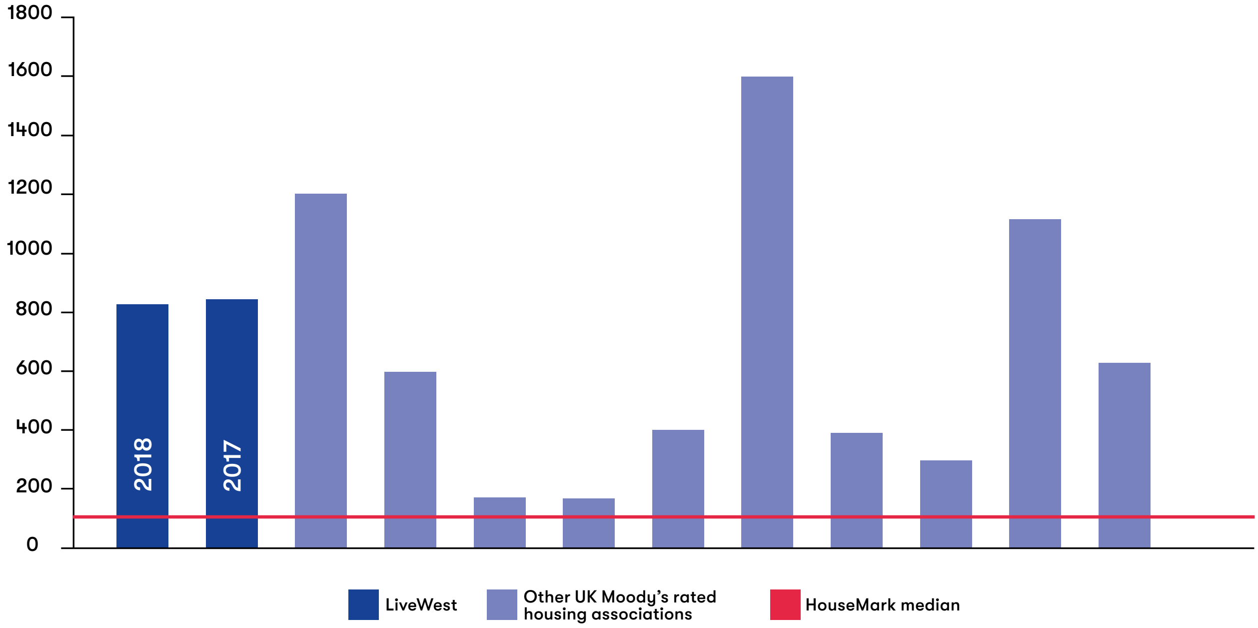
EBITDA – MRI interest cover %



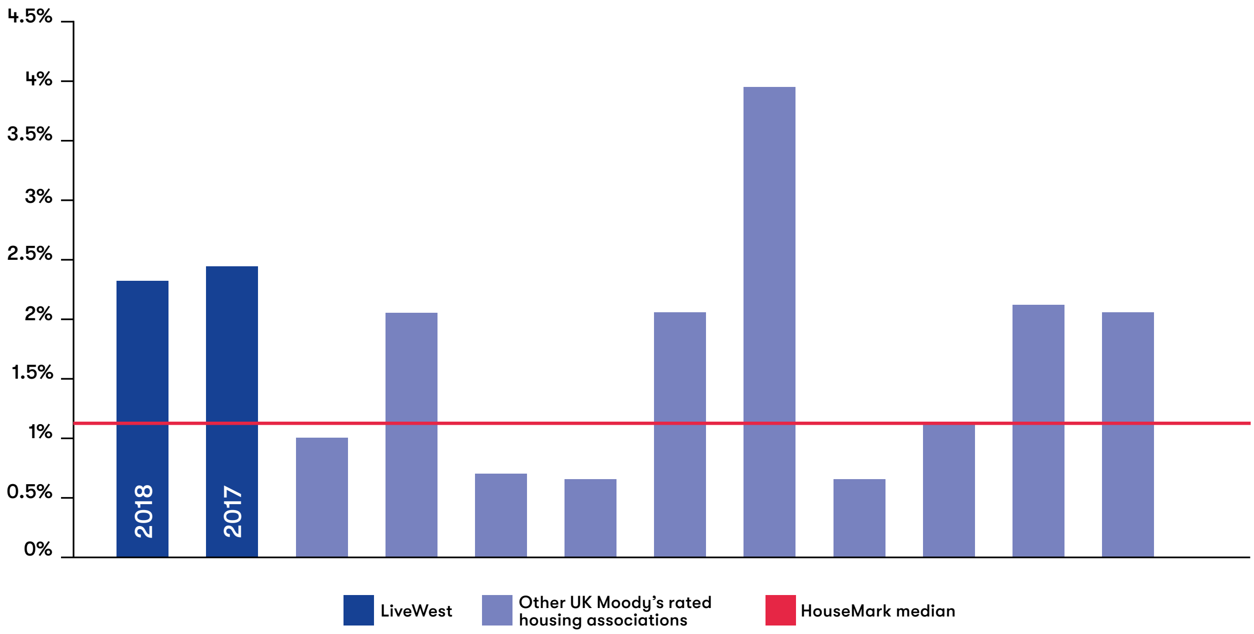
The EBITDA – MRI indicator is a good approximation for the amount of cash generation in the year and covers 252% of the cash interest payments made during the year. One-off payments and loan refinancing costs of £4m were incurred during the year which, if excluded along with other one-off costs, would improve the underlying performance (299%) which is the highest level in the benchmark group and a marginal improvement over the previous year (289%).

Development

Units developed (absolute) – social housing



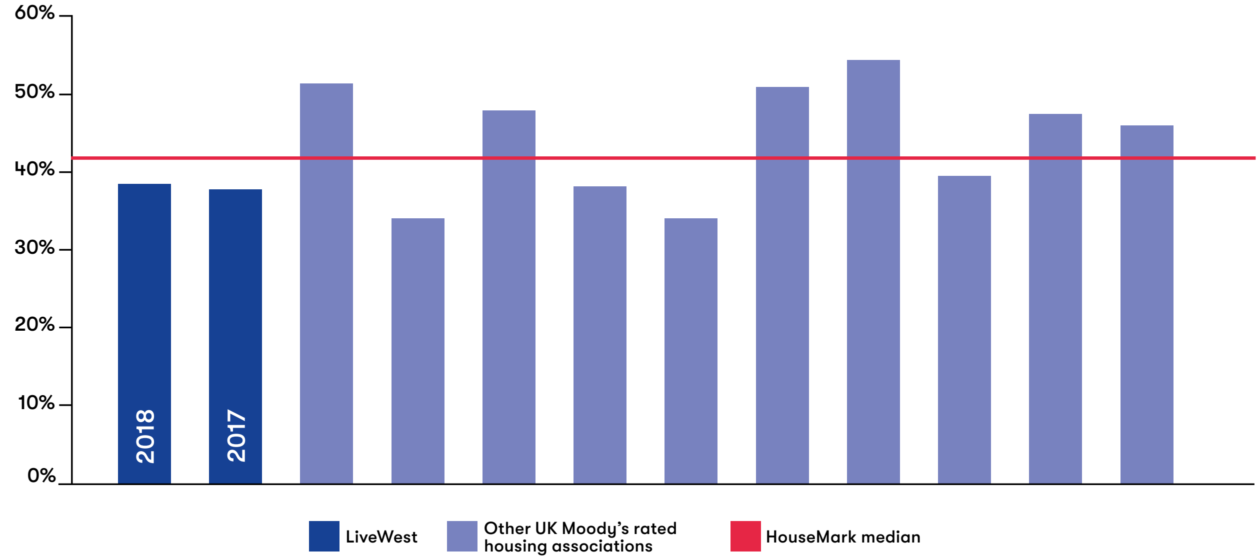
New supply delivered % – social housing



The number of social units developed in the year (812) remains consistent with the previous year with the new supply expressed as a percentage of total stock, again remaining constant at 2.4%, which out performed the majority of our Moody credit rated peer group. The ability to develop new social housing units was a key driver for the merger and is the focus of ambitious targets in future years.

The number of non-social units developed in the year (142) has again remained consistent with the previous year (147) which, expressed as a percentage of total stock, shows a slight fall to 0.4% from 0.5% the previous year. The relatively small percentage of new non-social housing is consistent with LiveWest's business plan, growth aspirations and risk profile.

Gearing %



The level of gearing, as calculated by the sector scorecard, has increased marginally in the year, (38.4% from 38.0%) reflecting the increased debt incurred from building new homes. The level of gearing is below the median of both the benchmark group (47.1%) and HouseMark (41.6%) and will provide the capacity to fund future development plans.

The gearing calculation for loan covenants is 33% (2017:33%), which provides significant financial capacity and underpins our future growth programme.

We invested £55m in maintaining and improving our existing homes across the region

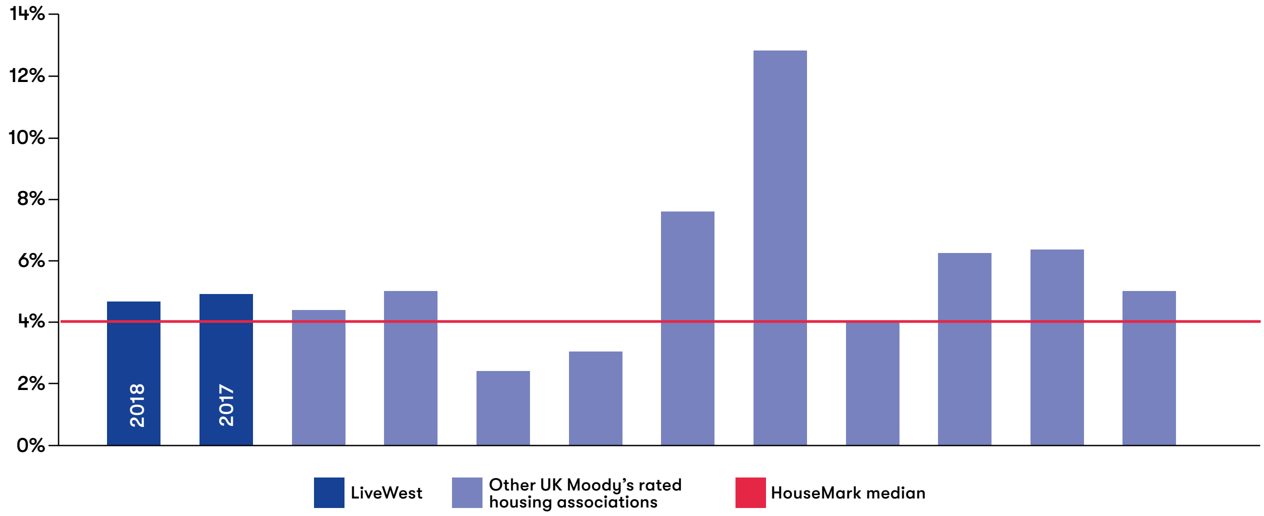
Outcomes delivered

Customer satisfaction

The customer satisfaction outcome of 89% is above the HouseMark median and is the result of continued focus on the service provided to our customers.

The reporting of internal customer satisfaction data in 2016/17 is not able to be provided due to differences in data collection methods between the two former organisations.

Reinvestment %



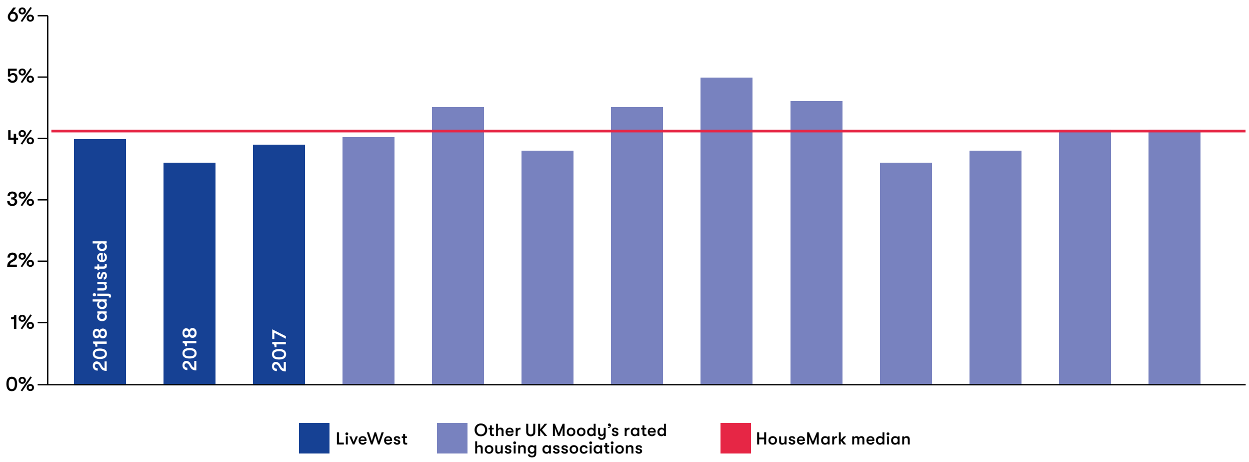
The level of reinvestment has remained relatively constant, reflecting the consistent development programme delivery between the two years and is higher than the HouseMark median, but below the benchmark group median.

The other Sector Scorecard indicator in this category is the amount invested in communities but as this is a new indicator, there are no external comparatives available.

Our support of Wyndham Park Street Fayre, Yeovil highlights our community-led approach to deliver community investment with our residents

Effective asset management

ROCE



Return on Capital Employed (ROCE) measures the financial return on our assets and is affected by the £7m of one-off costs resulting in the reduction to 3.6%. If these costs were excluded, the performance has remained constant over the two years but below the median of both the HouseMark and the benchmark group. As we increase our development spend over time, we would expect ROCE to deteriorate.

The other indicators in this category measure the occupancy level of general needs properties at the specific point of the year end and the ratio of response repairs to planned maintenance. As the sector scorecard was introduced this year, there is no comparable data.

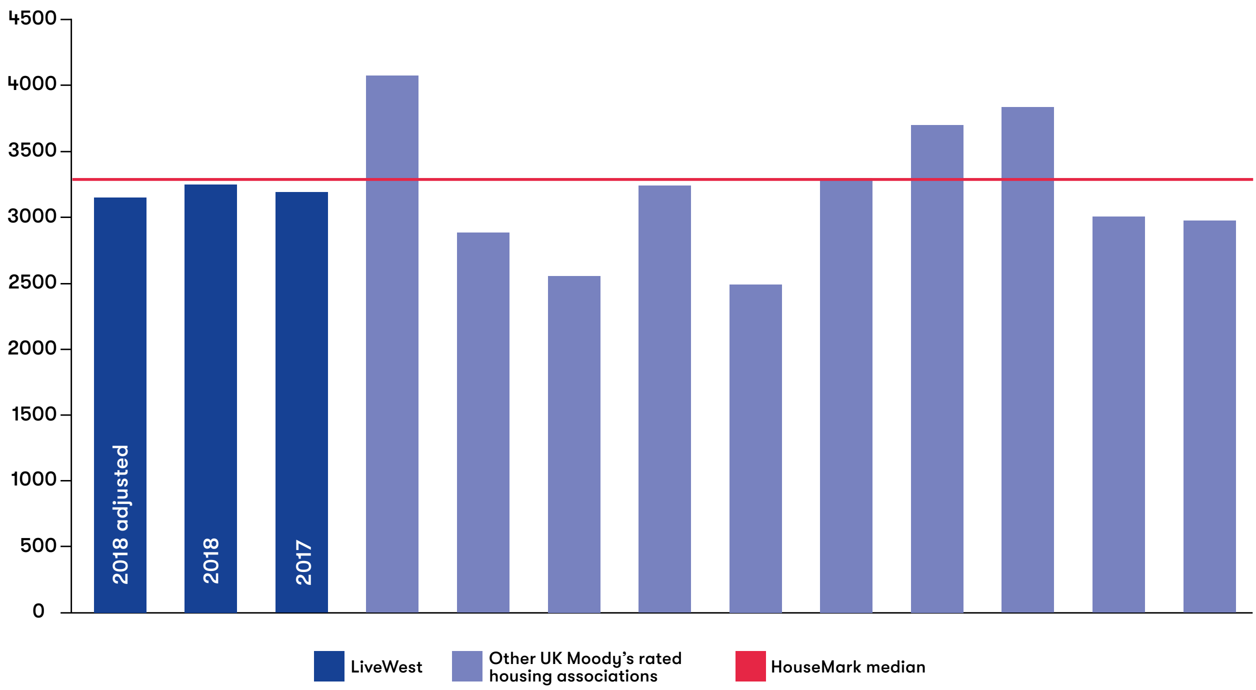
We aim to achieve efficiency targets by incorporating vfm into all operational and strategic activities

Our occupancy performance shows that 99.9% of our general needs properties were occupied as at 31 March 2018, which is above the HouseMark median.

The expenditure ratio of responsive to planned maintenance has fallen to 71.4% from 76.2% in 2017, which reflects the differing component life cycles and replacement programme from year to year.

Operating efficiencies

Headline social housing CPU



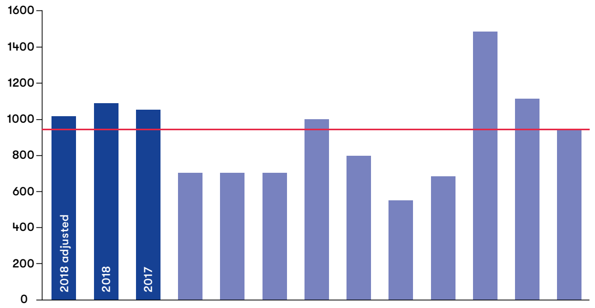
The headline social housing cost per unit (£3,224) has increased by £42 from the previous year (£3,182) and has been affected by the one-off management costs and loan arrangement fees associated with the merger of £1.7m which, if excluded, gave a recalculated figure of £3,174 per unit, a reduction of £50. This revised figure was around the median level of the benchmark group (£3,105) and below the HouseMark median (£3,306).

The key constituent elements of the headline cost per unit are:

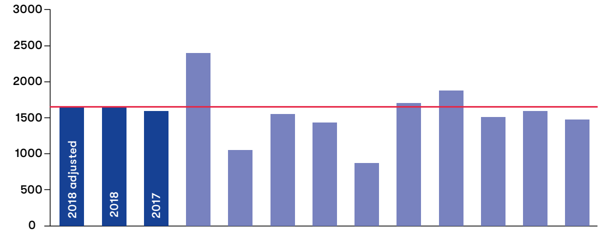
- Management cost
- Maintenance cost
- Service cost
- Other cost.

Last year we developed 812 much needed new homes for shared ownership, affordable and social rent

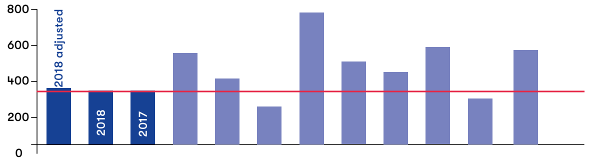
Management CPU – social housing



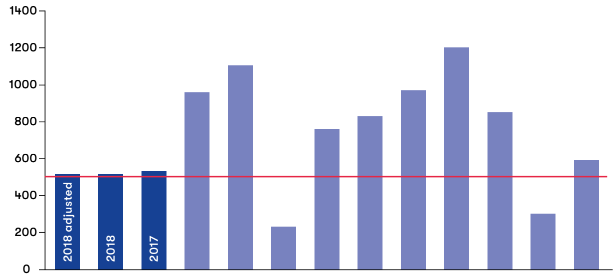
Total maintenance CPU – social housing



Service charge CPU - social housing



Other CPU – social housing



LiveWest
Other UK Moody's rated housing associations
HouseMark median

Management cost per unit (£1,083) was higher than the previous year (£1,051). After revising for the one-off costs the figure reduced by £50 per unit to (£1,033) which is above both the median for the benchmark group and HouseMark, highlighting an area for improvement through the delivery of efficiency savings resulting from the merger.

Maintenance cost per unit increased marginally during the year (£1,618 from £1,600) and was above the median for the benchmark group (£1,555) and, at the median for HouseMark, again highlighting an area for improvement through the delivery of merger efficiency savings.

Service cost per unit reduced by £6 per unit in the year (£306 from £312) and was well below the benchmark median (£500) but marginally above the HouseMark median (£290).

The balance of other costs in the headline cost per unit have remained constant year on year being at the HouseMark median but below the benchmark group median.

The other indicators in this category measure the percentage of rent collected (general needs) properties for the year end and overheads as a percentage of turnover, with 2017/18 performance being 99.3% and 11.4% respectively which are both marginally below the HouseMark median. Due to these being new measures the comparatives from the benchmark group are not available.

The selection by Homes England to deliver a further 2,275 homes by 2024 in partnership with Sovereign Housing will accelerate the development of an additional 1,000 new homes for LiveWest over the next 5 years

05 Property development and sales

Our development programme continues to expand and we are in a great position to deliver our growth ambition plans of 16,000 new homes over the next ten years.

In the year ended 31 March 2018, we completed 812 new affordable homes for rent and sale. In July 2018, LiveWest, in partnership with Sovereign HA, was selected by Homes England to be one of the leading organisations responsible for delivering a programme of new homes. The additional funding will enable LiveWest to increase delivery by approximately 1,000 new homes up to a minimum of 16,000 over the next ten years.

Our focus on delivering shared ownership, market rent and open market sale homes remains strong, generating a revenue stream to support our investment in affordable homes. During the year we sold 263 new homes for shared ownership and 159 homes on the open market. This generated a combined operating surplus of £10m.

During the year we also reviewed our open market sales programme for the next five years and have subsequently increased our growth ambitions to 800 homes, which will increase our ability to subsidise the funding of new affordable homes.

We lead two development consortia across our operating area, Partnership South West (PSW) and Key West. We are contracted with Homes England (HE) to develop 504 homes under the 2016-21 Shared Ownership Affordable Homes Programme (SOAHP), securing a grant of £11.7m. This programme will run alongside our existing commitment with HE to complete the 2015-18 programme. We also have funding from Cornwall Council to develop 150 homes by March 2019.

16,000

new homes over the next ten years

Key: LiveWest housing stock 2017/18

Stock	35,439
Affordable housing completions	812
Affordable housing under development	1,518

Additional homes 2017/18

Social rented – general needs	166
Affordable and intermediate rent – general needs	333
Shared ownership	313
Total	**812**

LiveWest housing stock

2016	33,626
2017	34,473
2018	**35,439**

Somerset & West of England

Local authority	Affordable housing completions 2017/2018	Affordable housing under development 31/03/2018	Stock
B&NES	6	5	933
Bristol	58	32	2,512
Cornwall	139	228	9,581
East Devon	127	249	1,444
Exeter	54	90	977
Mendip	9	24	1,078
Mid Devon	11	101	290
North Devon	59	97	864
North Somerset	24	16	1,588
Plymouth	85	80	2,985
Sedgemoor	-	20	1,054
South Gloucestershire	19	76	1,357
South Hams	83	126	3,772
South Somerset	17	135	759
Taunton Deane	21	139	1,519
Teignbridge	81	57	783
Torbay	13	5	564
Torridge	6	28	757
West Devon	-	10	1,901
West Somerset	-	-	209
Other	-	-	512
Grand Total	**812**	**1,518**	**35,439**

Total number of homes sold for open market	**159**

06 Funding and treasury management

As at 31 March 2018, we had committed debt facilities of £948m (2017: £978m), of which £212m was undrawn. During the year we received £49m of deferred bond receipts, we also prepaid an uneconomic facility and committed to prepaying our participation in a club bond, resulting in advanced interest payments of £4m.

The treasury function operates within a framework of clearly defined policies and strategies that are monitored by the board and reviewed annually.

The group was compliant with its covenants to lenders in the year to 31 March 2018.

Liquidity

In addition to the undrawn facilities of £212m, at the year end we had £23m available in cash. This provides us with sufficient liquidity to cover more than 24 months planned expenditure as required by our treasury policy.

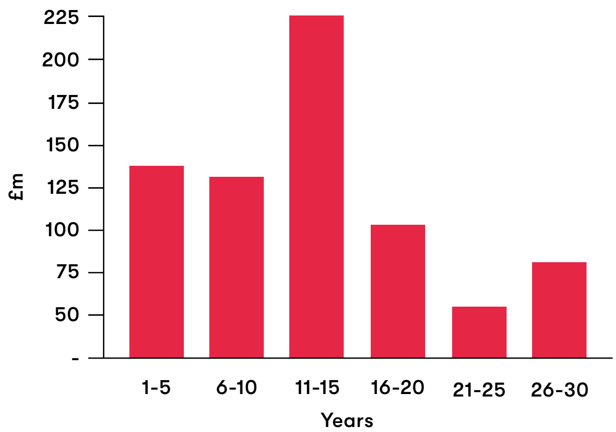
Security

All our facilities are fully secured and available for drawing. As at 31 March 2018, 13,130 properties (2017: 11,624), with a security value in excess of £1bn, were uncharged and available to secure future borrowings.

Refinancing

We have limited short to medium term refinancing risk with less than 20% of drawn loans repayable within the next five years.

Debt repayment profile



Interest rates

The board sets targets of fixed, variable and index linked debt in order to manage our exposure to changes in interest rates. This is monitored against market conditions throughout the year by the Treasury committee and the executive management team.

As at 31 March 2018, £547m of our borrowings were variable rate loans of which £338m has been hedged with free-standing and £35m with embedded fixed interest rate swaps. Overall, 73% of our debt is at fixed rates.

We also have an indirect exposure to bond rates through our pension scheme commitments.

Interest rate basis

Fixed <5 years	19%
Fixed >5 years	54%
Index linked	3%
Variable	24%

Credit risk

Our treasury management policy sets the minimum credit rating requirements for all approved forms of deposit and the limits on credit exposure to any one counterparty. All counterparties are approved by our Treasury committee. The policy also covers counterparty credit risk on free standing derivatives.

Market prices

We have no direct exposure to equity securities price risk but do have an indirect exposure in respect of obligations under the Social Housing Pensions Scheme and Devon County Council Superannuation Fund.

Margin call

We have free standing derivatives which can give rise to margin calls. This risk is managed by charging additional properties as security. Our approach in this area is cautious and sufficient properties are secured to cover margin calls in the event of a fall in long-term interest rates of 0.5%.

Our 1,400 staff make LiveWest the success that it is, and are the driving force in our future ambitions

07 Managing our risks

Risk management strategy and process

Our approach to risk management is built on selecting the most effective elements of the frameworks and processes operated by the two former organisations. The agreed LiveWest risk management strategy aims to provide a high level of transparency to risk consideration and ensure the accountability and ownership of risk management is successfully embedded throughout the organisation's governance framework.

One of the key aspects of the framework is that the board has delegated to the Audit and Risk committee (ARC) the responsibility for measuring and monitoring risk, whilst receiving a group risk summary at each meeting.

Individual committees within the LiveWest governance framework have designated specific risks which they are responsible for reviewing, assessing and risk horizon scanning at each meeting and subsequently reporting to ARC on any changes to the risk scoring or narrative.

The Board has agreed a risk appetite based on evaluating and considering the merger business case and the initial LiveWest business plan.

The ARC reports to the board on the complete risk register.

LiveWest risks and responses as at 31 March 2018

Following the merger of DCH and KHG in March 2018, the initial LiveWest risk map documents the current risk exposure and is influenced by the increased risk implications of current dual running of certain systems and processes.

As the programme of integration actions, including the migration to a single integrated computer system, is completed, the relative importance of post-merger risks will decrease. The risk profile will reflect overall sector and corporate objective risk exposure rather than those driven by the merger.

In future years a movement indicator will be included from the previous assessment to illustrate the change in risk profile.

Our approach is built on selecting the most effective elements to provide a high level of transparency to risk

Risk	Integration, leadership and strategic direction

We have set out a clear and concise programme of actions to ensure that all systems and processes are integrated across the organisation. Effective leadership will be required to ensure completion of these actions within agreed timescales and enable the delivery of the merger business case objectives. The integration plan is set within the strategy framework agreed by the board at the time of merger.

Mitigation/actions

The formation of the LiveWest governance and operational frameworks is now complete, which provides the platform to enable the effective monitoring of actions within the integration plans.

Key controls in place include:

- comprehensive and fully funded project management structure
- agreed IS strategy
- recruitment of LiveWest executive team based on assessment of skills and capabilities aligned to strategic plan and priorities.

Key risk actions in the next twelve months are to roll out the revised LiveWest corporate strategy, including vision and values across all staff and stakeholders in conjunction with delivering the programme of integration activities, including the implementation of the new integrated computer system.

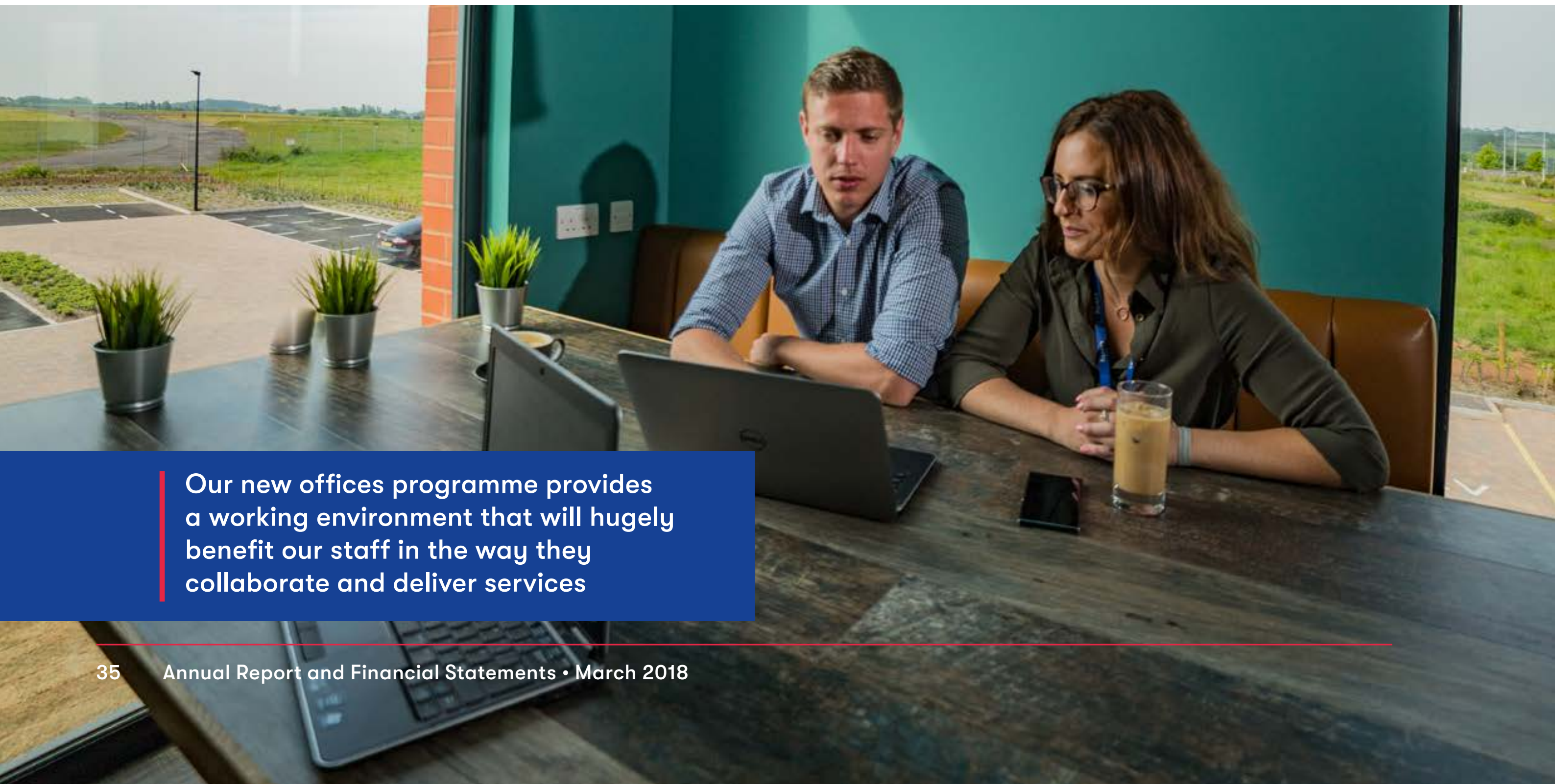
We developed 159 homes for open-market sale generating gift aid of £5 million which we reinvested into building new homes

Risk	Welfare reform and income reduction
	Our principal form of income is through rents with the current and proposed future reforms to the welfare and benefits system having a detrimental impact.
Mitigation/actions	We are working closely with our customers to understand their circumstances and the impact of the changes to ensure their tenancies are sustainable. Key controls in place include: • financial inclusion strategy and action plan • weekly monitoring of arrears and void performance • mitigation plans in place for known welfare reform changes • trusted partner status for DWP landlord portal for Universal Credit. The current top quartile arrears and void performance provides a strong operational framework to deal with future changes. In addition, detailed modelling will be undertaken to assess the impact of the proposals to ensure mitigation actions are effective.

We are committed to boosting the supply of new homes, helping people to live independently and for those who need a home that is safe and secure

Risk	Health and safety
	We have a risk exposure to ensure we comply with our health and safety obligations to the wide range of stakeholders we deal with through carrying out our business.
Mitigation/actions	We recognise and manage our risk associated with the health and safety of our customers, staff and general public. A dedicated in-house Health and Safety team reporting into the quarterly Health and Safety committee to ensure that the required monitoring, reporting and actions are being undertaken. We have responded to the Grenfell fire by reviewing our responsibilities and fire management arrangements. A fire risk management plan has been developed to address the immediate findings from Grenfell. Following the publication of the recent social housing green paper, we will fully evaluate the detailed proposals and implement any changes that may be appropriate to the services that LiveWest offers to its customers. Key controls in place include: • externally accredited health and safety policy and strategy • training matrix for staff and managers • externally audited regular service compliance audits • OHSAS 18001 accreditation. Key risk actions in the next twelve months include creating an organisation wide framework of consistent agreed health and safety controls, including the regular compliance checks across all LiveWest properties.

Risk	Financial
	Our financial strength underpins the delivery of all strategic aims and in particular building new homes and investing in services for customers. A key driver for the merger was the opportunity to increase this capacity through the delivery of efficiency savings over a phased three-year period.
Mitigation/actions	The assumptions for the business plan are scrutinised by a board member working group. The current assumptions incorporate the impact of the rent regime post 2020 and efficiency targets identified as part of the merger business case resulting in increased financial capacity. A range of detailed scenarios covering key assumptions have been tested on the business plan, which demonstrate the financial strength of LiveWest. Key controls in place include: • timely and comprehensive financial reporting • short and mid-term financial planning framework setting key operating financial targets (incorporating efficiency targets) • quarterly treasury report covering loan, security and cash flow • treasury policy and effective treasury management strategy. The main risk action in the forthcoming year is to secure funding arrangements on acceptable terms to meet the requirements of the ambitious growth plans.



Our new offices programme provides a working environment that will hugely benefit our staff in the way they collaborate and deliver services

Risk	Housing market and development

We have ambitious five-year plans for both increasing the number of rented homes and the surpluses generated from open market and shared ownership sales.

Mitigation/actions

The Development Review Team has oversight of LiveWest's housing market activity (sales and affordable units) on a monthly basis with quarterly reporting to the Development committee.

Key controls in place include:

- liquidity buffer comprising sale delay and house price fall
- liquidity monitoring (minimum 2 year cover)
- detailed reporting of financial indicators against business plan assumptions
- contractor exposure limits.

Potential housing market scenarios have been stress tested in the business plan with the output tested against proposed mitigating actions to assess the residual level of risk exposure. Early warning trigger levels have been established which, if breached, would lead to implementation of the relevant mitigating actions. This is further strengthened by built-in flexibility of the development pipeline to changes in market conditions.

Key risk actions in the next 12 months are to continue working to ensure that a forward programme of planning consents, an appropriate land bank is delivered and that our business plan targets are achieved.

The successful bid to be a partner with Homes England will enable both an acceleration and increase in the number of homes delivered, and over the next five years will require delivery and action plans to be developed when the funding details are finalised.

In addition to the highlighted areas, the LiveWest risk map and risk processes ensure that the following remaining key areas of risk exposure are considered and evaluated:

- strategic management of existing assets
- provision and operation of frontline services
- business continuity
- social purpose and listening to customers
- legislative compliance (including data protection).

Group structure and corporate governance

LiveWest Homes Limited (LiveWest) was formed on 2 March 2018 following the merger of Knightstone Housing Group Limited, Knightstone Housing Association Limited (collectively, Knightstone) and Devon and Cornwall Housing Limited (DCH). LiveWest is the parent company of our group, providing strong, clear leadership and directing our resources across the 35,439 properties we manage. It is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a provider of social housing.

We have retained specialist companies within our group structure and these are listed on page 71.

We have adopted the National Housing Federation's Code of Governance and comply with the 2015 version in all respects.

1 Our Board

LiveWest is governed by the LiveWest Board, which is ultimately responsible for the control of the group, including the determination of its overall objectives and strategy. The LiveWest Board has delegated certain matters to five internal committees to support it with operational oversight ensuring delivery of our strategy. Our Board monitors the performance of all subsidiaries within the group to ensure that they remain financially viable and conduct their affairs properly.

The LiveWest Board currently comprises eight non-executive members selected from an internal recruitment process prior to the merger, based on skills, qualities and experience. All non-executive members of the Board of former DCH and Knightstone were eligible to apply for the new LiveWest Board; unless at the end of their maximum term. The recruitment exercise saw four members from former DCH and four members from Knightstone coming together to create the new LiveWest Board. The Board was completed by the appointment of the Chief Executive and the Deputy Chief Executive/Executive Director of Finance.

No one Board member is expected to exhibit all skills that are needed for direction of the group but, collectively the Board has amongst its membership a range of skills, experience and understanding of corporate governance, general business strategy and management, finance, property investment and property development and management.

Non-executive Board members are paid for their services, with pay levels set following an independent assessment of comparable organisations. Board pay is accompanied by clear expectations of individual and collective Board member performance, with appropriate frameworks in place to manage this.

The changes in non-executive directors are summarised in the table that follows.

LiveWest's Board engage with our staff in determining our objectives and strategy

	DCH	Knightstone	LiveWest	Remuneration £000
Current Board Members				
Linda Nash		X	X	12
Andrew Wiles	X		X	11
Jenefer Greenwood	X		X	11
John Newbury	X		X	11
Tim Larner	X		X	11
Antony Durbacz		X	X	5
Tom Vaughan		X	X	5
Tony MacGregor		X	X	5
Former Board Members				
Angela Dupont Retired 2/3/18	X			19
Laurence Clarke Retired 2/3/18	X			10
Mark Rowan Retired 2/3/18	X			10
Nick Hardie Retired 2/3/18	X			10
Malcolm Pink Appointed 1/6/17 and Retired 2/3/18		X		9
Barrie Dale Retired 2/3/18		X		6
Judith Clark Retired 2/3/18		X		6
Paul Love Retired 8/10/17	X			6
Michael Jane Retired 30/9/17	X			5
Nick Medhurst Retired 31/5/17		X		2

The current Board members are shown in the information section of this report on page 92 and include the Chief Executive and the Deputy Chief Executive/Executive Director of Finance.

Members of the Board are required to direct the affairs of the company in accordance with its rules. In addition Board members are required to exhibit the highest standards of probity and in particular to:

- have no financial interest either personally or through a related party in any contract or transaction with the group except as permitted under the LiveWest rules
- act only in the interests of the group whilst undertaking its business.

2 Our committees

The Board is supported by five functional committees covering audit and risk, treasury, customer services, remuneration, and development.

Our committees include Board members as well as independent experts, who bring an external view and specialist skills.

Audit and Risk committee

The Audit and Risk committee of LiveWest was established at the point of merger. Prior to this both Knightstone and DCH had their own Audit committees, meeting at least quarterly throughout the year.

LiveWest's Audit and Risk committee is responsible for monitoring and reporting to the Board on the group's systems of internal control and risk assurance, regulatory compliance and for overseeing internal and external audit.

It consists of four non-executive Board members appointed from the LiveWest Board, based on skills and experience, including at least one member with recent and relevant financial experience suited to reviewing the work of audit.

Treasury committee

The Treasury Committee of LiveWest was established in late March 2018 and is responsible for the governance of treasury activities within the group and for proactively monitoring treasury risks and related matters. Prior to the merger, DCH had established a Treasury committee and Knightstone, a Finance committee with similar remit, meeting at least quarterly throughout the year.

LiveWest's Treasury committee consists of three non-executive Board members appointed from the LiveWest Board, including at least one member with recent and relevant treasury experience as well as the Executive Director of Finance. A non-executive independent adviser with treasury experience has also been appointed as a committee member post merger to strengthen the skills on this committee.

Customer Services committee

Prior to the merger, DCH had an established Customer Services committee to provide oversight of customer services, including landlord services performance and risks, complaints and other matters. Post merger, the LiveWest Board has decided to continue with a Customer Services Committee.

It consists of three non-executive LiveWest Board members and the Executive Director of Strategy & Performance. The Board is in the process of strengthening the skills on this committee by the recruitment of a non-executive independent adviser with strategic customer services experience. The appointment of up to two residents with experience of social housing will also be considered alongside the Board's discussions around customer involvement and LiveWest's wider approach to resident engagement, including scrutiny.

Remuneration committee

Both DCH and Knightstone had established Remuneration committees, which each met at least twice during the year.

The Remuneration committee of LiveWest was established at the point of merger and is responsible for setting the level of Board pay, the remuneration of the Chief Executive and the Executive team, as well as the reward and recognition strategies for LiveWest staff.

It consists of three non-executive LiveWest Board members.

Development committee

Prior to the merger, DCH had established a Development Review Group, which was responsible for reviewing the group's overall development activity and monitoring development risks and related matters. Given the size and complexity of LiveWest's development programme, at the point of merger the LiveWest Board also established a Development committee.

The committee consists of two non-executives from the LiveWest Board, the Executive Director of Development, the Executive Director of Finance and the Chief Executive. An independent adviser with experience of large scale housing development has also been appointed as a member of this committee post-merger.

3 Customer scrutiny and the customer's voice

Prior to merger, both Knightstone and DCH had effective and well-established resident scrutiny structures and these are continuing. The merger has provided the opportunity to review these and the Board will be considering LiveWest's approach to customer involvement and its plans for wider resident engagement, towards the autumn of 2018.

Our Executive team have the responsibility to manage LiveWest's day-to-day operations

4 Our Executive Management team and management working groups

Our Executive team has delegated authority from the LiveWest Board and the boards of the subsidiary organisations for:

- the day-to-day operations of the group
- monitoring our operational performance and reporting appropriately to our Board and the boards of our subsidiary organisations
- implementing policies and strategies agreed by our Board and the boards of the subsidiary organisations, reviewing those policies and strategies and proposing changes as appropriate.

Like the LiveWest board, the Executive team is made up of executives from former DCH and Knightstone Housing Group who underwent a competitive recruitment process in advance of the merger taking place in March 2018. The Executive team created provides an interim structure to facilitate a smooth transition of accountabilities and service delivery from the point of merger. A further review of the executive team will take place later in 2018/2019 as service integration progresses.

The members of the executive team are shown on page 93.

Reporting to the Executive team are a number of specific working groups comprising of lead senior managers across the business, providing oversight and decision making across performance, risk, internal audit, vfm, and other matters.

5 Regulation

The regulator's assessment on compliance with its Governance and Financial Viability Standard is expressed in grades from G1 to G4 for governance and V1 to V4 for viability. For both governance and viability the first two grades indicate compliance with the standard.

Following merger, the interim Regulatory Judgement published on the Regulator of Social Housing's (RSH) website in respect of LiveWest Limited was confirmed as G1, V1, as of 28 March 2018:

- G1 – The provider meets the requirements on governance set out in the Governance & Financial Viability Standard
- V1 – The provider meets our viability requirements and has the financial capacity to deal with a wide range of adverse scenarios.

It is a regulatory requirement that Registered Providers shall assess their compliance with the Governance and Financial Viability Standard at least once a year and certify in their annual accounts their compliance with the Standard. An extensive self-assessment of compliance has taken place post merger within LiveWest, which has concluded that the group is compliant with the Standard. This work has been reported to the Executive team and has been independently reviewed and the outcome reported to the Board.

Board report

The LiveWest Board presents its report and audited consolidated financial statements of the company and its subsidiaries (the group) for the year ended 31 March 2018.

Internal controls and directors' responsibilities

Internal controls assurance

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This responsibility applies for all organisations within the group, including those not registered with the Homes and Communities Agency.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against fraud, material misstatement or loss.

In meeting its responsibilities, the Board has adopted a risk based approach to establishing and maintaining internal controls, which are embedded within day-to-day management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the company is exposed.

The process for identifying, evaluating and managing the significant risks faced by the group is ongoing. It has been in place throughout the period commencing 1 April 2017 up to the date of approval of the annual report and financial statements as set out in the Group structure and corporate governance section.

The arrangements adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework, include:

- leadership by the Board and its subsidiary boards in analysing the strengths, weaknesses, opportunities and threats of the group
- requiring a risk assessment before any Board decision is made, and by the Audit and Risk committee reviewing internal control and major risks of the group
- clear delegation of responsibility for risk management within the organisation as documented in the financial regulations and standing orders, Board and committee terms of reference, individual job descriptions and group risk map
- active regular assessment of risks by boards, committees and management and a formal annual review of risks and controls in place to manage them
- accountability for risk management through formal reports by subsidiary boards, committees and management to the Audit and Risk committee and to the main board
- embedding risk management into the culture of LiveWest by ensuring that risk is assessed as part of the decision making process by management and a proactive approach to identifying changes in risks and controls
- using external means of validation through regular risk-based audits and acting on resulting recommendations
- a LiveWest anti-fraud policy, covering prevention, detection and reporting of fraud, the recovery of assets and review of entries in the fraud register by the Audit and Risk committee.

Statement of Board's 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 The 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 group and the company and of the income and expenditure of the group and the company 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;
- assess the group and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- use the going concern basis of accounting unless it either intends to liquidate the group or the company or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the company 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 company 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 company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Governance and financial viability standard

The Group monitors its ongoing compliance with both the economic and consumer regulatory standards and compliance is reported to the Board on an annual basis with any changes or implications arising within the year being reported on an ad hoc basis. As at the reporting date the Board can confirm that they comply in all material respects with the standard.

Going concern

The Board, after reviewing the group and company budgets for 2018/19 and the group's medium term financial position as detailed in the 30-year business plan, is of the opinion that the group and company have adequate resources to continue in business for the foreseeable future. The Board therefore continues to adopt the going concern basis in preparing the annual financial statements.

Provision of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

KPMG LLP were appointed as auditors of the LiveWest group on 15 March 2018 and were deemed to be reappointed as of 18 September 2018.

Report of the Board

The report of the LiveWest Board was approved on 18 September 2018 and signed on its behalf by:

Linda Nash
Chair

Independent auditor’s report

Independent auditor’s report of LiveWest Homes Limited

Opinion

We have audited the financial statements of LiveWest Homes Limited (“the Company”) for the year ended 31 March 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and related notes, including the accounting policies in note 1.

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 group and the company as at 31 March 2018 and of the income and expenditure of the group and the company 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 group and the company 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 company’s Board is responsible for the other information, which comprises the Strategic Report, Group Structure and Corporate Governance, Board Report and the Statement on Internal Controls. 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 company has not kept proper books of account; or
- the company has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the company’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.

Board's responsibilities

As more fully explained in their statement set out on page 42, the company'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 group and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the company 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 company 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 company 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 company as a body, for our audit work, for this report, or for the opinions we have formed.

Harry Mears
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Plym House, Plymouth PL6 8LT
18 September 2018

Financial Statements

Companies within the group, board members, executives and advisers

Statement of comprehensive income

For the year ended 31 March 2018	Note	Group 2018 £000	Group Combined 2017 £000	Company 2018 £000	Company Combined 2017 £000
Turnover	3	**230,626**	219,865	**199,018**	196,219
Operating costs	3	**(169,024)**	(154,453)	**(142,928)**	(135,488)
Surplus on property sales	4	**7,255**	7,255	**7,249**	7,448
Operating surplus	3	**68,857**	72,667	**63,339**	68,179
Share of (loss)/gain in associate		**(1)**	9	**-**	-
Profit on sale of other fixed assets		**78**	647	**78**	647
Interest receivable and other income	8	**268**	312	**1,053**	952
Interest payable and similar charges	9	**(26,737)**	(22,715)	**(26,905)**	(23,038)
Other finance costs – pensions	29	**(186)**	(214)	**(186)**	(214)
Movement in fair value of financial instruments		**2,217**	(910)	**2,217**	(910)
Change in value of investment property	13	**164**	2,216	**164**	1,586
Gift aid		**-**	-	**4,698**	3,545
Surplus on ordinary activities before tax	4-6	**44,660**	52,012	**44,458**	50,747
Tax on surplus on ordinary activities	10	**-**	-	**-**	-
Surplus for the year	22,23	**44,660**	52,012	**44,458**	50,747
Other comprehensive income					
Surplus for the year		**44,660**	52,012	**44,458**	50,747
Effective portion of changes in fair value of cashflow hedges		**16,493**	(5,901)	**16,493**	(5,901)
Actuarial gain/(loss)	29	**678**	(1,448)	**678**	(1,442)
Total recognised surplus relating to the year		**61,831**	44,663	**61,629**	43,404

The statement of comprehensive income was approved by the Board on 18 September 2018 and was signed on its behalf by:

Paul Crawford
(Chief Executive)

Melvyn Garrett
(Executive Director of Finance)

Jill Farrar
(Company Secretary)

Statement of financial position

As at 31 March 2018	Note	Group 2018	Group Combined 2017	Company 2018	Company Combined 2017
		£000	£000	£000	£000
Fixed assets					
Intangible assets	11	**1,670**	2,150	**1,670**	2,150
Housing properties	12	**1,856,041**	1,796,031	**1,829,087**	1,764,683
Investment properties	13	**23,990**	23,188	**16,721**	15,938
		1,881,701	1,821,369	**1,847,478**	1,782,771
Other tangible fixed assets	14	**26,778**	18,867	**26,778**	18,867
Investments	15	**163**	172	**36,000**	32,737
Homebuy loans		**10,096**	10,775	**9,695**	10,276
		1,918,738	1,851,183	**1,919,951**	1,844,651
Current assets					
Properties for sale	16	**49,459**	42,516	**14,679**	11,956
Stock		**212**	190	**212**	190
Debtors	17	**17,542**	15,324	**23,811**	25,744
Cash at bank and in hand	18	**23,394**	58,193	**22,174**	56,315
		90,607	116,223	**60,876**	94,205
Creditors: Amounts falling within one year	19	**(100,369)**	(99,921)	**(100,015)**	(99,533)
Net current (liabilities)/assets		**(9,762)**	16,302	**(39,139)**	(5,328)
Creditors: Amounts falling due after more than one year	20	**(1,439,695)**	(1,459,738)	**(1,439,537)**	(1,459,380)
Provisions for liabilities and charges					
Pension liability	29	**(6,633)**	(6,930)	**(6,633)**	(6,930)
Net assets		**462,648**	400,817	**434,642**	373,013
Capital and reserves					
Called up share capital	22	**-**	-	**-**	-
Revaluation reserve		**-**	-	**-**	-
Restricted reserve		**246**	246	**184**	184
Cash flow hedge reserve		**(78,834)**	(95,327)	**(78,834)**	(95,327)
Designated reserves	23	**104,651**	97,210	**104,651**	97,210
Revenue reserves		**436,585**	398,688	**408,641**	370,946
Total funds		**462,648**	400,817	**434,642**	373,013

The statement of financial position was approved by the Board on 18 September 2018 and was signed on its behalf by:

Paul Crawford
(Chief Executive)

Melvyn Garrett
(Executive Director of Finance)

Jill Farrar
(Company Secretary)

Statement of changes in equity

	Group						
	Called up share capital	Revaluation reserve	Restricted reserve	Cash flow hedge reserve	Designated reserve	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2016	-	-	260	(84,074)	64,612	375,356	356,154
Total comprehensive income for the period							
Surplus for the year	-	-	-	-	-	52,012	52,012
Measurement in fair value of financial instruments	-	-	-	(11,253)	-	5,352	(5,901)
Reserves transfer	-	-	(14)	-	32,598	(32,584)	-
Remeasurements of the net defined liability	-	-	-	-	-	(1,448)	(1,448)
	-	-	(14)	(11,253)	32,598	23,332	44,663
Balance at 31 March 2017	-	-	246	(95,327)	97,210	398,688	400,817
Balance at 1 April 2017	-	-	246	(95,327)	97,210	398,688	400,817
Total comprehensive income for the period							
Surplus for the year	-	-	-	-	-	44,660	44,660
Measurement in fair value of financial instruments	-	-	-	16,493	-	-	16,493
Reserves transfer	-	-	-	-	7,441	(7,441)	-
Remeasurements of the net defined liability	-	-	-	-	-	678	678
	-	-	-	16,493	7,441	37,897	61,831
Balance at 31 March 2018	-	-	246	(78,834)	104,651	436,585	462,648

	Company						
	Called up share capital	Revaluation reserve	Restricted Reserve	Cash flow hedge reserve	Designated reserve	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2016	-	-	184	(84,074)	64,612	348,887	329,609
Total comprehensive income for the period							
Surplus for the year	-	-	-	-	-	50,747	50,747
Measurement in fair value of financial instruments	-	-	-	(11,253)	-	5,352	(5,901)
Reserves transfer	-	-	-	-	32,598	(32,598)	-
Remeasurements of the net defined liability	-	-	-	-	-	(1,442)	(1,442)
	-	-	-	(11,253)	32,598	22,059	43,404
Balance at 31 March 2017	-	-	184	(95,327)	97,210	370,946	373,013

Balance at 1 April 2017	-	-	184	(95,327)	97,210	370,946	373,013
Total comprehensive income for the period							
Surplus for the year	-	-	-	-	-	44,458	44,458
Measurement in fair value of financial instruments	-	-	-	16,493	-	-	16,493
Reserves transfer	-	-	-	-	7,441	(7,441)	-
Remeasurements of the net defined liability	-	-	-	-	-	678	678
	-	-	-	16,493	7,441	37,695	61,629
Balance at 31 March 2018	-	-	184	(78,834)	104,651	408,641	434,642

Statement of cash flows

For the year ended 31 March 2018	Note	2018 £000	Combined 2017 £000
Net cash inflow from operating activities	(a)	**93,044**	86,925
Cash inflow from investing activities			
Purchase of tangible fixed assets		(109,091)	(133,020)
Purchase of intangible fixed assets		(511)	(139)
Proceeds from the sale of tangible fixed assets		722	5,756
Proceeds from the sale of investments		-	453
Grants received		8,736	6,938
Interest received		267	312
		(99,877)	(119,700)
Cash inflow from financing activities			
Interest paid		(23,188)	(23,949)
Interest element of finance lease payments		(72)	(56)
Capital element of finance lease payments		-	(38)
Payment of loan arrangement fees		122	183
New secured loans		42,465	47,067
Repayment of borrowings		(47,314)	(4,107)
Financial investment termination payment		-	(8,000)
		(27,987)	11,100
Net change in cash and cash equivalents		(34,820)	(21,675)
Cash and cash equivalents at the start of the year		58,190	79,865
Cash and cash equivalents at the end of the year	18	23,370	58,190

Note to the cash flow statement

(a) Reconciliation of operating surplus to net cash inflow from operating activities	2018 £000	Combined 2017 £000
Operating surplus	68,857	72,667
Depreciation charges – other fixed assets	2,802	2,005
Depreciation charges – housing properties	29,226	26,903
Depreciation charges – intangible assets	972	873
Impairment	2,099	222
Component write off	-	1,263
Revaluation of investment properties	164	984
Pension cost less contributions payable	(2,507)	(3,909)
Government grant utilised in year	(7,933)	(10,248)
Increase in debtors	(2,117)	(642)
(Decrease)/increase in creditors	(2,447)	5,575
Increase in properties for sale	(6,943)	(13,182)
Increase in pension liability	(297)	(2,974)
Sale of housing properties	11,149	7,388
Sale of other fixed assets	19	-
Net cash inflow from operating activities	**93,044**	86,925

Notes to the financial statements

1 Principal accounting policies

Basis of preparation

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

On 2 March 2018, Devon and Cornwall Housing, Knightstone Group Limited and Knightstone Housing Association amalgamated to become Liverty Limited which subsequently changed its name to LiveWest Homes Limited on 30 August 2018.

In accordance with FRS 102, this transaction has been accounted for as a merger and these financial statements have been prepared as if LiveWest Limited had existed since the start of the previous reporting period. Further details are provided in note 30.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and investment property.

Going concern

The Board, after reviewing the group and Company budgets for 2018/19 and the group's medium term financial position as detailed in the 30-year business plan, is of the opinion that the group and company have adequate resources to continue in business for the foreseeable future.

The Board therefore continues to adopt the going concern basis in preparing the annual financial statements.

Related party transactions

Transactions within the group that require disclosure under the Accounting Direction and have been eliminated on consolidation are disclosed in note 31.

The Company has taken advantage of the exemption in FRS 102 not to disclose intra-group transactions, as the Company prepares consolidated financial statements.

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.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are carried at cost less impairment in the financial statements of the parent Company.

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to 31 March 2018. Associates are incorporated using equity accounting.

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 Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Other financial instruments

Financial instruments not considered to be Basic financial instruments (other financial instruments).

Other financial instruments not meeting the definition of Basic financial instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in the Statement of Comprehensive Income as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging – Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Statement of Comprehensive Income. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges – Where the hedged risk is the variable interest rate risk in a debt instrument measured at amortised cost the Company recognises the effective part of any gain or loss on the derivative financial instrument in Other Comprehensive Income (OCI). Any ineffective portion of the hedge is recognised immediately in the Statement of Comprehensive Income.

The hedging gain or loss recognised in OCI is reclassified to profit or loss when the hedged item is recognised in profit or loss or when the hedging relationship ends.

Intangible fixed assets

Intangible fixed assets are stated at historical cost, less accumulated amortisation and any provision for impairment. Amortisation is provided by equal annual instalments over the estimated useful economic life from the date of acquisition.

Computer software – 5 years

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. A number of office buildings were revalued to fair value on or prior to the date of transition to FRS 102, and are measured on the basis of deemed cost, being the revalued amount at the date of transition.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are disclosed in note 27.

Leases of assets that substantially transfer all the risks and rewards of ownership are classified as finance leases.

The assets are capitalised at commencement of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Housing properties

Housing properties include properties available for rent and retained interests in properties sold under shared ownership leases and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges during the development period and directly attributable development administration costs. Shared ownership properties in work in progress are stated net of the estimated cost of the first tranche sale.

Donated land is added to the cost of housing properties at the market value of the land at the time of the donation.

Depreciation and impairment of housing properties

Housing properties are split between land, structure costs and, where the group has a maintenance liability, major components that require periodic replacement.

No depreciation is provided on freehold land. Structure costs are depreciated by equal annual instalments over the estimated useful economic life from the date of acquisition. Where the group has a maintenance liability for components these costs are depreciated separately over their estimated useful lives.

Rented properties structure	New build	Not exceeding 100 years
	Other	Not exceeding 100 years
Rented properties components	Roofs	Up to 60 years
	Windows/external doors	30 years
	Bathrooms	30 years
	Kitchens	20 years
	Boilers	15 years
	Heating systems	Up to 30 years
Shared ownership properties		Not exceeding 100 years
Leasehold properties		Shorter of the remaining useful life and the remaining lease term

Housing properties are reviewed annually for evidence of impairment. Where there is evidence of impairment properties are written down to their recoverable amount.

Where housing properties are swapped with other housing associations, the exchange is treated as a disposal followed by an acquisition at fair value.

Enhancements to existing properties

Enhancement expenditure consists of works to existing properties which result in an increase in the net rental stream and is capitalised only to the extent that the total costs, including enhancements, do not exceed the greater of net realisable value and value in use.

Other fixed assets and depreciation

No depreciation is provided on freehold land. Depreciation is provided to write off the cost of other fixed assets by equal annual instalments over their estimated useful economic lives as follows:

Freehold buildings	50 years
Fixtures & fittings	4 to 10 years
Computer equipment	5 years
Motor vehicles	up to 5 years

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 profit or loss in the period that they arise.

No depreciation is provided in respect of investment properties applying the fair value model.

If a reliable measure is not available without undue cost or effort for an item of investment property, this item is thereafter accounted for as tangible fixed assets in accordance with section 17 until a reliable measure of fair value becomes available.

Investment property was not valued by an external, independent valuer during the year as this exercise was carried out in 2014 & 2015. The directors consider the portfolio every year for any impairment or significant change to market values.

Any gain or loss arising from a change in fair value is recognised in profit or loss. 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 and the estimated first tranche disposal of shared ownership properties 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 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 excluding stocks, investment properties

Financial assets (including trade and other debtors)

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. 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 Company 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.

Impairment of social housing properties

Properties held for their social benefit are not held solely for the cash flows they generate and are held for their service potential.

As assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the surplus in the Statement of Comprehensive Income.

The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and is included in the surplus in the Statement of Comprehensive Income.

Surplus on property sales

The surplus or deficit on property sales includes the sale of rented properties and the sale of second and subsequent tranches of shared ownership properties. Provision is made for any expected loss, after the abatement of Social Housing Grant, on properties which have been or are expected to be repossessed.

Surpluses on Right to Acquire sales after allowable expenses, as defined in the Homes and Communities Agency Capital Funding Guide, are transferred to the Disposal Proceeds Fund (DPF). To the extent that the DPF is repayable within one year unless utilised it is included within creditors falling due within one year. The balance of the DPF is included within creditors falling due after more than one year.

Social Housing Grant and other capital grants

Social Housing Grant (SHG) and other capital grants receivable, including donated land, in respect of the capital cost of housing properties, are initially recognised at fair value as a long-term liability, specifically as deferred grant income and released through the income and expenditure 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 in line with SORP 2014.

SHG due from the Homes and Communities Agency is included as a current asset and SHG received in advance is included as a current liability.

On disposal of properties, all associated SHG are 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.

All SHG remains repayable unless abated or waived by the Homes and Communities Agency but, with the agency's agreement, is subordinated to other loans.

Grants received for non-capital purposes are recognised as revenue, subject to grant conditions being satisfied, in the year of receipt.

Investments

Listed investments are stated at market value. Investments held for sale are included in current assets.

Homebuy, key worker and starter home mortgages

Under the Homebuy, Key Worker and Starter Home schemes, LiveWest receives grant representing a percentage of the open market purchase price of a property in order to advance interest free loans to a homebuyer. The loans advanced meet the definition of concessionary loans and are shown as fixed assets investments in the statement of financial position. The related grant provided by the government to fund all or part of a Homebuy, Key Worker or Starter Home loan has been reclassified as deferred income under FRS 102 as a creditor due in more than one year.

In the event that the property is sold, the Company recovers the equivalent loaned percentage value of the property at the time of the sale. The grant is reclassified to recyclable capital grant fund when the loans are redeemed up to the amount of the original grant and to the extent the proceeds permit. LiveWest is able to retain any surplus proceeds less sale costs attributable to the equivalent loaned percentage share of the value of the property. If there is a fall in the value of the property the shortfall of proceeds is offset against the grant.

Provisions

A provision is recognised in the statement of financial position when the Company 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.

Where LiveWest enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Restricted reserves

Where reserves are subject to external restriction they are separately recognised as a restricted reserve.

Designated reserves

The group maintains designated reserves where reserves are earmarked for particular purposes.

Major repairs reserve – The group maintains a major repairs reserve to recognise the future cost of major repairs, re-improvement and rehabilitation works to housing properties. The amount transferred is based on an estimate of expected future liabilities using the group's life cycle costing model.

Remodelling reserve – The group maintains a re-investment reserve to recognise the future cost of enhancement expenditure that does not fall within the group's policy for capitalisation.

Cyclical repairs and maintenance

The group has a regular programme for cyclical repairs and maintenance. The actual costs are charged to the Statement of comprehensive income as incurred.

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.

Expenses

Cyclical repairs and maintenance

The group has a regular programme for cyclical repairs and maintenance. The actual costs are charged to the Statement of Comprehensive Income as incurred.

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.

Open market sale through joint ventures, all of which being jointly controlled entities, represent the group's share of the turnover and cost of sales of the joint ventures as accounted for using the gross equity method providing more information than the equity method required under FRS 102.

Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Payments under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable on bank loans. 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 during the construction period.

Interest income and interest payable are recognised in the Statement of Comprehensive Income as they accrue, using the effective interest method.

Supporting people income and expenditure

Block grant income and its associated expenditure are included in the financial statements as other social housing activities. Block subsidy income and its associated expenditure are included as social housing lettings activity.

Supported housing managed by agencies

Social housing capital grants are claimed by the group as developer and owner of the property and included in the statement of financial position of the group. The treatment of other income and expenditure in respect of supported housing projects depends on the nature of the partnership arrangements between the group and its managing agents and on whether the group carries the financial risk.

Where the group holds the support contract with the Supporting People Administering Authority and carries the financial risk, all the project's income and expenditure is included in the group's statement of comprehensive income.

Where the agency holds the support contract with the Supporting People Administering Authority and carries the financial risk, the statement of comprehensive income includes only that income and expenditure which relates solely to the group. Other income and expenditure of projects in this category is excluded from the group's statement of comprehensive income.

General needs housing managed properties

Where properties are managed by other housing associations who provide housing management, maintenance and in some cases major repairs functions, the income recorded in the financial statements is the net rental income after deduction of allowance for voids and bad debts. The expenditure recorded in the financial statements relates to the fees paid to the other housing associations to provide these services.

Taxation including deferred tax

The charge for taxation is based on surpluses arising on certain activities which are liable to tax including any adjustment in respect of previous years.

Deferred tax is calculated and disclosed on timing differences that result in an obligation at the year end to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law.

Timing differences arise from the inclusion of items of income and expenditure in tax computations in years different from those in which they are included in financial statements. Deferred tax is only provided to the extent that it is regarded as more likely than not that any tax will arise.

VAT

The group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent it is not recoverable. The balance of VAT payable or recoverable is included as a current liability or asset.

Pensions

The group participates in the following pension schemes:

The Social Housing Pension Scheme is a multi-employer pension scheme administered by The Pensions Trust Limited. The scheme offers defined contribution and defined benefit pensions. The assets of the scheme are invested and managed independently of the group. Pension costs are assessed in accordance with the recommendation of an actuary based on the costs applicable to the participating associations taken as a whole. The assets and liabilities of the scheme cannot be attributed to individual employers and accordingly the scheme is accounted for as a defined contribution scheme. Contributions to the scheme are charged to the Statement of comprehensive income over the service lives of the employees. In addition the group participates in the Pension Trust Growth Plan and currently makes a deficit contribution into this plan.

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 12 months the liability is measured at the present value of the contributions payable.

The Devon County Council Pension Fund is a defined benefit final salary pension scheme and closed to future accrual on 31 May 2016. The assets of the schemes are invested and managed independently of the group. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme deficit is recognised in full. The movement in the scheme deficit is split between operating costs, finance costs and, in the statement of recognised gains and losses, actuarial gains and losses. The Group makes payments against the funding deficit as if it were an active member of the scheme.

2 Accounting estimates and judgements

Preparation of the financial statements requires management to make significant judgements and estimates which are shown below.

Estimated useful lives of property, plant and equipment

At the date of capitalising tangible fixed assets, the Group estimates the useful life of the asset based upon management's judgement and experience. Due to the significance of capital investment to the Group, variances between actual and estimated economic lives could affect the Group's result positively or negatively.

Impairment of trade and other account receivables

The Group makes an estimate of the recoverable value of trade and other account receivables. When assessing the impairment, management consider factors including the current credit rating of the account, the ageing profile and historical experience. See note 17 for the net position of debtors and associated provision.

Pension benefits

The costs of defined benefit pension plans are determined using actuarial valuation which 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 the long term nature of these plans, the estimates are subject to significant uncertainty. See note 29 for details of the valuation and underlying assumptions.

Revaluation of investment properties

Investment properties are held at valuation. See note 13 for further explanation.

Impairment of non-financial assets

In accordance with FRS 102 and the 2014 SORP the Group carries out an impairment test on a cash generating unit basis when a trigger has been identified.

The book value of individual properties is compared to the depreciated replacement cost, and then reviewed at a CGU level for indicators of impairment. The depreciated replacement cost is an estimate based on the size and type of property, taking into account average costs.

3 Turnover and operating surplus

	Group					
	2018			Combined 2017		
	Turnover	Operating costs	Operating surplus/ (deficit)	Turnover	Operating costs	Operating surplus/ (deficit)
	£000	£000	£000	£000	£000	£000
Social housing lettings	**171,169**	**(118,857)**	**52,312**	168,105	(112,352)	55,753
Other social housing activities						
Supporting people contract income	5,005	(4,720)	285	5,719	(5,291)	428
Shared ownership fee income	54	(122)	(68)	105	(157)	(52)
Shared ownership initial sales	22,785	(18,346)	4,439	22,673	(17,313)	5,360
Development costs	315	(2,332)	(2,017)	210	(1,855)	(1,645)
Other	268	(357)	(89)	233	(218)	15
	28,427	**(25,877)**	**2,550**	28,940	(24,834)	4,106
Non-social housing						
Non-social housing lettings	2,172	(744)	1,428	2,000	(771)	1,229
Property sales	28,523	(23,161)	5,362	20,476	(15,839)	4,637
Other	335	(385)	(50)	344	(657)	(313)
	31,030	**(24,290)**	**6,740**	22,820	(17,267)	5,553
Total	**230,626**	**(169,024)**	**61,602**	219,865	(154,453)	65,412
Surplus on property sales			7,255			7,255
Operating surplus	**230,626**	**(169,024)**	**68,857**	219,865	(154,453)	72,667

Operating costs include £5.3m of one off adjustments in respect of accelerated component depreciation (£2.5m), property impairment (£2.1m) and accelerated depreciation on fixed assets related to our office move (£0.7m).

Non-recurring merger related costs amounted to £1.7m largely in respect of legal and professional fees.

Income and expenditure from social housing lettings

	Group				
	2018				Combined 2017
	General needs	Shared ownership	Supported housing	Total	Total
	£000	£000	£000	£000	£000
Income from social housing lettings					
Rent receivable net of identifiable service charges	124,420	9,377	17,524	151,321	148,076
Service charges receivable	4,324	693	5,783	10,800	10,811
Net rents receivable	128,744	10,070	23,307	162,121	158,887
Amortisation of grants	5,903	889	1,141	7,933	8,155
Income from others	6	528	581	1,115	1,063
Total income from social housing lettings	**134,653**	**11,487**	**25,029**	**171,169**	168,105
Expenditure on social housing lettings					
Rent losses from bad debts	724	35	131	890	556
Services	4,567	598	5,325	10,490	10,476
Management	28,333	2,266	6,470	37,069	35,344
Responsive maintenance	19,623	-	3,438	23,061	23,135
Cyclical maintenance	8,346	-	1,028	9,374	7,540
Major repairs expenditure	4,483	-	1,965	6,448	7,761
Depreciation of housing properties	24,349	1,857	3,220	29,426	27,318
Impairment charges	-	-	2,099	2,099	222
Total expenditure on social housing lettings	**90,425**	**4,756**	**23,676**	**118,857**	112,352
Operating surplus on social housing letting activities	**44,228**	**6,731**	**1,353**	**52,312**	55,753
Rent losses from voids	(649)	-	(524)	(1,173)	(1,176)

	Company					
	2018			Combined 2017		
	Turnover	Operating costs	Operating surplus/ (deficit)	Turnover	Operating costs	Operating surplus/ (deficit)
	£000	£000	£000	£000	£000	£000
Social housing lettings	**171,535**	**(119,218)**	**52,317**	168,498	(113,209)	55,289
Other social housing activities						
Supporting people contracts	2,118	(1,801)	317	2,619	(2,103)	516
Shared ownership fee income	54	(122)	(68)	105	(157)	(52)
Shared ownership initial sales	22,784	(18,345)	4,439	22,673	(17,315)	5,358
Development costs	418	(2,437)	(2,019)	273	(1,742)	(1,469)
Other	267	(308)	(41)	274	(190)	84
Total	**25,641**	**(23,013)**	**2,628**	25,944	(21,507)	4,437
Non-social housing						
Non-social housing lettings	1,842	(697)	1,145	1,777	(772)	1,005
Other	-	-	-	-	-	-
	1,842	(697)	1,145	1,777	(772)	1,005
Total	**199,018**	**(142,928)**	**56,090**	196,219	(135,488)	60,731
Surplus on property sales	-	-	7,249	-	-	7,448
Operating surplus	199,018	(142,928)	63,339	196,219	(135,488)	68,179

Operating costs include £5.3m of one off adjustments in respect of accelerated component depreciation (£2.5m), property impairment (£2.1m) and accelerated depreciation on fixed assets related to our office move (£0.7m).

Non-recurring merger related costs amounted to £1.7m largely in respect of legal and professional fees.

Income and expenditure from social housing lettings

	Company				
	2018				Combined 2017
	General needs	Shared ownership	Supported housing	Total	Total
	£000	£000	£000	£000	£000
Income from social housing lettings					
Rent receivable net of identifiable service charges	124,054	9,377	17,524	150,955	147,734
Service charges receivable	4,321	693	6,422	11,436	11,487
Net rents receivable	128,375	10,070	23,946	162,391	159,221
Amortisation of grants	5,903	889	1,141	7,933	8,155
Income from others	94	529	588	1,211	1,122
Total income from social housing lettings	**134,372**	**11,488**	**25,675**	**171,535**	168,498
Expenditure on social housing lettings					
Rent losses from bad debts	722	35	131	888	556
Services	4,566	598	5,964	11,128	11,156
Management	28,395	2,268	6,481	37,144	35,810
Responsive maintenance	19,614	-	3,438	23,052	21,101
Cyclical maintenance	8,346	-	1,028	9,374	8,851
Major repairs expenditure	4,483	-	1,965	6,448	8,484
Depreciation of housing properties	23,993	1,872	3,220	29,085	27,029
Impairment charges	-	-	2,099	2,099	222
Total expenditure on social housing lettings	**90,119**	**4,773**	**24,326**	**119,218**	113,209
Operating surplus on social housing letting activities	**44,253**	**6,715**	**1,349**	**52,317**	55,289
Rent losses from voids	(649)	-	(524)	(1,173)	(1,176)

4 Surplus on property sales

	Group		Company	
	2018	Combined 2017	2018	Combined 2017
	£000	£000	£000	£000
Disposal proceeds	16,308	17,909	16,296	17,824
Cost of fixed assets	(9,053)	(10,654)	(9,047)	(10,376)
Surplus on property sales	**7,255**	7,255	**7,249**	7,448

5 Surplus on ordinary activities before taxation

	Group		Company	
	2018	Combined 2017	2018	Combined 2017
	£000	£000	£000	£000
Surplus on ordinary activities before taxation is stated after charging/(crediting)				
Auditors' remuneration				
- Audit of these financial statements	90	84	57	73
- Other services relating to taxation	6	28	1	22
Depreciation and other amounts written off housing properties	29,226	26,903	28,908	26,460
Depreciation and other amounts written off other tangible fixed assets	2,802	2,005	2,802	2,005
Amortisation of intangible assets	972	873	972	873
Impairment on property, plant and equipment	2,099	222	2,099	222
Change in fair value of derivatives through income and expenditure	2,217	(910)	2,217	(910)
Gain on disposal of property, plant and equipment	78	647	78	647
Operating lease rentals	148	178	148	178

6 Remuneration of directors and executive management team

The Chief Executive and Deputy Chief Executive/ Executive Director of Finance are directors of the group and Company and are also members of the Board.

The remuneration of the Chief Executive and executive management team are determined by the Remuneration Committee. All members of the executive management team are entitled to a similar range of benefits. The amounts disclosed are based on the taxable value of providing those benefits.

The remuneration of the Chair and other directors is shown opposite. Expenses reimbursed to members of the board were as follows:

	Group and Company	
	2018	Combined 2017
	£000	£000
Expenses reimbursed to Board members	25	30

The emoluments of the board members and executive management team were as follows:

	Group and Company	
	2018	Combined 2017
Non-executive directors		
Salary and other benefits	154	151
Executive directors		
Salary and other benefits	1,652	1,629
Compensation for loss of office	85	-
Pension contributions in respect of services as directors	82	75
Remuneration paid to the Chief Executive who was also the highest paid director	212	204

Salary banding for all employees earning over £60,000 (including salaries, performance related pay, benefits in kinds, pension contributions paid by the employer and any termination payments) are:

	Group		Company	
	2018	Combined 2017	2018	Combined 2017
Bands				
£60,001 to £70,000	25	30	25	28
£70,001 to £80,000	13	8	13	8
£80,001 to £90,000	4	9	4	9
£90,001 to £100,000	9	6	8	5
£100,001 to £110,000	5	1	5	1
£110,001 to £120,000	1	2	1	2
£120,001 to £130,000	1	1	1	1
£140,001 to £150,000	3	4	3	4
£150,001 to £160,000	1	-	1	-
£160,001 to £170,000	2	1	2	1
£200,001 to £210,000	1	1	1	1
£210,001 to £220,000	1	-	1	-

7 Staff numbers and costs

	Group		Company	
	2018	Combined 2017	2018	Combined 2017
Average monthly number of full time equivalent employees:				
Housing and support	**519**	526	**425**	434
Development	**83**	74	**86**	74
Asset management	**452**	419	**452**	419
Central services	**196**	188	**196**	188
Total	**1,250**	1,207	**1,159**	1,115

	Group		Company	
	2018	Combined 2017	2018	Combined 2017
	£000	£000	£000	£000
The aggregate payroll cost of these employees was as follows:				
Wages and salaries	**40,204**	39,534	**38,025**	37,373
Social security costs	**3,683**	3,563	**3,506**	3,388
Other pension costs	**1,587**	1,417	**1,501**	1,329
Total	**45,474**	44,514	**43,032**	42,090

8 Interest receivable and other income

	Group		Company	
	2018	Combined 2017	2018	Combined 2017
	£000	£000	£000	£000
Bank and deposits	**100**	268	**105**	265
Intra-group loans	**-**	-	**943**	681
Loan to non-group housing association	**4**	5	**4**	5
Other	**164**	39	**1**	1
	268	312	**1,053**	952

9 Interest payable and similar charges

	Group		Company	
	2018	Combined 2017	2018	Combined 2017
	£000	£000	£000	£000
Loan fees written off	**-**	310	**288**	310
Intra-group loans	**-**	-	**10,061**	8,814
Bank loans & overdrafts	**27,946**	24,253	**17,860**	15,438
Other	**311**	28	**23**	28
Finance leases	**72**	56	**72**	56
Less: capitalised interest at 2.98% (2017: 3.11%)	**(1,871)**	(2,201)	**(1,678)**	(1,873)
Unwind of discount on provisions	**279**	469	**279**	465
Settlement gain on derivatives	**-**	(200)	**-**	(200)
	26,737	22,715	**26,905**	23,038

During the year non-recurring loan termination costs of £3.3m and merger related loan consent fees of £0.7m were incurred.

10 Taxation

	Group		Company	
	2018	Combined 2017	2018	Combined 2017
	£000	£000	£000	£000
UK corporation tax				
On surplus for the year at 20% (2017: 20%)	-	-	-	-
Adjustments in respect of prior periods	-	-	-	-
Total current tax	-	-	-	-
Deferred tax				
Fixed asset timing differences	-	-	-	-
Short term timing differences	-	-	-	-
Losses carried forward	-	-	-	-
Total deferred tax	-	-	-	-
Total tax	-	-	-	-
Reconciliation of tax charge				
Surplus for the year	44,660	52,012	44,458	50,747
Total tax expenses	-	-	-	-
Surplus excluding tax	44,660	52,012	44,458	50,747
Tax at 19% (2017: 20%)	8,485	10,402	8,447	10,149
Effects of charity relief	(8,485)	(10,402)	(8,447)	(10,149)
Total tax expenses	-	-	-	-

	2018			Combined 2017		
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
	£000	£000	£000	£000	£000	£000
Group						
Recognised in the Statement of Comprehensive Income	-	-	-	-	-	-
	-	-	-	-	-	-

The Company has charitable status and its surpluses are exempt from corporation tax to the extent that they are applied for charitable purposes.

11 Intangible fixed assets

	Group and Company
	£000
Cost	
At beginning of year (combined)	6,076
Additions	511
Disposals	(562)
At end of year	**6,025**
Amortisation	
At beginning of year (combined)	3,926
Charge	972
Disposals	(543)
At end of year	**4,355**
Net book value	
At 31 March 2018	**1,670**
At 31 March 2017 (combined)	2,150

12 Tangible fixed assets – housing properties

	Group				
	Social housing				
	Completed schemes		Under construction		
	Rented	Shared ownership	Rented	Shared ownership	Total
	£000	£000	£000	£000	£000
Cost					
At beginning of year (combined)	1,810,790	193,387	64,386	15,793	2,084,356
Additions in year	-	230	59,059	26,138	85,427
Transfers	(59)	(375)	-	-	(434)
Components capitalised	16,501	-	-	-	16,501
Disposals	(10,152)	(4,314)	-	-	(14,466)
Transferred on completion	76,963	29,037	(76,963)	(29,037)	-
At end of year	**1,894,043**	**217,965**	**46,482**	**12,894**	**2,171,384**
Depreciation					
At beginning of year (combined)	270,316	17,969	40	-	288,325
Charge for year	27,324	1,902	-	-	29,226
Disposals	(3,828)	(479)	-	-	(4,307)
Impairment	2,099	-	-	-	2,099
At end of year	**295,911**	**19,392**	**40**	**-**	**315,343**
Net book value					
At 31 March 2018	**1,598,132**	**198,573**	**46,442**	**12,894**	**1,856,041**
At 31 March 2017 (combined)	1,540,474	175,418	64,346	15,793	1,796,031

	Company				
	Social housing				
	Completed schemes		Under construction		
	Rented	Shared ownership	Rented	Shared ownership	Total
	£000	£000	£000	£000	£000
Cost					
At beginning of year (combined)	1,784,497	194,771	54,379	15,907	2,049,554
Additions in year	-	212	63,216	26,138	89,566
Transfers	(59)	(375)	-	-	(434)
Components capitalised	16,431	-	-	-	16,431
Disposals	(10,123)	(4,314)	-	-	(14,437)
Transferred on completion	76,963	29,037	(76,963)	(29,037)	-
At end of year	1,867,709	219,331	40,632	13,008	2,140,680
Depreciation					
At beginning of year (combined)	266,715	18,116	40	-	284,871
Charge for year	26,991	1,917	-	-	28,908
Disposals	(3,806)	(479)	-	-	(4,285)
Impairment	2,099	-	-	-	2,099
At end of year	291,999	19,554	40	-	311,593
Net book value					
At 31 March 2018	**1,575,710**	**199,777**	**40,592**	**13,008**	**1,829,087**
At 31 March 2017 (combined)	1,517,782	176,655	54,339	15,907	1,764,683

	Group		Company	
	2018	Combined 2017	2018	Combined 2017
	£000	£000	**£000**	£000
Additions to housing properties in the course of construction during the year includes:				
Capitalised interest at 3.11% (2017: 3.1%)	1,871	2,201	1,678	1,873
Direct development costs	2,639	3,027	2,639	3,027
The net book value of properties comprises:				
Freehold	1,749,485	1,687,198	1,723,508	1,660,040
Long leasehold – under 50 years remaining	1,551	1,608	1,550	1,608
Long leasehold – over 50 years remaining	105,005	107,225	104,029	103,035
	1,856,041	**1,796,031**	**1,829,087**	**1,764,683**
Works to existing properties				
Capital	16,501	15,370	16,431	15,370
Revenue	38,883	38,436	38,874	38,436

13 Tangible fixed assets – investment properties

	Group		Company	
	2018	Combined 2017	2018	Combined 2017
	£000	£000	£000	£000
Cost				
At beginning of year	23,188	14,399	15,938	12,382
Additions in year	715	6,321	185	1,918
Revaluation	164	2,216	164	1,586
Transfers	434	339	434	139
Disposals	(511)	(87)	-	(87)
At end of year	**23,990**	23,188	**16,721**	15,938

Investment properties were independently valued based on location and market rent in 2014 and 2015 in KHG and DCH respectively. The directors have considered the external market conditions for the year and are of the opinion there is no material change to market value.

14 Other tangible fixed assets

	Group and Company				
	Freehold land and buildings	Fixtures and fittings	Computer Equipment	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost					
At beginning of year (combined)	13,958	4,822	2,953	4,582	26,315
Additions	8,559	776	1,038	984	11,357
Disposals	(574)	(236)	(153)	(411)	(1,374)
Transfers	65	(65)	-	-	-
At end of year	22,008	5,297	3,838	5,155	36,298
Depreciation					
At beginning of year (combined)	776	2,895	1,745	2,032	7,448
Charge for year	477	707	608	1,010	2,802
On disposals	(35)	(234)	(67)	(394)	(730)
Transfers	19	(19)	-	-	-
At end of year	1,237	3,349	2,286	2,648	9,520
Net book value					
At 31 March 2018	**20,771**	**1,948**	**1,552**	**2,507**	**26,778**
At 31 March 2017 (combined)	13,182	1,927	1,208	2,550	18,867

	Group and Company	
	2018	Combined 2017
	£000	£000
The net book value of properties comprises:		
Freehold	19,128	11,130
Long leasehold	1,643	2,052
	20,771	13,182

15 Investments

	Group		Company	
	2018	Combined 2017	2018	Combined 2017
	£000	£000	£000	£000
Shares	-	-	2,288	2,288
Intragroup loan	-	-	27,758	24,487
Loan to other housing association	56	65	56	65
Investments in subsidiary companies	-	-	5,898	5,897
Interest in associate	107	107	-	-
	163	172	**36,000**	32,737

Intragroup loans consist of loans to 100% subsidiaries of LiveWest Homes Limited. Interest is payable on a variable rate basis and repayments are due in 2-5 years. There is no penalty for early repayment.

At 31 March 2018 one loan was outstanding from another housing association. The loan is repayable in equal instalments with final repayment in 2023. Interest is payable at a fixed rate.

Details of the subsidiaries are as follows:	Country of Registration or Incorporation	Principal activity
The Company has a controlling interest in the following subsidiaries:		
LiveWest Properties Limited (formerly Devon and Cornwall Leasehold Solutions Limited)	England	Property management services
LiveWest Treasury Limited (formerly Devon and Cornwall Treasury Limited)	England	Group borrowing vehicle
Independent Futures CIC	England	Housing support services
Westco Properties Limited	England	Property development and services
LiveWest External Services Limited (formerly Penwith Housing Ancillary Services External Limited)	England	Dormant
Great Western Assured Growth Limited	England	Property development
Knightstone Charitable Housing Limited	England	Fund raising
LiveWest Capital Plc (formerly Knightstone Capital plc)	England	Group borrowing vehicle
Arc Developments South West Limited	England	Property development and services
Arc Homes (South West) Limited	England	Dormant
In addition:		
Advantage Southwest LLP is 25% owned by Westco Properties Limited	England	Procurement consortium

16 Properties for sale

	Group		Company	
	2018	Combined 2017	2018	Combined 2017
	£000	£000	£000	£000
Properties developed for outright sale				
- completed units	5,454	3,673	-	-
- units in progress	29,327	26,954	-	-
Shared ownership properties – first tranche sales				
- completed units	6,413	1,991	6,413	2,058
- units in progress	8,265	9,898	8,266	9,898
	49,459	42,516	**14,679**	11,956

17 Debtors due within one year

	Group		Company	
	2018	Combined 2017	2018	Combined 2017
	£000	£000	£000	£000
Rent and service charges receivable	**7,271**	7,054	**7,244**	7,040
Less: Provisions for bad and doubtful debts	**(2,007)**	(1,994)	**(1,993)**	(1,991)
	5,264	5,060	5,251	5,049
Service charges recoverable	**976**	757	**976**	757
Managing agent debtor	**1,999**	2,089	**1,999**	2,068
Amounts owed by group companies	**-**	-	**4,937**	8,864
Other debtors	**4,658**	3,138	**2,713**	1,667
Social Housing Grant receivable	**1,101**	978	**1,101**	978
Prepayments and accrued income	**3,544**	3,302	**6,834**	6,361
	17,542	15,324	**23,811**	25,744

18 Cash and cash equivalents

	Group		Company	
	2018	Combined 2017	2018	Combined 2017
	£000	£000	£000	£000
Cash at bank and in hand	**23,394**	58,009	**22,174**	56,131
Current asset investment	**-**	184	**-**	184
Cash in bank and in hand	23,394	58,193	22,174	56,315
Bank overdrafts	**(24)**	(3)	**-**	-
Cash and cash equivalents per cashflow statement	**23,370**	58,190	**22,174**	56,315

19 Creditors: amounts falling due within one year

	Group		Company	
	2018	Combined 2017	2018	Combined 2017
	£000	£000	**£000**	£000
Housing loans (see note 21)	25,572	30,607	25,572	30,607
Issue costs	(388)	(138)	(388)	(138)
Derivatives (note 24)	-	880	-	880
Bank loans and overdrafts	24	3	-	-
Recycled Capital Grant Fund & Disposal Proceeds Fund (note 26)	5,665	4,398	5,665	4,398
Trade creditors	2,979	3,282	2,931	3,261
Rent and service charges received in advance	13,024	12,337	12,995	12,281
Contracts for capital works	10,803	7,602	9,660	6,601
Interest charges	6,761	2,824	5,408	1,465
Pension deficit (note 29)	3,122	3,004	3,122	2,986
Amounts owed to group companies	-	-	6,184	6,278
Other taxation and social security	745	1,111	724	1,059
Grants	7,934	8,191	7,934	8,191
Other creditors	2,753	2,003	2,736	1,866
Accruals and deferred income	21,375	23,817	17,472	19,798
	100,369	99,921	**100,015**	99,533

20 Creditors: amounts falling due after more than one year

	Group		Company	
	2018	Combined 2017	2018	Combined 2017
	£000	£000	**£000**	£000
Recycled Capital Grant Fund & Disposal Proceeds Fund (note 26)	8,937	9,210	8,937	9,210
Pension deficit (note 29)	16,386	19,503	16,386	19,341
Other grant	363	381	363	381
Housing loans (note 21)	709,993	709,540	709,993	709,540
Issue costs	(2,547)	(4,122)	(2,547)	(4,122)
Social Housing grant	601,657	601,544	601,657	601,544
Other financial liabilities (see note 24)	95,381	113,210	95,381	113,210
Grant on Homebuy equity loans	9,525	10,472	9,367	10,276
	1,439,695	1,459,738	**1,439,537**	1,459,380

The premium arising on loan issues is amortised over the term of the loan to which it relates.

The gross social housing grant received is £752m (2017: £747m) with a total of £142m (2017: £137m) being amortised into reserves.

21 Housing loans

	Group		Company	
	2018	Combined 2017	2018	Combined 2017
	£000	£000	£000	£000
The sources of loan finance are as follows:				
Banks & building societies	492,957	538,598	175,217	243,598
Capital market issues	242,118	196,580	192,118	195,563
Intra group	-	-	367,740	296,017
Other	490	4,969	490	4,969
	735,565	740,147	**735,565**	740,147

	Group and Company	
	2018	Combined 2017
	£000	£000
Housing loan finance is repayable as follows:		
In one year or less	25,572	30,607
Between one and two years	18,511	16,879
Between two and five years	72,968	91,167
In five years or more	618,514	601,494
	735,565	740,147

Loans are predominately repayable by instalments. Loans under one year include the prepayment of a £8.6m facility. The final instalments fall to be paid in the period 2020-2048.

	Group and Company	
	2018	Combined 2017
	£000	£000
Housing loans are secured as follows:		
Fixed charges on properties	**735,565**	740,147

	Group and Company	
	2018	Combined 2017
	£000	£000
Interest rate basis		
Fixed less than 5 years	100,401	153,947
Fixed more than 5 years	433,865	400,665
Index linked	26,290	27,655
Variable	175,009	157,439
Finance lease	-	441
	735,565	740,147

In order to manage its interest rate profile the group holds fixed rate swaps. The interest basis including fixed rate and inflation differential swaps is shown above. The fixed rates of interest range from 0.68% to 12%. The group's average cost of borrowing at 31 March 2018 was 3.15% (2017: 3.17%).

22 Called up share capital

	Group and Company	
	2018	Combined 2017
	£	£
Allotted, issued and fully paid shares of £1		
Balance at 1 April	17	16
Issued during year	8	2
Cancelled during year	(17)	(1)
Balance at 31 March	**8**	17

23 Designated reserves

	Group and Company	
	2018	Combined 2017
	£000	£000
Major repairs reserve	102,085	94,643
Remodelling reserve	2,566	2,567
	104,651	97,210

The major repairs reserve recognises the future cost of major repairs and improvement works to housing properties and is based on the expected future expenditure using the Group's life cycle costing model.

24 Financial instruments

	2018	Combined 2017
	£000	£000
Carrying amount of financial instruments:		
Assets measured at amortised cost	23,557	58,365
Liabilities measured at fair value	95,381	114,090
Liabilities measured at amortised cost	735,565	739,706

Hedge accounting

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur as required by FRS 102 for the cash flow hedge accounting models.

	Group and Company					
	2018					
	Carrying amount	Expected cash flows	1 year or less	1 to < 2 years	2 to < 5 years	5 years and over
	£000	£000	£000	£000	£000	£000
Interest rate & inflation swaps:						
Liabilities	(95,381)	(123,977)	(9,995)	(9,552)	(19,713)	(84,717)
	(95,381)	**(123,977)**	**(9,995)**	**(9,552)**	**(19,713)**	**(84,717)**

	Group and Company					
	Combined 2017					
	Carrying amount	Expected cash flows	1 year or less	1 to < 2 years	2 to < 5 years	5 years and over
	£000	£000	£000	£000	£000	£000
Interest rate & inflation swaps:						
Liabilities	(114,090)	(129,840)	(10,876)	(9,357)	(24,823)	(84,784)
	(114,090)	(129,840)	(10,876)	(9,357)	(24,823)	(84,784)

25 Housing stock

		Group			
		Units in management		Units under development	
		2018	Combined 2017	2018	Combined 2017
Social housing					
Owned and managed by the group:	Rented	25,152	24,491	1,005	802
	Shared ownership	4,051	3,821	513	431
	Sheltered	2,732	2,724	-	-
	Supported housing (bedspaces)	1,028	1,027	-	10
	Residential care homes	-	6	-	-
Managed by the group:	Rented	58	58	-	-
Owned by the group:	Rented	479	700	-	-
	Shared ownership	26	26	-	-
	Supported housing (bedspaces)	673	708	-	-
	Residential care homes	34	65	-	-
		34,233	33,626	**1,518**	1,243
Non-social housing					
Owned and managed by the group:	Rented	130	127	-	-
Managed by the group:	Owner occupied	2,288	2,219	-	-
Owned by the group:	Rented	-	5	-	-
Commercial properties					
Owned and managed by the group:		64	64	-	-

		Company			
		Units in management		Units under development	
		2018	Combined 2017	2018	Combined 2017
Social housing					
Owned and managed by the Company:	Rented	25,096	24,435	1,005	802
	Shared ownership	4,051	1,844	513	-
	Sheltered	2,732	2,724	-	-
	Supported housing (bedspaces)	1,028	1,027	-	10
	Residential care homes	-	6	-	-
Managed by the Company:	Rented	58	58	-	-
Owned by the Company:	Rented	479	700	-	431
	Shared ownership	26	2,003	-	-
	Supported housing (bedspaces)	673	708	-	-
	Residential care homes	34	65	-	-
		34,177	33,570	**1,518**	1,243
Non-social housing					
Owned and managed by the Company:	Rented	86	44	-	-
Managed by the Company:	Owner occupied	1,453	1,087	-	-
Owned by the Company:	Rented	-	44	-	-
Commercial properties					
Owned and managed by the Company:		64	64	-	-

26 Recycled Capital Grant Fund (RCGF) and Disposal Proceeds Fund (DPF)

	Group and Company	
	RCGF	DPF
	£000	£000
Balance at 1 April (combined)	12,140	1,468
Inputs to reserve		
Grants recycled	3,231	-
Homebuy grants	243	-
Interest accrued	42	1
Withdrawals from reserve		
New build	(2,156)	(367)
Balance at 31 March	**13,500**	**1,102**

27 Financial commitments

	Group		Company	
	2018	Combined 2017	2018	Combined 2017
	£000	£000	£000	£000
Capital commitments for which no provision has been made:				
Housing properties – contracted	197,108	167,011	157,493	127,969
Housing properties – approved not contracted	96,661	114,157	78,654	112,080

The capital commitments will be financed primarily by existing loan finance facilities, operational cash flow and some grant funding.

	Group		Company	
	2018	Combined 2017	2018	Combined 2017
Total commitment under operating leases:				
Land and buildings – lease expiring 1-2 years	1	7	1	7
Land and buildings – lease expiring 2-5 years	144	192	144	192
Land and buildings – lease expiring beyond 5 years	1,500	1,594	1,500	1,594
	1,645	1,793	1,645	1,793

28 Significance of financial instruments

LiveWest Treasury Limited (formerly Devon and Cornwall Treasury Limited) and LiveWest Capital plc (formerly Knightstone Capital plc) are wholly owned subsidiaries and classed as financial institutions. The following disclosures relate to these subsidiaries only and no other entities.

	2018	Combined 2017
Financial instruments are classed as follows:-	£000	£000
Financial assets		
Cash flow hedges at fair value (intra group swaps)	79,394	70,355
Intra group loans measured at amortised cost	367,740	296,000
Financial liabilities		
Cash flow hedges at fair value (interest rate swaps)	79,394	70,355
Bank loans measured at amortised cost	367,740	296,000

Fair value

All financial instruments are valued using the Mark-To-Market (MTM) valuation method. There is no quoted (bid) price for an identical asset in an active market nor are there recent transactions for identical assets.

Nature and extent of risks arising from financial instruments

Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them. LiveWest Treasury Ltd offsets these risks through exactly matching financial assets or liabilities with the parent (LiveWest Homes Ltd).

Credit risk

The group defines credit risk as 'the risk of failure by a third party to meet its contractual obligations to LiveWest under an investment, borrowing, or hedging arrangement which has a detrimental effect on LiveWest's resources and/or gives rise to credit losses'.

The group's maximum exposure to credit risk was £216.1m consisting of £23.4m cash and £192.7m undrawn loan facilities. There is no security held which mitigates the risk on these assets. There has been no impairment on these assets.

Our treasury management policy manages credit risk by setting minimum credit rating requirements and maximum exposure limits for all deposit counterparties.

Liquidity risk

We maintain adequate cash and debt funding facilities to cover our operations and planned developments.

We actively monitor the cash flow requirements of our operating and development activities and we have a treasury management policy in place which requires us to hold short and medium term liquidity levels. Overdraft facilities of £1.5m provide us with further flexibility.

Market risk

The group has market exposure to changes in interest rates.

Our approach to interest rate management is to maintain a balanced portfolio of fixed, variable and index linked debt. This is managed through the use of fixed rate debt and standalone derivatives. As LiveWest Treasury Ltd has corresponding financial assets or liabilities with LiveWest, the risk will have no impact on the surplus and equity of the Company. The Group has exposure to interest rate rises through our variable rate debt. A 1% increase in rates would lead to a £1.9m additional interest charge. We also have an indirect exposure to bond rates through our pension scheme commitments.

The standalone derivatives can give rise to margin calls if interest rates fall. This risk is managed by securing sufficient properties to cover margin calls in the event of a 0.5% fall in interest rates.

Capital

The Company defines capital as net assets or equity. Due to the intra-group nature of its assets and liabilities the Company holds its capital levels to its share capital of £1. LiveWest holds reserve capital of £436.6m which are held to reduce future borrowing requirements on development spend.

29 Pension schemes

As explained in the accounting policies set out in note 1 the group operates three separate pension schemes. The assets of the schemes are held separately from those of the group.

The Pensions Trust

LiveWest participates in two schemes with the Pensions Trust, the Social Housing Pension Scheme (SHPS) and The Growth Plan, which are multi-employer schemes providing benefits to non-associated employers. The schemes are classified as defined benefit schemes in the UK, however, 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 schemes are classified as a 'last-man standing arrangement'. Therefore the Company 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 SHPS scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 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 up to 30 September 2026. LiveWest will make deficit contributions of £3.1m in 2018-19.

A full actuarial valuation for the Growth Plan was carried out at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme up to 30 September 2028. LiveWest will make deficit contributions of £9,000 in 2018-19.

Where the scheme is in deficit and where the Company has agreed to a deficit funding arrangement, the Company recognises a liability for this obligation. 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	Combined 2017	Combined 2016
SHPS			
Present value of provision (£000)	19,441	22,431	24,208
Rate of discount (%)	1.72	1.33	2.06
Growth Plan			
Present value of provision (£000)	67	75	79
Rate of discount (%)	1.71	1.32	2.07

Reconciliation of opening and closing provisions

	Group			
	SHPS		Growth fund	
	2018	Combined 2017	2018	Combined 2017
	£000	£000	£000	£000
At beginning of the year	22,431	24,208	75	79
Unwinding of the discount factor	278	467	1	2
Deficit contribution paid	(2,996)	(2,884)	(8)	(8)
Remeasurements – change in assumptions	(272)	640	(1)	2
At end of the year	**19,441**	22,431	**67**	75

Income and expenditure impact

	Group			
	SHPS		Growth fund	
	2018	Combined 2017	2018	Combined 2017
	£000	£000	£000	£000
Interest expense	278	467	1	2
Remeasurements – change in assumptions	272	640	(1)	2

Reconciliation of opening and closing provisions

	Company			
	SHPS		Growth fund	
	2018	Combined 2017	2018	Combined 2017
	£000	£000	£000	£000
At beginning of the year	22,252	24,022	75	79
Unwinding of the discount factor	278	463	1	2
Deficit contribution paid	(2,980)	(2,867)	(8)	(8)
Remeasurements – change in assumptions	(272)	634	(1)	2
Transfer	163	-	-	-
At end of the year	**19,441**	22,252	**67**	75

Income and expenditure impact

	Company			
	SHPS		Growth fund	
	2018	Combined 2017	2018	Combined 2017
	£000	£000	£000	£000
Interest expense	278	463	1	2
Remeasurements – change in assumptions	272	634	(1)	2

Defined benefit scheme – Devon County Council pension fund

LiveWest participates in this fund as an admitted body under the Local Government Superannuation Regulations 1986.

The Local Government Superannuation Scheme is funded jointly by employees participating in the scheme and LiveWest. The scheme is a defined benefit salary scheme based on final pensionable salary and is closed to new entrants. The scheme is administered by Devon County Council.

The scheme operated two separate admission agreements relating to Tor Homes and West Devon Homes which were consolidated into one agreement at 31 March 2016.

The financial year contributions were paid at 19%. The pension costs for the year were £83,000 (2017: £93,000) covering 12 employees (2016: 12).

The most recent valuation was carried out as at 31 March 2016 and has been updated by independent actuaries to the Devon Council Pension Fund to take account of the income and expenditure items for the period to 31 March 2018. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

This pension scheme was closed to future accrual on 31 May 2016.

Financial assumptions

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the time scale covered, may not necessarily be borne out in practice.

The main financial assumptions for the Devon Council Pension Fund in respect of the FRS 102 valuation are listed below.

	Devon Council	
	2018	2017
	%	%
Discount rate	2.6	2.7
Rate of increase in salaries	-	4.1
Rate of increase in pensions	2.4	2.6
Rate of inflation	3.4	3.5

As the pension scheme is closed to future accrual, a salary increase is no longer applicable.

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at 65 are:

	Devon Council	
	2018	2017
Longevity at age 65 for current pensioners		
Males	23.5	23.4
Females	25.6	25.5
Longevity at age 65 for future pensioners		
Males	25.7	25.6
Females	27.9	27.8

	Devon Council	
	2018	2017
	£000	£000
Actuarial losses		
Cumulative actuarial losses in other comprehensive income	(2,196)	(2,601)
Analysis of the amount charged to the income and expenditure account		
Service cost	5	25
Total operating charge	**5**	25
Net interest on pension liabilities	186	214
Other financial costs	**191**	239

Movement in the fair value of assets and present value of liabilities for the year to 31 March 2018:

	2018 £000	2017 £000
Fair value of assets		
At beginning of the year	9,788	8,738
Interest on assets	259	307
Remeasurements	135	1,180
Employer contributions	83	88
Employee contributions	-	5
Administrative expenses	(5)	(6)
Net benefits paid out	(502)	(524)
At end of the year	**9,758**	9,788
Present value of liabilities		
At beginning of the year	16,718	14,711
Current service cost	-	19
Interest on liabilities	445	521
Contributions by participants	-	5
Remeasurements	(271)	1,985
Net benefits paid out	(501)	(523)
At end of the year	**16,391**	16,718

The fair value of the assets held by the pension funds at 31 March 2018, and the expected rate of return for each class of asset is as follows:

	Devon Council			
	2018		2017	
	Long-term return	Fund value	Long-term return	Fund value
	%	£000	%	£000
Type				
Equities	4.0	5,703	3.6	5,758
Government bonds	4.0	308	3.6	293
Bonds	4.0	199	3.6	250
Property	4.0	908	3.6	856
Other	4.0	2,640	3.6	2,631
Total	-	**9,758**	-	9,788

	Devon Council	
	2018	2017
	£000	£000
Funding position		
Assets	9,758	9,788
Estimated liabilities	(16,391)	(16,718)
Deficit in scheme	**(6,633)**	(6,930)

Defined contribution scheme – social housing pension scheme

This scheme administered by the Pensions Trust is the pension scheme for auto-enrolment and is also open to all members of staff. The Company paid contributions between 1% and 9% and employees paid contributions from 1%. On retirement, funds or units earned can be converted into a pension with the Trust, or used to secure a pension with another provider. At 31 March 2018 there were 809 active members (2017: 789) of the scheme.

30 Merger

On 2 March 2018, Devon and Cornwall Housing Limited (DCH) and Knightstone Housing Group Limited and Knightstone Housing Association Limited merged into a new entity, Liverty Limited which subsequently changed its name to LiveWest Homes Limited on 30 August 2018.

The Association and Group financial statements presented here incorporate the results of the organisations prior to merger and the new entity from merger date to 31 March 2018.

The share of Total Comprehensive Income for the prior year, the share of Total Comprehensive Income in the current year to the merger date with the effect of any accounting policy adjustments and the contribution post merger date, and the share of the net assets at merger are disclosed in accordance with FRS 102.

Total Comprehensive Income – 31 March 2017	DCH	Knightstone Housing Association	Knightstone Housing Group	Merger adjustments	Total
	£000	£000	£000	£000	£000
Turnover	122,294	74,154	3,986	(4,215)	196,219
Operating costs	(81,432)	(53,266)	(3,742)	2,952	(135,488)
Surplus on property sales	3,657	3,791	-	-	7,448
Operating surplus	**44,519**	**24,679**	**244**	**(1,263)**	**68,179**
Profit on sale of other fixed assets	44	603	-	-	647
Interest receivable and other income	632	320	-	-	952
Interest payable and similar charges	(13,662)	(9,376)	-	-	(23,038)
Other finance costs – pensions	(214)	-	-	-	(214)
Measurement in fair value of financial instruments	450	(1,360)	-	-	(910)
Change in value of investment property	984	602	-	-	1,586
Gift aid paid	-	-	(244)	244	-
Gift aid received	3,177	612	-	(244)	3,545
Surplus on ordinary activities before tax	**35,930**	**16,080**	**-**	**(1,263)**	**50,747**
Tax on surplus on ordinary activities	-	-	-	-	-
Surplus for the year	**35,930**	**16,080**	**-**	**(1,263)**	**50,747**

	DCH	Knightstone Housing Association	Knightstone Housing Group	Merger adjustments	Total
	£000	£000	£000	£000	£000
Other Comprehensive Income					
Surplus for the year	35,930	16,080	-	(1,263)	50,747
Effective portion of changes in fair value of cashflow hedges	(5,607)	(294)	-	-	(5,901)
Actuarial loss	(1,186)	(256)	-	-	(1,442)
Total recognised surplus relating to the year	**29,137**	**15,530**	**-**	**(1,263)**	**43,404**

Merger adjustments	Consolidation adjustments	Policy alignment	Total
	£000	£000	£000
Turnover	(4,215)	-	(4,215)
Operating costs	4,215	(1,263)	2,952
Gift aid paid	244	-	244
Gift aid received	(244)	-	(244)
	-	(1,263)	(1,263)

Total Comprehensive Income and Net Assets Share in the year of merger	DCH	Knightstone Housing Association	Knightstone Housing Group	Merger adjustments	At merger date	Post merger	31 March 2018
	£000	£000	£000	£000	£000	£000	£000
Turnover	116,318	64,154	4,190	(4,408)	180,254	18,764	199,018
Operating costs	(81,451)	(47,143)	(3,729)	4,408	(127,915)	(15,013)	(142,928)
Surplus on property sales	4,930	1,498	-	-	6,428	821	7,249
Operating surplus	39,797	18,509	461	-	58,767	4,572	**63,339**
Profit on sale of other fixed assets	94	-	-	-	94	(16)	78
Interest receivable and other income	747	211	-	-	958	95	1,053
Interest payable and similar charges	(11,936)	(8,679)	-	-	(20,615)	(6,290)	(26,905)
Other finance costs – pensions	-	-	-	-	0	(186)	(186)
Measurement in fair value of financial instruments	64	2,021	-	-	2,085	132	2,217
Change in value of investment property	-	-	-	-	-	164	164
Gift aid	3,459	472	(461)	-	3,470	1,228	4,698
Surplus on ordinary activities before tax	32,225	12,534	-	-	44,759	(301)	**44,458**
Tax on surplus on ordinary activities	-	-	-	-	-	-	-
Surplus for the year	32,225	12,534	-	-	44,759	(301)	**44,458**

Merger adjustments relate to the elimination of inter-company transactions between Knightstone Housing Association and Knightstone Housing Group.

Total Comprehensive Income and Net Assets Share in the year of merger	DCH	Knightstone Housing Association	Knightstone Housing Group	Merger adjustments	At merger date	Post merger	31 March 2018
	£000	£000	£000	£000	£000	£000	£000
Other comprehensive income							
Surplus for the year	32,225	12,534	-	-	44,759	(301)	44,458
Effective portion of changes in fair value of cashflow hedges	16,406	-	-	-	16,406	87	16,493
Actuarial loss	-	-	-	-	-	678	678
Total recognised surplus relating to the year	**48,631**	**12,534**	**-**	**-**	**61,165**	**464**	**61,629**
Net assets	305,440	128,735	3	-	434,178	464	434,642

Merger adjustments

A review of DCH Limited, Knightstone Housing Group Limited and Knightstone Housing Association Limited was undertaken in order to identify material differences in accounting treatment.

Accounting policies have been reviewed and as they are largely comparable have not required merger adjustments.

The £1.263m write off in the year 31 March 2017 relates to smoke and carbon monoxide detectors which were capitalised in Knightstone Housing Association but it is the LiveWest policy to expense.

A small number of immaterial policy alignments will be applied from the date of the merger.

The following reclassifications have been applied to the statement of financial position which do not have an impact on the Statement of Comprehensive Income:

- Intangible assets – DCH Computer Software has been reclassified as an intangible asset.
- Provisions – Knightstone Housing Association pension liabilities have been reclassified to creditors greater than one year.
- Creditors greater than one years – DCH grant forecasts to be amortised within one year have been reclassified to creditors falling due within one year.

31 Related parties

All trading transactions between LiveWest and its non-regulated subsidiaries are charged at the cost of providing the service between the subsidiaries.

Recharges are determined by an appropriate allocation depending on the nature of the cost, such as headcount, floor space and services.

	Transactions in year		Balance at year end		Nature of supply
	Income £000	Expenditure £000	Debtor £000	Creditor £000	
LiveWest from ARC	36	1,436	590	-	Development and Sale Services
ARC from LiveWest	1,436	36	-	590	
LiveWest from GWAG	64	-	-	4,821	Scheme Management
GWAG from LiveWest	-	64	4,821		
LCAP from LiveWest	976		21		Treasury Services
LiveWest from LCAP	-	976	-	21	
LT from LiveWest	51	-	317,746	-	Treasury Services
LiveWest from LT	-	51	-	317,746	
Westco from LiveWest	19,203	-	-	23,394	Development Services
LiveWest from Westco	-	19,203	23,394	-	
LP from LiveWest	-	-	-	25	Scheme Management
LiveWest from LP	-	-	25	-	
LES from LiveWest	-		54		Maintenance Services
LiveWest from LES	-	-	-	54	
IF from LiveWest	859	-	-	220	Support Services
LiveWest from IF	-	859	220	-	
Westco from LP	-		4,364	-	Development Services
LP from Westco	-	-	-	4,364	
Westco from LP	-	-	-	50	Scheme Management
LP from Westco	-	-	50	-	

LCAP = LiveWest Capital plc (formerly Knightstone Capital plc)

LT = LiveWest Treasury Limited (formerly Devon and Cornwall Treasury Limited)

LP = LiveWest Properties Limited (formerly Devon and Cornwall Leasehold Solutions Limited)

LES = LiveWest External Services Limited (formerly Penwith Housing Ancillary Services Limited)

32 Contingent liabilities

LiveWest has acquired a number of properties where grant is considered to be included as part of the acquisition cost and is not accounted for separately in the balance sheet. This contingent liability will be realised if the assets to which the grant relates are disposed.

As at 31 March 2018 this contingent liability is £75m (2017: £75m).

Companies within the Group, Board members, executives and advisers

Companies within the Group

LiveWest Homes Limited is the parent company of the Group following the merger of Knightstone Housing Group, Knightstone Housing Association and Devon and Cornwall Housing Limited on 2 March 2018.

LiveWest Homes Limited has ten subsidiaries and one associated company, which have been consolidated as required under Financial Reporting Standard 2 (FRS 2).

Details of the nine trading subsidiaries and their roles within the Group are shown below.

Company	Role
Arc Developments South West Limited	One of our two commercial development companies. All profit made is returned to LiveWest in the form of Gift Aid. facilitating further investment for affordable homes in the region.
LiveWest Properties Limited (formerly Devon and Cornwall Leasehold Solutions Limited)	LiveWest's stock owning landlord for new housing purchased without grant. It also manages over 3,170 shared ownership and leasehold properties (including private retirement schemes).
LiveWest Treasury Limited (formerly Devon and Cornwall Treasury Limited)	One of our two Group treasury vehicles, responsible for £400m of the Group's borrowing facilities.
Great Western Assured Growth Limited	Owns a small portfolio of properties that are managed by LiveWest.
LiveWest Capital Plc (formerly Knightstone Capital plc)	A special purpose vehicle incorporated to issue a bond on the London Stock Exchange. The bond was issued in November 2017 and provides £50m of funding to the group with potential to provide a further £50m of funding in the future.
Knightstone Charitable Housing Limited	Supports the charitable activities of LiveWest by raising funds from a variety of sources to enable projects for the benefit of residents and others in need. The objective of each project is to improve the quality of peoples' lives through the provision of better housing and support services.
Westco Properties Limited (Westco)	One of our two commercial development companies. All profit made is returned to LiveWest in the form of Gift Aid. facilitating further investment for affordable homes in the region.
Advantage SW LLP (ASW)	Our procurement consortium jointly owned by Westco and three registered providers.
Independent Futures (IF)	Provides support services to local authorities.

LiveWest Limited Board members

(with effect from 2 March 2018)

Andrew Wiles
Member of ARC and CSC

Antony Durbacz
Chair of ARC, Member of TC

Jenefer Greenwood
Chair of RC

John Newbury
Senior Independent Director
Member of ARC, CSC and DC

Linda Nash
Chair, Member of RC

Melvyn Garrett
Deputy Chief Executive and Executive Director of Finance, Member of DC and TC

Paul Crawford
Chief Executive, Member of DC

Tim Larner
Chair of DC, Member of TC

Tom Vaughan
Chair of CSC, Member of RC

Tony MacGregor
Chair of TC, Member of ARC

ARC = Audit and Risk committee

CSC = Customer Services committee

DC = Development committee

RC = Remuneration committee

TC = Treasury committee

Secretary: Jill Farrar
Registered office: 1 Wellington Way, Skypark, Clyst Honiton, Exeter EX5 2FZ
Community Benefit Society registration number: 7724
Regulator of Social Housing registration number: 4873
Auditors: KPMG LLP, Plym House, 3 Longbridge Road, Plymouth PL6 8LT
Treasury advisers: Centrus Advisers LLP, 3rd Floor, Mermaid House, 2 Puddle Dock, London EC4V 3DB

LiveWest Limited (with effect from 2 March 2018)	
Executive team members	
Chief Executive	Paul Crawford
Deputy Chief Executive / Executive Director of Finance	Melvyn Garrett
Executive Director of Property Services (North)	David Greenhalgh
Executive Director of Property Services (South)	Doug Stein
Executive Director, Housing Support – Integration	Kathy Gilmore
Executive Director, Housing Support – Asset and Community Investment	Mark Coates
Executive Director Corporate Relations	Nick Horne
Executive Director of Development	Russell Baldwinson
Executive Director of Neighbourhoods and Customer Services	Suzanne Brown
Executive Director of Strategy and Performance	Tom Woodman
Director of Resources (Resigned 15 July 2018)	Selina White
Executive Director of People and Communications (Resigned 31 May 2018)	Sheila Whelan
Director of Landlord Services (Resigned 31 May 2018)	Sonia Furzland
Director of Development and Sales (Resigned 27 April 2018)	Steve Blake
Director of Business Transformation (appointed 3 April 2017, resigned 13 December 2017)	Sarah Barrett

Our new office at Skypark, Exeter provides an excellent working environment to help us deliver the services we provide

Fast facts about us

35,439

homes, including rent, leasehold and shared ownership

£76m

Our underlying operating surplus from 2018

812

affordable homes for rent and shared ownership developed in the year

89%

overall customer satisfaction

1,372

skilled and committed employees, living our values and making our strategy happen

£85m

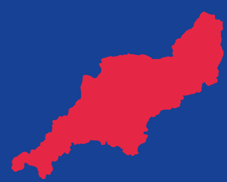
invested into new housing to provide three homes for families every working day

550

people moved on from our supported housing in the past year to live independently

500

hours of volunteer time donated by LiveWest staff



largest housing organisation operating solely in the South West, with high-quality homes and services across Cornwall, Devon, Somerset and West of England

£55m

Spent on maintaining and improving existing homes carrying out over 107,000 repairs in the last year

89%

of our customers had overall satisfaction with our neighbourhoods

24

apprentices currently working across the business

LiveWest

A home for everyone

Head Office: 1 Wellington Way, Skypark,
Clyst Honiton, Exeter EX5 2FZ

LiveWest.co.uk