LiveWest Treasury PLC

Financial Statements

Year ended 31 March 2021

Contents

Registered under the Companies Act No. 6392963

Company information

LiveWest Treasury PLC

DIRECTORS
Melvyn Garrett
Andrew Sloman
Andrew Hart

SECRETARY

Lisa Maunder

AUDITOR

KPMG LLP
Regus, 4th Floor
Salt Quay House
6 North East Quay
Plymouth
PL4 0HP

REGISTERED OFFICE

1 Wellington Way
Skypark
Clyst Honiton
Exeter
England
EX5 2FZ

Strategic Report

for the year ended 31 March 2021

The directors present their report and the audited financial statements of the company for the year ended 31 March 2021.

Principal activity

The company's principal activity is raising finance for on-lending to its parent company.

Financial review and future developments

The company is a wholly owned subsidiary of LiveWest Homes Limited (LiveWest Homes). The registered office address is 1 Wellington Way, Skypark, Clyst Honiton, Exeter, EX5 2FZ.

The Company has total long term facilities of £842.9m. In May 2020 LiveWest Capital Plc gave notice of a Consent Solicitation Memorandum to transfer its £100m 5.058 (subsequently 5.576) per cent (step up) secured bonds due 2048 to LiveWest Treasury plc. The Consent Solicitation was passed with 100% of bondholders voting in favour. Following the vote, in June 2020, the bond was delisted from the Official List of the Financial Conduct Authority and the regulated market of the London Stock Exchange plc (the LSE), transferred to LiveWest Treasury Plc and relisted on the International Securities Market of the LSE as £100m 5.576 per cent Guaranteed Secured Notes due 2048.

LiveWest Treasury PLC issued a further note on 11 February 2021 under its EMTN programme. The £250m 35 year fixed rate note, £100m was retained for future sale, has a coupon of 1.875% .

All loans held by the company and all notes issued under the EMTN Programme are secured against properties owned by the parent company LiveWest Homes Limited under a security trust deed. As at 31 March 2021 the company had drawn £606.4m (2020: £406.1m) which was fully on-lent to LiveWest Homes under a group funding agreement.

In order to manage interest rate risks for the group, the company has fixed rate swaps with a nominal value of £255m (2020: £339.5m). These agreements are matched by intra-group swap agreements with LiveWest Homes. As at 31 March 2021 the swaps had a negative mark to market value of £65.7m (2020: £96.6m). During the year swaps with a total notional value of £62.8m (and mark to market of £9.5m) maturing between 2027 and 2035 were terminated by paying their mark to market value.

The Company posted cash collateral of £30m in March 2021 against the mark to market of one of its ISDA Agreements. This cash will revert to the Company in September 2023 and receives an interest rate based on SONIA.

During the period the company incurred interest and similar charges of £31.8m (2020: £13.8m) which were recharged in full to LiveWest Homes in accordance with the group funding agreement.

The company does not employ any staff directly but has a staff sharing arrangement with LiveWest Homes whereby work done by its staff is charged at cost. The company levies a management charge to LiveWest Homes covering all operating costs. After making a Gift Aid payment of £2,829 (2020: £2,798) to LiveWest Homes, the company increased revenue reserves by £nil (2020: £nil).

Strategic Report
for the year ended 31 March 2021

As at 31 March 2021 the company had undrawn facilities of £236.5m which it expects to on-lend to LiveWest Homes over the next five years. The main external risks to which the company is exposed relate to counterparty credit, liquidity and interest rates. These risks transfer to LiveWest Homes under the group funding agreement and are discussed in its financial statements. In the opinion of the directors the properties charged under the security trust deed will provide sufficient cover to meet any anticipated loan draw-downs and margin calls over the coming year.

Principal Risks and Uncertainties

LiveWest Treasury PLC on-lends all of its proceeds from capital market transactions to its parent company, LiveWest Homes Limited. The underlying assets relating to this issuance therefore belong to LiveWest Homes Limited and are held through a security trust arrangement with the Prudential Trustee Company Limited.

As LiveWest treasury PLC is not obliged to provide incremental funding to other Group asset owning subsidiaries, LiveWest Treasury PLC. is not at risk if it cannot obtain further funding for the LiveWest Homes Group. All of LiveWest Treasury PLC's costs relating to providing funding services are met by LiveWest Homes Limited.

Long Term Viability

The Company's obligations are of a long term nature, being the servicing and eventual repayment of the loan facilities and note. The Company's obligations are guaranteed by LiveWest Homes Limited, and further secured by assets pledged by LiveWest Homes Limited as security under the terms of the on-lending agreement. The group business plan forecasts demonstrate the ability of LiveWest Homes Limited to service its debt, and therefore the Company's ability to service its debts, and maintain its long term viability over the next 5 years.

The Strategic Report was approved by the Directors on 4 August 2021 and signed on their behalf by

Melvyn Garrett
Director

Directors' Report
for the year ended 31 March 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Capital Structure and Internal controls

LiveWest Treasury PLC is a wholly owned subsidiary of LiveWest Homes Ltd, the parent company of "the Group". LiveWest Treasury PLC Adheres to the Groups Treasury policies, procedures and internal controls approved by the parent company LiveWest Homes Limited. These cover funding, interest rate exposures, cash management and the investment of surplus cash.

Risk Management Objectives and Policies

LiveWest Homes Limited's finance function is responsible for treasury management activities and control of associated risks. Its activities are governed by the Treasury Management Policy, approved by the Board of LiveWest Homes Limited, which is ultimately responsible for treasury issues in all of LiveWest Homes' group legal entities, which include the Company. The Group finance function does not operate as a profit centre.

The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and related finance costs.

Interest Rate Risk/Hedging

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 PLC has corresponding financial assets or liabilities with LiveWest Homes the risk will have no impact on profit/loss and equity of the company.

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 long term interest rates.

Liquidity Risk

The Company 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 £4.5m provide us with further flexibility.

Credit Risk

All of the Company's bank and capital markets financing proceeds are available to be on-lent to LiveWest Homes Limited, which represents the only credit risk to the Company. This credit risk is mitigated through a number of factors, including the housing asset security which stands behind the loan, the overall Regulator of Social Housing's assessment of the Group's financial viability and the contractual protection of the loan agreement between the Company and LiveWest Homes Limited.

Going Concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts covering a period of at least 12 months from the date of approval of these financial statements (the going concern period) which indicate that, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

In order to settle its own financial obligations and meet the compliance requirements of its external borrowings the Company is dependent on the parent entity, LiveWest Homes Ltd generating sufficient cashflows to settle the payments of principal and interest on the onward loan of the funding which the Company raised. Those forecasts are dependent on LiveWest Homes Ltd having adequate resources to continue in business over the going concern assessment period.

In making this assessment the directors have considered the potential impact of the emergence and spread of COVID-19 on the Group's business plan. As well as considering the impact of a number of scenarios on the business plan the Group also adopted a stress-testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure. Following the outbreak of Covid-19 the Group has undertaken a series of further scenario testing including severe but plausible downsides in the worst-case assessment.

The directors, after reviewing the group and company budgets for 2021/22 and the group's medium-term financial position as detailed in the 30-year business plan, including changes arising from the Covid-19 pandemic, are of the opinion that, taking account of severe but plausible downsides, the company will have sufficient funds to meet its liabilities as they fall due over the going concern period. In reaching this conclusion, the directors have considered the following factors:

- the property market – budget and business plan scenarios have taken account of delays in handovers, lower numbers of property sales and reductions in sales values
- maintenance costs – budget and business plan scenarios have been modelled to take account of cost increases and delays in maintenance expenditure, with major works being phased into future years
- decarbonisation costs – budget and business plan scenarios have been modelled to take account of the need for properties to achieve EPC C by 2028 and for the group to become net carbon-neutral by 2050
- rent and service charge receivable – arrears and bad debts have been modelled above historic levels to allow for customer difficulties in making payments. Budget and business plan scenarios have been developed to take account of potential future reductions in rent received
- liquidity – current available facilities of £426m and £41m of available cash which gives significant headroom for any cash flows that arise
- the group's ability to withstand other adverse scenarios such as a deflationary environment, higher interest rates and number of void properties.

The directors believe the group has sufficient funding in place and expect the group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Disclosure 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 auditor is 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 auditor is aware of that information.

Auditor

A resolution to re-appoint KPMG LLP as auditors will be proposed at the board meeting at which these financial statements are approved.

Melvyn Garrett
Director

LiveWest Treasury PLC
1 Wellington Way, Skypark, Clyst Honiton, Exeter, EX5 2FZ
Company number: 06392963

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIVEWEST TREASURY PLC

1 Our opinion is unmodified

We have audited the financial statements of LiveWest Treasury Plc ("the Company") for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its result for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matter was the recoverability of long term debtors (unchanged from 2020):

Recoverability of Long-Term Debtors

Long Term Debtors (amounts falling due in more than one year) £604m (2020: £403m)

Refer to page 19 (accounting policy) and page 23 (financial disclosures)

<u>The risk – low risk high value</u>

The Company's primary activity is to issue bonds, source investor financing and on-lend to the Parent (Livewest Homes Limited). It therefore has long term liabilities which relate to the bonds issued and long-term intercompany debtors which relate to the loans provided to the Parent.

The carrying amount of the long-term intercompany debtor balance represents 98.6% of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the

Company financial statements, this is considered to be the area that had the greatest effect on our overall Company audit.

Whilst financial income and financial expenses are recognised during the loan period, the risk mainly stems from the expectation of the ability of the Parent to repay the loan.

Our response

We performed the tests below rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures included:

i. **Tests of detail:** Assessing 100% of intercompany long term debtors owed by the Parent (2020: 100%) to identify, with reference to the Parent's financial draft balance sheet, whether they have a positive net asset value and therefore coverage of the debt owed.
ii. **Assessment of Parent:** Assessing the work performed by the Group audit team, and considering the results of that work, on those net assets. This included assessment of the fair value headroom available on those net assets, and therefore the ability of the Parent to fund repayment of the receivable. We critically assessed the directors' going concern assessment, including the reasonableness of the key assumptions used by the Parent in their cash flow forecasts and the level of downside sensitivities applied using our knowledge of Covid-19 scenarios being applied by other entities.

3 Our application of materiality and an overview of the scope of our audit

LiveWest Treasury Plc is part of a Group headed by LiveWest Homes Limited. Materiality of £2.5m (2020: £2.5m), as communicated by the Group audit team, has been applied to the audit of the Company. This is lower than the materiality we otherwise have determined by reference to total assets, and represents 0.4% of the Company's total assets (2020: 0.5%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole .

Performance materiality was set at 75% (2020: 75%) of materiality for the financial statements as a whole, which equates to £1.9m (2020: £1.9m).

We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.125m (2020: £0.125m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed by a single audit team.

4 Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Company's available financial resources over this period was:

- Recoverability of long-term debtors

We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the Directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Company's financial forecasts taking account of severe, but plausible adverse effects that could arise from this risk.

Our procedures are also inherently linked with our key audit matter in relation to the recoverability of the long term debtor; as the parent's inability to meet its obligation to the Company would result in the inability of the Company to meet its own obligations as they fall due. Consequently, our procedures noted above took into account the financial forecasts of the Parent.

We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

5 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit and risk committee and internal audit as to the Company's high-level policies and procedures to prevent and detect fraud, and the Company's channel for "whistleblowing" , as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board and audit and risk committee minutes.
- Using analytical procedures to identify any usual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company does not generate revenue as part of its core activities.

We did not identify any additional fraud risks.

We performed procedures including the identification of journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards) and from inspection of the Company's regulatory and legal correspondence; and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6 We have nothing to report on the strategic report and the directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report 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 those reports;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

7 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

8 Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing

the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have 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.

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Harry Mears (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Regus, 4th Floor
Salt Quay House
6 North East Quay
Plymouth
PL4 0HP

13 August 2021

LiveWest Treasury PLC
Company No: 6392963

Statement of Comprehensive Income
for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Turnover		**80**	74
Operating Expenditure		**(77)**	(71)
Operating profit	3	**3**	3
Interest receivable and other income	7	**30,802**	13,759
Interest payable and similar charges	8	**(30,802)**	(13,759)
Profit on ordinary activities before taxation		**3**	3
Taxation		**-**	-
Profit on ordinary activities for the year		**3**	3
Other comprehensive income			
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3**	3

The notes on pages 17 to 26 are an integral part of these financial statements.

These financial statements were approved by the Board on 4 August 2021 and were signed on its behalf by:

Melvyn Garrett
Director

Andrew Hart
Director

LiveWest Treasury PLC
Company No: 6392963

Statement of Financial Position
as at 31 March 2021

	Note	**2021**	2020
		£000	£000
Current assets			
Debtors: Amounts falling due within one year	10	9,743	5,288
Debtors: Amounts falling due after more than one year	10	699,560	499,181
Cash at bank		12	12
Less: Creditors: amounts falling due within one year	11	(39,743)	(5,288)
Total assets less current liabilities		**669,572**	499,193
Creditors			
amounts falling due after more than one year	12	**(669,560)**	(499,181)
Net assets		12	12
Reserves			
Called up share capital	13	**12**	12
Cashflow hedge reserve		**-**	-
Revenue reserves		**-**	-
Total Reserves		**12**	12

The notes on pages 17 to 26 are an integral part of these financial statements.

LiveWest Treasury Ltd
Company No: 6392963

Statement of Changes in Equity
for the year ended 31 March 2021

2020	Called-up Share Capital £000	Retained Earnings £000	Total £000
Balance as at 1 April 2019	12	-	12
Profit for the year	-	3	3
Gift Aid payment	-	(3)	(3)
At 31 March 2020	12	-	12

2021	**Called-up Share Capital £000**	**Retained Earnings £000**	**Total £000**
Balance as at 1 April 2020	**12**	**-**	**12**
Issue of Share Capital	**-**	**-**	**-**
Profit for the year	**-**	**3**	**3**
Gift Aid payment	**-**	**(3)**	**(3)**
At 31 March 2021	**12**	**-**	**12**

The notes on pages 17 to 26 are an integral part of these financial statements.

1 Principal accounting policies

Basis of accounting

The financial statements have been prepared in compliance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102") and the Companies Act 2006. A summary of all material accounting policies, which have been consistently applied, are set out below:

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention.

(b) Disclosure exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. The Company is included in the consolidated financial statements of LiveWest Homes Limited. Note 1 provides details of where those consolidated financial statement may be obtained from.

In preparing the financial statements, the Company has taken advantage of the following exemptions:

- from disclosing key management personnel compensation, as required by paragraph 7 of Section 33 Related Party Disclosures;
- from presenting a statement of cash flows, as required by Section 7 Statement of Cash Flows;
- from presenting a reconciliation of the number of shares outstanding at the beginning and end of the year, as required by paragraph 12 of Section 4 Statement of Financial Position; and
- on the basis that equivalent disclosures are given in the consolidated financial statements, the Company has also taken advantage of the exemption not to provide certain disclosures as required by Section 11 Basic Financial Instruments and Section 12 Other Financial Instrument Issues.

Measurement convention
The financial statements are prepared on the historical cost basis.

(c) Going concern
The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts covering a period of at least 12 months from the date of approval of these financial statements (the going concern period) which indicate that, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

In order to settle its own financial obligations and meet the compliance requirements of its external borrowings the Company is dependent on the parent entity, LiveWest Homes Ltd generating sufficient cashflows to settle the payments of principal and interest on the onward loan of the funding which the Company raised. Those forecasts are dependent on LiveWest

Homes Ltd having adequate resources to continue in business over the going concern assessment period.

In making this assessment the directors have considered the potential impact of the emergence and spread of COVID-19 on the Group's business plan. As well as considering the impact of a number of scenarios on the business plan the Group also adopted a stress-testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure. Following the outbreak of Covid-19 the Group has undertaken a series of further scenario testing including severe but plausible downsides in the worst-case assessment.

The directors, after reviewing the group and company budgets for 2021/22 and the group's medium-term financial position as detailed in the 30-year business plan, including changes arising from the Covid-19 pandemic, are of the opinion that, taking account of severe but plausible downsides, the company will have sufficient funds to meet its liabilities as they fall due over the going concern period. In reaching this conclusion, the directors have considered the following factors:

- the property market – budget and business plan scenarios have taken account of delays in handovers, lower numbers of property sales and reductions in sales values
- maintenance costs – budget and business plan scenarios have been modelled to take account of cost increases and delays in maintenance expenditure, with major works being phased into future years
- decarbonisation costs – budget and business plan scenarios have been modelled to take account of the need for properties to achieve EPC C by 2028 and for the group to become net carbon-neutral by 2050
- rent and service charge receivable – arrears and bad debts have been modelled above historic levels to allow for customer difficulties in making payments. Budget and business plan scenarios have been developed to take account of potential future reductions in rent received
- liquidity – current available facilities of £426m and £41m of available cash which gives significant headroom for any cash flows that arise
- the group's ability to withstand other adverse scenarios such as a deflationary environment, higher interest rates and number of void properties.

The directors believe the group has sufficient funding in place and expect the group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

(d) Basic financial instruments

Trade and other debtors

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.

A financial asset not carried at fair value through profit or loss 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.

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.

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.

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.

(e) 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 profit or loss except 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 profit or loss. 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 profit or loss.

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.

(f) Segmental Information

The Company has one class of business from which it derives its income, being to provide funding to its immediate parent company, LiveWest Homes Limited. All interest, income, expenditure and net assets are derived from UK operation.

(g) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

(h) Bond issue costs

The Company has a contractual agreement in place with LiveWest Homes Limited whereby LiveWest Homes Limited will meet any costs associated with issuing bonds. Issue costs are therefore not recognised as a deduction to the carrying amount of the debt financial instruments where they are not incurred by the Company.

(i) Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes Management fee on the provision of services to LiveWest Homes Limited.

2. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In applying the Company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

Key sources of estimation uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Market value of derivatives

The Mark to Market (MTM) valuation of derivatives is sensitive to changes in interest rates and future rate assumptions. These are reassessed annually and amended to reflect current assumptions.

Recoverability of loans to other group entities

The company makes an assessment on the recoverability of loans to the parent, LiveWest Homes. The management considers factors including the going concern status of the parent, its credit rating and its credit and liquidity risks.

3. Operating Profit

	2021	2020
	£	£
The operating profit is stated after charging:		
Auditors' remuneration:		
- audit of these financial statements	9,000	4,500
- other services	-	-

4. Renumeration of directors

The company did not remunerate any directors directly during the year (2020 £nil). The directors of LiveWest Treasury PLC were employed and remunerated by LiveWest Homes Limited. Costs of £31,688 (20120 £31,706) attributable to their services to Livewest Treasury PLC were charged to the company as an administration fee.

5. Employees

The company does not employ any staff directly (2020: £nil). All staff acting on behalf of the Company are employed by LiveWest Homes Limited and costs of £24,920 (2020: £24,246) were charged to the company as an administration fee.

Notes to the financial statements
for the year ended 31 March 2021

6. Gift Aid Payment

	2021 £000	2020 £000
The aggregate amount of Gift Aid payments compromises:		
Gift Aid approved by written resolution of the shareholder	3	3

7. Interest Receivable and Similar Income

	2021 £000	2020 £000
Interest receivable from Group undertakings	30,802	13,759
	30,802	**13,759**

8. Interest Payable

	2021 £000	2020 £000
Interest Payable	30,802	13,759
	30,802	**13,759**

9. Taxation

	2021 £	2020 £
Current tax:		
	-	-
Total tax per income statement	**-**	-
Profit for the period	**2,829**	2,798
Tax on profit at standard UK tax rate of 19% (2020 19%)	538	532
Effects of:		
Qualifying charitable donation	(538)	(532)
	-	-

10. Debtors

	2021	2020
	£000	£000
Amounts falling due within one year		
Amounts owed by group companies	**7,171**	1,786
Intra-group loans	**2,572**	3,502
	9,743	5,288
Amounts falling due after more than one year		
Investments	**30,000**	-
FV Swap Assets	**65,715**	96,581
Intra-group loans	**603,846**	402,600
	699,560	499,181
	709,304	504,469

Investments greater than one year is £30,000,000 posted as security against MTM movements on derivative instruments. All amounts owed by group companies are non-interest bearing. Repayment of the on-lent funds in line with the terms of the underlying agreement between LiveWest Treasury PLC and LiveWest Homes Limited. The terms of the on-lending agreement underlying the intra-group debtor mirror those of the Company's liability shown under Creditors (note 12).

11. Creditors: amounts falling due within one year

	2021	2020
	£000	£000
Bank loans and Capital Markets Issues	**2,572**	3,502
Interest Payable	**7,159**	1,775
Accruals and deferred income	**12**	11
Amounts owed to group companies	**30,000**	-
	39,743	5,288

Amounts owed to group companies is the balance of £30,000,000 provided by LiveWest Homes Limited which has been posted as security against MTM movements on derivative instruments by LiveWest Treasury PLC.

12. Creditors: amounts falling due after more than one year

	2021	2020
	£000	£000
FV Swap Liabilities	**65,715**	96,581
Bank loans and Capital Market Issues	**603,846**	402,600
	669,560	499,181

Bank Loans and Capital Market Issues total includes fully secured capital market debt of £500,000,000 repayable in between 2043 and 2056 and FV adjustments £13,568,362 on these issues. The remaining £92,850,000 are bank loans which are fully secured at variable interest rates, the final instalment of which is due FY2039.

LiveWest Treasury PLC can on-lend all of its proceeds from bank finance and capital market transactions to its immediate parent company, LiveWest Homes Limited. The underlying assets relating to this issuance therefore belong to LiveWest Homes Limited which are held through a security trust arrangement with the Prudential Trustee Company Limited.

The drawn down elements of Loans and Bonds are secured by fixed charges over property security of LiveWest Homes Limited at their Market Value as defined by VS 3.2 of the RICS Valuation – Professional Standards 2012.

All of LiveWest Treasury PLC’s costs relating to providing funding services were met by LiveWest Homes Limited.

All of the Company’s financing proceeds will be available to be on-lent to LiveWest Homes Limited, which represents the only credit risk to the Company. This credit risk is mitigated through a number of factors, including the housing asset security which stands behind the loan, the overall RSH assessment of the Group’s financial viability and the contractual protection of the loan agreement between the Company and LiveWest Homes Limited. No further qualitative disclosures about credit, liquidity and market risks are applicable.

13. Called up share capital

	2021	**2021**	2020	2020
	No.	**£**	No.	£
Allotted, issued and fully paid ordinary shares of £1	**1**	**1**	1	1
Allotted, issued and one quarter paid ordinary shares of £1	**49,999**	**12,500**	49,999	12,500
	50,000	**12,501**	50,000	12,501

14. Significance of Financial Instruments

	2021	**2020**
	£000	**£000**
Financial instruments have been classified as follows:		
<u>Financial assets</u>		
Investment measured at amortised cost	**30,000**	-
Cash flow hedges at fair value (intra group swaps)	**65,715**	96,581
Intragroup loans measured at amortised cost using effective interest method	**606,418**	406,102

Financial liabilities

Cash flow hedges at fair value (interest rate swaps)	**65,715**	96,581
Bank loans and capital market issues measured at amortised cost using effective interest method	**606,418**	406,102

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 PLC offsets these risks through exactly matching financial assets or liabilities with the parent (LiveWest Homes Limited).

Credit Risk

The group defines credit risk as *“the risk of failure by a third party to meet its contractual obligations to LiveWest Homes under an investment, borrowing, clearing bank or hedging arrangement which has a detrimental effect on LiveWest Homes’ resources and/or gives rise to credit losses”*

The group’s maximum exposure to credit risk was £511m consisting of £85m cash and £426m 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.

LiveWest Treasury PLC has exposure to credit risk to the extent the parent is unable to pay its loans.

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 £4.5m 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 PLC has corresponding financial assets or liabilities with LiveWest Homes the risk will have no impact on profit/loss 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 £0.04m additional interest charge for the group. 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 long term 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 £12,501. LiveWest Homes group holds reserve capital of £677m which is held to reduce future borrowing requirements on development spend.

15. Parent company

The company is a subsidiary of LiveWest Homes Limited which is the ultimate parent company and is registered under the Co-operative and Community Benefit Societies Act 2014 (registration number 7724). A copy of the consolidated financial statements can be obtained from the parent company at 1 Wellington Way, Skypark, Clyst Honiton, Exeter, EX5 2FZ.

16. Related Parties

The company has taken advantage of the exemption available under paragraph 33.1a of the provision of FRS102 Related Party Disclosures on the grounds it is a wholly owned subsidiary of LiveWest Homes Ltd. There are no other related party transactions to disclose.