



**THE LEASEHOLD ADVISORY SERVICE
ANNUAL REPORT AND ACCOUNTS FOR 2017-18**

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COMPANY INFORMATION

Board:

The Leasehold Advisory Service (LEASE) is governed by a Board appointed by the Secretary of State for the Ministry of Housing, Communities and Local Government (MHCLG).

Chair: Roger Southam (A)
Members: Geneviève Mariner (B)
John May (C)
Nicola Mullany (D)(E)
Steven Jackson
Victoria Elvidge (F)
Tariq Kazi (G)

(A) Resigned on 13th April 2018

(B) Term as a Board member of LEASE expired on 16th March 2018.

(C) Term as a Board member of LEASE expired on 31st July 2017.

(D) Appointed as LEASE's Senior Independent Director from 22nd March 2018.

(E) Resigned on 22nd May 2018

(F) Appointed as a member of LEASE Board from 1st August 2017.

(G) Appointed as a member of LEASE Board from 24th April 2017.

Lease Conferences Ltd is governed by a Board composed of the same members.

The Board is advised by an Audit and Risk Assurance Committee and a Remuneration Committee.

Audit and Risk Assurance Committee:

Chair: Steven Jackson (A)
Members: Geneviève Mariner
John May
Victoria Elvidge (B)
Tariq Kazi (C)
Nicola Mullany (D)

(A) Appointment as Chair of the Audit and Risk Assurance Committee ratified on 20th April 2017.

(B) Appointed as a member of the Audit and Risk Assurance Committee from 22nd March 2018.

(C) Appointed as a member of the Audit and Risk Assurance Committee from 20th July 2017.

(D) Re-appointed as reserve member of the Audit and Risk Assurance Committee from 20th July 2017, but was not required to attend any meetings.

Remuneration Committee:

Chair: Roger Southam (A)
Members: Victoria Elvidge (B)
Geneviève Mariner
John May
Nicola Mullany
Steven Jackson

(A) Until 20th September 2017

(B) Appointed as the Chair of the Remuneration Committee from 21st September 2017.

COMPANY INFORMATION

Chief Executive and Company Secretary:

Anthony Essien is Chief Executive and Company Secretary and runs both LEASE and Lease Conferences day-to-day.

Interests:

Board members' interests are registered with the Company Secretary.

Auditors: Beaver and Struthers LLP

Internal auditors Kreston Reeves LLP

Bankers: HSBC Bank plc

Website: www.lease-advice.org

Registered office: Fleetbank House, 2-6 Salisbury Square, London EC4Y 8JX
Telephone: 020 7832 2500 Fax: 020 7832 2529 Email: info@lease-advice.org

CHIEF EXECUTIVE'S STATEMENT

2017-18 saw considerable strategic change for LEASE with the winding down of all Lease Conferences Ltd's services that generated additional income to help fund free advice, and the welcome support of the English and Welsh Governments in providing all of LEASE's funding. In addition, late in the year we began providing free initial and tailored advice to support leaseholders, with fire safety enquiries regarding the ACM cladding on their buildings, to understand the terms of their leases.

Our focus is now solely on consumers, and our advisers helped English and Welsh leaseholders and park home owners in a number of ways, including answering over 22,000 of their enquiries through our helpline and written advice services, and assisting over one million consumers online.

The degree of leaseholder detriment highlighted in the last 12 months by Government and the All-Party Parliamentary Group on Leasehold Reform has influenced a marked change in policy approach. That change indicates a future policy that looks beyond technical changes of leasehold law. Instead, wider and more systemic change is anticipated, including making our system of redress in housing consumer-driven, regulating the management sector, improving the homebuying process and reinvigorating the alternative to leasehold: Commonhold.

As I write, the outcome of the Government's review of advice and support in the leasehold sector is imminent. LEASE looks forward to playing a role in supporting the priorities that the report will produce to ensure that the needs of consumers are met in the evolving legislative and regulatory environment. We take great heart in supporting these efforts as a low-cost organisation, with costs of 89 pence for each of our customer contacts in 2017-18, and with over one million such contacts in the period.

LEASE supports the reform agenda, and our submissions to the unprecedented number of consultations during the year bear testament to that. Our Board and staff will continue that focus in the year ahead as we respond to the changes in the environment; and I thank both for their tireless efforts to serve our customers in the last 12 months.

Anthony Essien
31 May 2018

WHO WE ARE AND WHAT WE DO

Who we are

LEASE is an Executive Non-Departmental Public Body (NDPB) whose principal sponsor is the Ministry for Housing, Communities and Local Government (MHCLG). The Welsh Government (WG) also provides grant funding.

LEASE works at 'arm's length' from government as an independent organisation. LEASE owns a subsidiary, Lease Conferences Limited, which provides conferences and training and some advertising opportunities, primarily to leasehold professionals.

What we do

We help leaseholders and park home owners in England and Wales on residential leasehold and park home issues by providing free initial legal advice and information.

THE WOW! AWARDS

In addition to our regular survey requests for feedback about the service, we introduced the Wow! Awards during 2016-17. This is a tool to make it easy for our customers to tell us when we have delivered great service for them, and then to help us give positive recognition to our staff that are delivering that great service.

Here are some examples:

- Mr. J writes: *'(Simon) I felt (he) really understood I was struggling with a very stressful situation regarding my lease. With that in mind Simon tried to cover every possible angle with which I could try to resolve the matter. He spoke in a calm and reassuring manner. I am hoping things can be resolved by me following Simon's advice.'*
- Ms. L writes: *'(Ibraheem) I would absolutely 100% like to nominate the following person for the Wow Awards as I feel he certainly deserves an award for being so funny and giving me a huge smile today. Speaking with (him) is an absolute pleasure, shame it's only for 15mins. He puts you at ease as soon as your call with him starts. He is the funniest Solicitor I have ever spoken to, such a fantastic sense of humor. He makes it easy to ask questions when you're calling with worrying situations. He's helpful, informative, both professional and polite. You don't feel rushed, you feel he genuinely wants to help; he even took time to make sure I received useful information by email before we finished the call. An absolute asset to the very helpful, much appreciated Leasehold Advisory Service. Thank you and good luck Ibraheem.'*
- Mr. F writes: *'(Tamika) she was attentive, calm and professional but put me at ease from the onset and although I had only 15 minutes, she didn't rush me and covered all my points. That's hard to do with only 15 minutes available and the caller (me) is trying to splurt everything out at once. She dealt with each issue calmly and efficiently and answered all queries. The most positive experience I have had with your service'*
- Ms M writes: *'(Alero) was excellent. She was knowledgeable, efficient, and fully conversant with the subject matter. Brilliant service! She was and is a real credit to the team. Thank you very much.'*

PERFORMANCE

1 Our customers

1.1 Online customers

Our website continues to be key to assisting as many leaseholders and park home owners as we can. Work done during the year on search engine optimisation has meant that we rank highly in leading search engines for organic searches for 'leasehold' and similar.

Overall, we helped over 1 million individual customers in England and Wales who conducted more than 1.5 million visits to the website. This is growth of 14% and 10% respectively over 2016-17, and indicates that more customers are using this convenient channel to seek answers to their leasehold and park homes queries.

1.2 Customers via other channels

Over 16,000 customers from England and Wales raised more than 22,000 leasehold and park homes enquiries with us via our traditional helpline and written advice channels. In addition, almost 1,200 customers attended the 40 leasehold and park home events we held during the year.

Three advice surgery and local event sessions, the London First Time Buyer Show, the Share to Buy Home Show and the Ideal Home Show, saw us look to engage directly with prospective purchasers to inform them about the implications of being a leaseholder.



Our advisers Anna Sanz and Dona Awano at the First Time Buyer Show in Stratford, London



Kevan Jones MP with our advisers Anna Sanz and Kavita Bharti at an advice surgery in Chester-Le-Street

We were pleased to be able to assist the following Members of Parliament with matters raised by their constituents during the year: Ronnie Campbell, Rosie Cooper, Damien Moore, Barry Gardiner, Rachael Maskell, Karen Buck and Kevan Jones.

To assist leaseholders in buildings with Aluminium Composite Material cladding, MHCLG provided additional funding to LEASE. The new service has at its core advice tailored to support leaseholders to understand the terms of their leases, but also includes advice surgery and local events; and a dedicated webpage.

Our achievements over the last 12 months are set out in Annex A; and detailed result of services and customer feedback via our varied channels is set out in [Annex B](#).

PERFORMANCE

1.3 Wales

Our Welsh customers used our online services in numbers similar to those of 2016-17 with over 20,000 unique users making almost 29,000 visits to our dedicated Welsh pages. We also addressed almost 450 enquiries by telephone and written advice.

We were pleased to be able to assist leaseholders with advice surgeries and local events in Cardiff, Merthyr Tydfil, Barry and Ewloe. Fifty leaseholders attended these events; and our service also assisted members of Community Housing Cymru's (CHC) Leaseholder Network. In addition, we were able to provide written advice to Lynne Neagle AM.

To further assist best practice as regards major works, we published a self-assessment checklist based on the award winning Major Works Good practice guide we produced in partnership with the Welsh Government, Welsh Local Government Association and CHC in 2016-17.

Detailed results of services in Wales is set out in [Annex B](#).

1.4 Park Homes

Park home owners in England, like our leasehold customers, continued to use our online services in greater numbers. We saw almost 39,000 visits from over 29,000 users during the year. Our helpline and written advice service addressed almost 1,600 enquiries.

1.5 Working with others

- During the year we were able to support the English Government's leasehold reform agenda through:
 - Participating in MHCLG's Section 20 Technical Group;
 - Charing the Occupation and Maintenance working group feeding into the Independent Review of Building Regulations and Fire Safety;
 - Submitting responses to consultations and calls for evidence by MHCLG; and
 - Revised our online guidance on Commonhold.
- LEASE supported the development of leasehold policy for Londoners under the Mayor of London's Housing Strategy by participating in the Mayor's workshop on leasehold issues.
- LEASE assisted the general and property media on leasehold issues by:
 - Appearances on BBC Radio's 'You and Yours' to discuss leasehold issues.
 - Contributing to articles in the Daily Express and Daily Telegraph addressing leasehold queries from readers; and
 - Participating in a Q&A on the ground rent problem published in the *Estates Gazette* (see [Annex C](#))
- LEASE supported the improvements in best practice amongst leasehold professionals through speaking engagements for the National Leasehold Group and the Association of Retirement Housing Managers.

2 Quality of service

2.1 Customer complaints and compliments

Five complaints were received during the year and 110 compliments.

PERFORMANCE

2.2 Performance and outcome ratings

Our surveys by channel continued in 2017-18 and the results are set out in [Annex B](#).

3 Where our leasehold and park homes customers come from and what they ask us

Enquiries are raised with LEASE by customers from across England and Wales. Regional statistics are set out in [Annex B](#).



L E A S E

THE LEASEHOLD
ADVISORY SERVICE

(A company limited by guarantee)

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

COMPANY INFORMATION

DIRECTORS

Mr S Jackson
Ms G Mariner (resigned 13 March 2018)
Mr J May (resigned 31 July 2017)
Ms N Mullany (resigned 22 May 2018)
Mr R Southam (resigned 13 April 2018)
Mr T Kazi (appointed 24 April 2017)
Mrs V T Elvidge (appointed 1 August 2017)

COMPANY SECRETARY

Mr A Essien (Chief Executive and Accounting Officer)

REGISTERED NUMBER

03296985

REGISTERED OFFICE

Fleetbank House
2-6 Salisbury Square
London
EC4Y 8JX

INDEPENDENT AUDITOR

Beever and Struthers
Chartered Accountants & Statutory Auditors
15 Bunhill Row
London
EC1Y 8LP

INTERNAL AUDITOR

Kreston Reeves LLP
Third Floor
24 Chiswell Street
London
EC1Y 4YX

ACCOUNTANTS

MHA MacIntyre Hudson
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 MARCH 2018

The Leasehold Advisory Service (LEASE) is a company limited by guarantee registered at Companies House and an Executive non-departmental public body (NDPB). Funding is substantially by the Government, principally from the Ministry for Housing, Communities and Local Government (MHCLG), formerly the Department for Communities and Local Government (DCLG), supplemented by lesser amounts from the Welsh Government (WG). Application for payment of grant-in-aid is submitted on a quarterly basis and is monitored by MHCLG and WG.

LEASE has no loans or contracts, other than the Memorandum of Terms of Occupation for its office premises held from the Department for Business, Energy and Industrial Strategy and minor leasing arrangements and maintenance contracts for office equipment, and there are no capital assets other than office, IT equipment and property improvements. LEASE has one subsidiary which is principally involved in arranging conferences, training courses and ancillary commercial activities for leasehold and park home professionals and resident management companies. The results of the subsidiary for the year are included in these consolidated financial statements. The financial statements on the following pages have been prepared in accordance with the Companies Act 2006 and the accounts direction given by the Secretary of State. The auditors appointed by the Board are Beaver and Struthers.

All profits generated by LEASE's subsidiary, Lease Conferences Limited, which provides training, conferences and other commercial activities, for leasehold and park home professionals and resident management companies, is used to support the free advice service provided by LEASE.

Remuneration Report

Board Members are appointed by the Secretary of State in accordance with the relevant governing documents and guidance issued by the Office of the Commissioner for Public Appointments. The Board Members and Chief Executive are listed on the Company Information page. Board Members have corporate responsibility for ensuring that LEASE fulfils its aims and objectives and complies with any statutory or administrative requirements for the use of public funds.

The Board meets seven times a year, with the sponsoring officer at MHCLG invited as an observer and to comment on Departmental issues and requirements. The Audit and Risk Assurance Committee, comprising three members of the Board, meets on a similar cycle. A Remuneration Committee has been established and it meets annually. The Board is governed by the Code of Conduct agreed with the principal funding Department.

Under NDPB operational arrangements Board Members appointed by the Secretary of State are able to claim remuneration to a level set by the MHCLG. Total remuneration paid for the year was £18,871 (2017 - £19,804). At the year end there were a total of 25 members of staff. The average number of staff during the year was 25.

The salaries for senior managers, as defined by the accounts direction issued by the Department, are set out below:

	2018	2017
Mr A Essien	£70,000-£75,000	£70,000-£75,000
The fees for Directors who served in the year are set out below:		
Ms G Mariner	–	£0-£2,500
Mr J May	£0-£5,000	£0-£2,500
Miss N Mullany	£0-£5,000	£1,500-£4,000
Mr S Jackson	£0-£5,000	£2,500-£5,000
Mr R Southam*	£5,000-£10,000	£7,500-£16,000
Mrs VT Elvidge	£0-£5,000	–
Mr T Kazi	–	–

* The actual remuneration for Mr R Southam in 2018 was £9,670 (2017: £9,184).

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 MARCH 2018 *(continued)*

A budget is agreed by the Board at the beginning of each financial year. There are systems of control in place relating to expenditure and financial viability and third party liabilities.

Over 68% of LEASE's expenditure is salaries; the remaining expenditure is authorised by the Accounting Officer and another senior manager. The organisation has a system in place requiring expenditure above a set level to be authorised by a Board member. This level is not disclosed for probity and anti-fraud reasons. There is no other delegation of authority for expenditure.

The annual grant-in-aid is paid quarterly, in advance for GiA and in arrears for WG. Quarterly expenditure is scrutinised by the Board and, separately, by MHCLG, as the basis for the application for the payment of the grant in respect of the following quarter. The financial statements are audited annually in accordance with company legislation and approved by the Board.

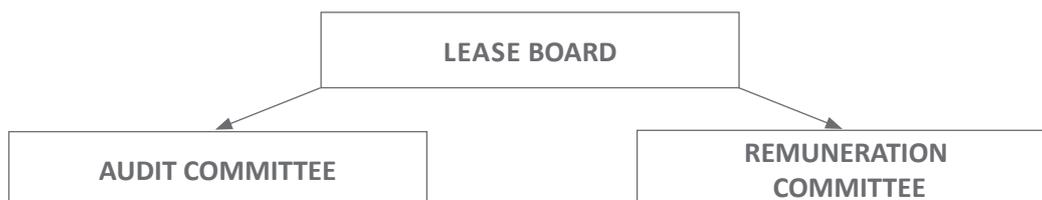
For this spending review, indicative grant-in-aid has been set out by MHCLG for the next three years. Externally, liability is limited to potential action by users of LEASE in terms of damages alleged to have been incurred as a direct result of defective advice provided. The company maintains professional indemnity insurance. There is a user complaint policy and procedure in place accessible on the LEASE website.

Director: Steven Jackson

Date: 31 May 2018

Governance Statement of the Leasehold Advisory Service

Governance in the Leasehold Advisory Service and its associated company, Lease Conferences Limited, is the responsibility of the Board, which currently comprises six non-Executive Directors, including the Chair. As Chief Executive, I also act as the Accounting Officer, and I have personal responsibility for maintaining a sound system of internal control that supports the achievement of LEASE's policies, aims and objectives, whilst safeguarding the public funds and departmental assets, in accordance with the responsibilities assigned to me in *Managing Public Money*.



Governance Framework

LEASE is a non-departmental public body (NDPB) which is accountable to the Ministry of Housing, Communities and Local Government (MHCLG) for the use of resources and performance. The relationship is set out in a Management Statement and Financial Memorandum that operate as framework documents and quarterly meetings attended by LEASE and MHCLG officials are held to review performance, risks and the use of financial and other resources. To assist in the provision of assurance, internal audit was implemented during 2017-18 and the Board approved a governance and delegation of authority framework, anti-fraud and publication policies.

The current Chairman (who resigned on 13 April 2018) was appointed by the Secretary of State for Communities and Local Government, for a five-year term of office in January 2015. The other members of the Board were appointed through open competition with four appointed for three-year terms and two on four-year terms. All Directors are required to complete a register of interests.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 MARCH 2018 *(continued)*

The Board's responsibilities are to provide leadership and strategic direction and supervise the overall management of LEASE activities.

The Board has two sub-committees:

- Audit and Risk Committee (ARC), with three non-executive members, which reviews the completeness, reliability and integrity of the assurance framework and advises the Accounting Officer and the Board. The Accounting Officer, other members of LEASE staff and representatives of MHCLG attend all meetings of the Committee; and
- Remuneration Committee (RemCo), with five non-executive members, which determines pay and related matters, reviews performance appraisal frameworks and assists in the recruitment of senior staff.

The Board meets at least six times a year, and the attendance records for the Directors for the year ending 31 March 2018, including for the strategy days, are set out below:

Name	Board meeting	ARC	RemCo
Steven Jackson (A)	8/8	6/6	2/2
Genevieve Mariner (B)	5/8	4/6	1/2
John May (C)	3/8	1/6	1/2
Nicola Mullany (D)(E)	7/8	–	1/2
Roger Southam	8/8	–	2/2
Victoria Elvidge (F)(G)(H)	6/8	–	1/2
Tariq Kazi (I)(J)	6/8	5/6	2/2

(A) Appointment as Chair of the Audit and Risk Assurance Committee ratified on 20th April 2017.

(B) Term as a board member of LEASE expired on 16th March 2018.

(C) Term as a board member of LEASE expired on 31st July 2017.

[D] Appointed as LEASE's Senior Independent Director from 22nd March 2018.

(E) Re-appointed as reserve member of the Audit and Risk Assurance Committee from 20th July 2017, but was not required to attend any meetings.

(F) Appointed as a member of LEASE Board from 1st August 2017.

(G) Appointed as the Chair of the Remuneration Committee from 21st September 2017.

(H) Appointed as a member of the Audit and Risk Assurance Committee from 22nd March 2018.

(I) Appointed as a member of LEASE Board from 24th April 2017.

(J) Appointed as a member of the Audit and Risk Assurance Committee from 20th July 2017.

In meeting its responsibilities for 2017-18, the Board has overseen the development of a business plan and budget for the organisation and, through management reports and Board papers, monitored performance towards the achievement of both the plan and budget. With the support of the ARC, it ensured that appropriate controls were in place and supported the Accounting Officer to achieve this.

Interim business plan has been approved by the Board for the first quarter of 2018-19. This is intended to act as a bridge whilst MHCLG completes its review of advice and support to leaseholders in England. Thus, the preparation of full corporate and business plans for 2018-21 will follow the completion of MHCLG's review.

Assurance

ARC is responsible for reviewing and providing assurance to the Board on LEASE's internal controls, risk management systems, integrity of financial statements and for oversight of external audit. The Chief Executive and Head of Office Services attend the Committee's meetings. The Committee met six times in 2017/18.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 MARCH 2018 *(continued)*

The Board relies on a number of sources of assurance that LEASE is being well-managed towards the achievement of its objectives and that appropriate controls are in place and working. These are:

- management reporting and key performance indicators, together with robust enquiry and discussion at Board meetings;
- detailed policies and operating procedures;
- regular consideration of the strategic and operational risks which LEASE and Lease Conferences Ltd face;
- advice from the ARC;
- reports from independent internal auditors; and
- external audit by independent auditors.

In its annual report to the Board, ARC stated that in respect of arrangements for financial management and identification of risk, the Committee considers that arrangements are adequate.

Risk Management

The system of internal control has been in place in LEASE for the year ended 31 March 2018 and up to the date of approval of the annual report and accounts. The LEASE Board and ARC review the risk registers for which the Accounting Officer is responsible. The risk registers identify the principal strategic and operational risks facing LEASE and its associated company Lease Conferences Ltd, and classifies them according to level of risk, potential impact and measures in place to mitigate the risk. The register is reviewed at every meeting of the ARC.

The Accounting Officer has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by the work of the auditors and the managers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors and internal auditors in their management letter and other reports respectively. He has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Board and the ARC.

An interim risk management plan has been approved by the Board for the first quarter of 2018-19. The plan will be reviewed upon the completion of MHCLG's review of advice and support to leaseholders in England.

Risk Appetite

During the year, and as part of its interim risk management plan, the Board confirmed its appetite for risk as follows in:

Financial

- There is no appetite for decisions that will have a significant negative impact on LEASE's long-term financial sustainability.

Data

- There is no appetite for non-compliance with legal, professional and regulatory requirements as regards customer data; or information and data security breaches.

Operations

- We have a low appetite for system failures.
- We have a medium appetite in terms of the operational risks associated with the implementation of change and key strategic plans.
- We have no appetite for internal fraud, collusion, theft and associated reputational risk.
- We have a low appetite for operational risks arising from failure to meet customer commitments and/or suitability of advice.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 MARCH 2018 *(continued)*

- There is considerable appetite for improvements to LEASE service delivery.
- There is considerable appetite for improved efficiency of LEASE operations

Staff

- There is no appetite for compromising LEASE staff safety and welfare.
- We have no appetite for risks arising from inadequately trained staff.
- We have a low appetite for failed internal processes.

Projects

There is considerable appetite for projects that will have an impact on customers by solving their problems and/or raising standards in residential leasehold and park homes.

Corporate governance

There is no appetite for decisions that have a significant negative impact on LEASE corporate governance.

The Board considers that satisfactory mitigation of these risks has been achieved by management through, inter alia, regular meetings with MHCLG sponsors; ongoing internal audit; implementation of policy for reporting data incidents; implementation of changes in order to comply with the General Data Protection Regulations by 25th May 2018; new telephony and servers and review of fraud assurance.

Information Security

LEASE treats its data protection obligations seriously. User information is protected via firewall and other good practice measures on LEASE's internal network, data is regularly backed up in the Cloud and in accordance with the Data Protection Act; staff and Board members are trained annually in the provisions of the Act; and a Director, Victoria Elvidge, was appointed by the Board as LEASE's Senior Information Risk Owner from 29th June 2017. No information security breaches were reported.

LEASE's system of internal control is designed to manage risk to a reasonable and proportionate level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of LEASE's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively and economically.

A Essien

Chief Executive and Accounting Officer

31 May 2018

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

The Directors present their report and the financial statements for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Group in the year was that of the provision of advice to the public on residential leasehold and park homes and arranging conferences, training courses and other commercial products for leasehold professionals.

RESULTS

The loss for the year, after taxation, amounted to £71,467 (2017 - loss £66,144).

The Group has exceptionally incurred a deficit of £71,467 during the year. This is largely a result of one-off costs and is covered by reserves especially retained for such an eventuality. The Directors' aim is to achieve a break even financial position each year while balancing resource restraints against service levels. In this regard the directors consider that the results for the year are satisfactory.

DIRECTORS

The Directors who served during the period from 1 April 2017 to the date of approval of these financial statements were as follows:

Mr S Jackson

Ms G Mariner (resigned 13 March 2018)

Mr J May (resigned 31 July 2017)

Ms N Mullany (resigned 22 May 2018)

Mr R Southam (resigned 13 April 2018)

Mr T Kazi (appointed 24 April 2017)

Mrs V T Elvidge (appointed 1 August 2017)

PRINCIPAL RISKS AND UNCERTAINTIES

The key risk to the Group is the continued funding following the up coming Spending Review as well as the revenue generated by its commercial subsidiary. This is dealt with in more detail in the Governance Statement.

FINANCIAL KEY PERFORMANCE INDICATORS

The Directors consider the level of turnover, together with the ability to achieve a break even financial result, to be the key financial performance indicator. Given the reduction in core funding otherwise referred to in this report, the Directors consider the small deficit to be a satisfactory performance given the operating environment.

OTHER KEY PERFORMANCE INDICATORS

The Directors consider the number of customers served through all channels, their range across England and Wales and the quality of services offered to be the key performance indicators. An additional indicator is the level of commercial revenue income generated from its subsidiary to provide free services to leaseholders.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Directors' Report and the consolidated 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 the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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 the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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 the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

SMALL COMPANIES NOTE

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the Board and signed on its behalf.

Director: Steven Jackson
31 May 2018

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEASE

OPINION

We have audited the financial statements of The Leasehold Advisory Service (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2018, which comprise the Group Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2018 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and the provisions available for small entities, in the circumstances set out in note 5 to the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

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

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

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEASE (continued)

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Group Strategic Report.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement on page 18, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEASE (continued)

USE OF OUR REPORT

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

Michael Tourville ACA (Senior statutory auditor)

for and on behalf of:

Beever and Struthers
Chartered Accountants & Statutory Auditors
15 Bunhill Row
London
EC1Y 8LP

Date: 31 May 2018

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

		2018	2017
	Note	£	£
TURNOVER		<u>1,359,156</u>	<u>1,418,005</u>
GROSS PROFIT		<u>1,359,156</u>	<u>1,418,005</u>
Administrative expenses		<u>(1,430,821)</u>	<u>(1,484,558)</u>
OPERATING LOSS		<u>(71,665)</u>	<u>(66,553)</u>
Interest receivable and similar income	7	<u>222</u>	<u>455</u>
LOSS BEFORE TAXATION		<u>(71,443)</u>	<u>(66,098)</u>
Tax on loss	8	<u>(24)</u>	<u>(46)</u>
LOSS FOR THE YEAR		<u><u>(71,467)</u></u>	<u><u>(66,144)</u></u>
Relating to the parent company		<u><u>(71,467)</u></u>	<u><u>(66,144)</u></u>

There was no other comprehensive income for 2018 (2017 - £Nil).

The notes on pages 28 to 39 form part of these financial statements.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

		2018		2017	
	Note	£	£	£	£
FIXED ASSETS					
Tangible assets	10		51,968		56,018
			<u>51,968</u>		<u>56,018</u>
CURRENT ASSETS					
Debtors:					
amounts falling due within one year	12	29,984		94,237	
Cash at bank and in hand	13	163,517		242,926	
		<u>193,501</u>		<u>337,163</u>	
CREDITORS:					
amounts falling due within one year	14	(80,372)		(146,956)	
NET CURRENT ASSETS			<u>113,129</u>		<u>190,207</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>165,097</u>		<u>246,225</u>
CREDITORS: amounts falling due					
after more than one year	15		<u>(35,786)</u>		<u>(45,447)</u>
NET ASSETS			<u><u>129,311</u></u>		<u><u>200,778</u></u>
CAPITAL AND RESERVES					
Other reserves	17		91,032		162,499
Profit and loss account	17		<u>38,279</u>		<u>38,279</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY			<u><u>129,311</u></u>		<u><u>200,778</u></u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime. The financial statements were approved and authorised for issue by the board and were signed on its behalf.

Director: Steven Jackson

Date: 31 May 2018

The notes on pages 28 to 39 form part of these financial statements.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Note	£	2018 £	£	2017 £
FIXED ASSETS					
Tangible assets	10		51,968		56,018
Investments	11		1		1
			51,969		56,019
CURRENT ASSETS					
Debtors:					
amounts falling due within one year	12	92,023		178,930	
Cash at bank and in hand	13	60,942		76,418	
		152,965		255,348	
CREDITORS: amounts falling due within one year	14	(78,116)		(103,421)	
NET CURRENT ASSETS			74,849		151,927
TOTAL ASSETS LESS CURRENT LIABILITIES			126,818		207,946
CREDITORS: amounts falling due after more than one year	15		(35,786)		(45,447)
NET ASSETS			91,032		162,499
CAPITAL AND RESERVES					
Other reserves	17		91,032		162,499
			91,032		162,499

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime. The financial statements were approved and authorised for issue by the board and were signed on its behalf.

Director: Steven Jackson

Date: 31 May 2018

The notes on pages 28 to 39 form part of these financial statements.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2018

	Other reserves	Profit and loss account	Attributable to Parent Company	Total Equity
	£	£	£	£
At 1 April 2017	162,499	38,279	200,778	200,778
COMPREHENSIVE INCOME FOR THE YEAR				
Loss for the year	–	(71,467)	(71,467)	(71,467)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	(71,467)	(71,467)	(71,467)
Transfer to profit and loss account	–	71,467	71,467	71,467
Transfer between other reserves	(71,467)	–	(71,467)	(71,467)
TOTAL TRANSACTIONS WITH OWNERS	(71,467)	71,467	–	–
At 31 March 2018	91,032	38,279	129,311	129,311

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2018

	Other reserves	Profit and loss account	Attributable to Parent Company	Total Equity
	£	£	£	£
At 1 April 2016	228,642	38,280	266,922	266,922
COMPREHENSIVE INCOME FOR THE YEAR				
Loss for the year	–	(66,144)	(66,144)	(66,144)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	(66,144)	(66,144)	(66,144)
Transfer from profit and loss account	–	66,143	66,143	66,143
Transfer between other reserves	(66,143)	–	(66,143)	(66,143)
TOTAL TRANSACTIONS WITH OWNERS	(66,143)	66,143	–	–
At 31 March 2017	162,499	38,279	200,778	200,778

The notes on pages 28 to 39 form part of these financial statements.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

COMPANY STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2018

	Other reserves	Profit and loss account	Total Equity
	£	£	£
At 1 April 2017	162,499	–	162,499
COMPREHENSIVE INCOME FOR THE YEAR			
Loss for the year	–	(71,467)	(71,467)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	(71,467)	(71,467)
Transfer to profit and loss account	–	71,467	71,467
Transfer between other reserves	(71,467)	–	(71,467)
TOTAL TRANSACTIONS WITH OWNERS	(71,467)	71,467	–
At 31 March 2018	<u>91,032</u>	<u>–</u>	<u>91,032</u>

COMPANY STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2017

	Other reserves	Profit and loss account	Total Equity
	£	£	£
At 1 April 2016	228,642	–	228,642
COMPREHENSIVE INCOME FOR THE YEAR			
Loss for the year	–	(66,143)	(66,143)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	(66,143)	(66,143)
Transfer from profit and loss account	–	66,143	66,143
Transfer between other reserves	(66,143)	–	(66,143)
TOTAL TRANSACTIONS WITH OWNERS	(66,143)	66,143	–
At 31 March 2017	<u>162,499</u>	<u>–</u>	<u>162,499</u>

The notes on pages 28 to 39 form part of these financial statements.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	2018 £	2017 £
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the financial year	(71,467)	(66,144)
Adjustments for:		
Depreciation of tangible assets	13,883	17,904
Interest received	(222)	(455)
Taxation charge	24	46
Decrease in debtors	64,183	4,620
(Decrease) in creditors	(76,199)	(22,970)
NET CASH GENERATED FROM OPERATING ACTIVITIES	<u>(69,798)</u>	<u>(66,999)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible fixed assets	(9,833)	–
Interest received	222	455
NET CASH FROM INVESTING ACTIVITIES	<u>(9,611)</u>	<u>455</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(79,409)	(66,544)
Cash and cash equivalents at beginning of year	<u>242,926</u>	<u>309,470</u>
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	<u><u>163,517</u></u>	<u><u>242,926</u></u>
CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:		
Cash at bank and in hand	<u><u>163,517</u></u>	<u><u>242,926</u></u>

The notes on pages 28 to 39 form part of these financial statements.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are presented in sterling which is the functional currency of the company and rounded to the nearest £.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 2).

The following principal accounting policies have been applied:

1.2 Basis of consolidation

The consolidated financial statements present the results of Company and its own subsidiaries ('the Group') as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

1.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable. Income represents grant income and amounts receivable from arranging conferences and the provision of training. Grant income is principally from the MHCLG supplemented by the lesser amount from the Welsh Government.

Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the Statement of Comprehensive Income over the expected useful lives of the assets concerned. Other grants are credited to the Statement of Comprehensive Income as the related expenditure is incurred. The unamortised deferred income relating to the government grant is £45,335 (2017 - £54,904) of which £9,549 (2017 - £9,548) is shown in creditors due within one year and the remainder shown as creditors due after one year.

1.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 *(continued)*

1. ACCOUNTING POLICIES *(continued)*

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Short term leasehold property	over the life of the lease
Fixtures and fittings	33% straight line
Computer equipment	33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

1.5 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.8 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 *(continued)*

1. ACCOUNTING POLICIES *(continued)*

interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

1.9 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.10 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid, the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

1.11 Interest income

Interest income is recognised in the income statement using the effective interest method.

1.12 Taxation

Tax is recognised in the income statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income.

2. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

There are not considered to be any significant judgments in dealing with the numerical aspects of these financial statements. However the financial statements have been prepared on the going concern basis and although this is considered appropriate in this case, matters relating to this judgment have been detailed further in the operating and financial review.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 *(continued)*

3. TURNOVER

An analysis of turnover by class of business is as follows:

	2018	2017
	£	£
Training and Conferences	27,630	310,477
Communities and Local Government	1,214,063	960,000
Release of Deferred Capital Grant	9,549	9,459
Welsh Government	20,642	50,153
Park Homes	87,272	87,916
	<u>1,359,156</u>	<u>1,418,005</u>

All turnover arose within the United Kingdom.

4. OPERATING LOSS

The operating loss is stated after charging:

	2018	2017
	£	£
Depreciation of tangible fixed assets	13,883	17,904
Fees payable to the Group's current auditor for the audit of the Group's annual financial statements (inclusive of VAT)	7,920	—
Fees payable to the Group's previous auditor for the audit of the Group's annual financial statements (inclusive of VAT)	—	9,000
Defined contribution pension cost	<u>84,128</u>	<u>75,036</u>

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 *(continued)*

5. AUDITORS' REMUNERATION

	2018	2017
	£	£
Fees payable to the Group's current auditor for the audit of the Group's annual financial statements (inclusive of VAT)	7,920	—
Fees payable to the Group's previous auditor for the audit of the Group's annual financial statements (inclusive of VAT)	—	9,000
Fees payable to the Group's current auditor (inclusive of VAT) in respect of:		
Regulatory compliance report	600	—
Corporation tax advice	900	—
Fees payable to the Group's previous auditor (inclusive of VAT) in respect of:		
Quarterly regulatory compliance reports	—	2,425
Accountancy services	—	15,860
Payroll services	—	2,520
	<u> </u>	<u> </u>

Current auditor's fees for the Company were £6,000 (inclusive of VAT). Previous auditor's fees for the Company were £6,600 (inclusive of VAT).

In common with many organisations of our size and nature we use our auditors to assist with the preparation of the financial statements, payroll services and to prepare and submit corporation tax returns to the tax authorities.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 *(continued)*

6. EMPLOYEES

Staff costs, including Directors' remuneration, were as follows:

	2018	2017
	£	£
Wages and salaries	818,744	839,601
Social security costs	78,726	87,321
Costs of defined contribution scheme	84,128	75,036
	<u>981,598</u>	<u>1,001,958</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	Group 2018 No.	Group 2017 No.	Company 2018 No.	Company 2017 No.
Chief executive	1	1	1	1
Professional advisers	18	13	18	13
Frontline support staff	4	4	4	4
Back office support staff	2	2	2	2
	<u>25</u>	<u>20</u>	<u>25</u>	<u>20</u>

7. INTEREST RECEIVABLE

	2018	2017
	£	£
Bank interest receivable	222	455
	<u>222</u>	<u>455</u>

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 *(continued)*

8. TAXATION

	2018	2017
	£	£
Corporation tax		
Current tax on profits for the year	<u>24</u>	<u>46</u>
Total current tax	<u><u>24</u></u>	<u><u>46</u></u>

Factors affecting tax charge for the year

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

	2018	2017
	£	£
Profit on ordinary activities before tax	<u>(71,443)</u>	<u>(66,098)</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	(13,574)	(15,111)
Effects of:		
Non-taxable income	<u>13,598</u>	<u>15,157</u>
Total tax charge for the year	<u><u>24</u></u>	<u><u>46</u></u>

There were no factors that may affect future tax charges.

9. PARENT COMPANY PROFIT FOR THE YEAR

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the Parent Company for the year was £71,467 (2017 - loss £66,143).

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 *(continued)*

10. TANGIBLE FIXED ASSETS

Group	Short Term Leasehold Property £	Fixtures and Fittings £	Computer Equipment £	Total £
Cost or valuation				
At 1 April 2017	168,058	60,103	92,334	320,495
Additions	—	—	9,883	9,833
At 31 March 2018	168,058	60,103	102,167	320,328
Depreciation				
At 1 April 2017	113,154	60,103	91,220	264,477
Charge for the year on owned assets	9,549	—	4,334	13,883
At 31 March 2018	122,703	60,103	95,554	278,360
Net book value				
At 31 March 2018	45,355	—	6,613	51,968
At 31 March 2017	59,904	—	1,114	50,018

The net book value of land and buildings may be further analysed as follows:

	2018 £	2017 £
Short leasehold	45,355	54,904

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 *(continued)*

10. TANGIBLE FIXED ASSETS *(continued)*

Company	Short term leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation				
At 1 April 2017	168,058	60,103	92,334	320,495
Additions	—	—	9,833	9,833
At 31 March 2018	<u>168,058</u>	<u>60,103</u>	<u>102,167</u>	<u>330,328</u>
Depreciation				
At 1 April 2017	113,154	60,103	91,220	264,477
Charge for the year on owned assets	9,549	—	4,334	13,883
At 31 March 2018	<u>122,703</u>	<u>60,103</u>	<u>95,554</u>	<u>278,360</u>
Net book value				
At 31 March 2018	<u>45,355</u>	<u>—</u>	<u>6,613</u>	<u>51,968</u>
At 31 March 2017	<u>54,904</u>	<u>—</u>	<u>1,114</u>	<u>56,018</u>

The net book value of land and building may be further analysed as follows:

	2018 £	2017 £
Short leasehold	<u>45,355</u>	54,904
	<u>45,355</u>	<u>54,904</u>

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 *(continued)*

11. FIXED ASSET INVESTMENTS

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Lease Conferences Limited	UK	Ordinary	100 %	Conferences training and other commercial services to professionals and leasehold sector

The aggregate of the share capital and reserves as at 31 March 2018 and of the profit or loss for the year ended on that date for the subsidiary undertaking was as follows:

	Aggregate of share capital and reserves
	£
Lease Conferences Limited	<u>38,280</u>

Company

	Investments in subsidiary companies
	£
Cost or valuation	
At 1 April 2017	<u>1</u>
At 31 March 2018	<u>1</u>
Net book value	
At 31 March 2018	<u>1</u>
At 31 March 2017	<u>1</u>

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 *(continued)*

12. DEBTORS

	Group 2018	Group 2017	Company 2018	Company 2017
	£	£	£	£
Trade debtors	468	34,967	468	217
Amounts owed by group undertakings	—	—	62,039	119,444
Other debtors	6,098	11,406	6,095	11,405
Prepayments and accrued income	23,418	47,864	23,421	47,864
	<u>29,984</u>	<u>94,237</u>	<u>92,023</u>	<u>178,930</u>

13. CASH AND CASH EQUIVALENTS:

	Group 2018	Group 2017	Company 2018	Company 2017
	£	£	£	£
Cash at bank and in hand	163,517	242,926	60,942	76,418
	<u>163,517</u>	<u>242,926</u>	<u>60,942</u>	<u>76,418</u>

14. CREDITORS: Amounts falling due within one year

	Group 2018	Group 2017	Company 2018	Company 2017
	£	£	£	£
Trade creditors	15,625	64,601	15,289	45,871
Taxation and social security	26,476	34,114	26,476	34,114
Accruals and deferred income	38,271	48,241	36,351	23,436
	<u>80,372</u>	<u>146,956</u>	<u>78,116</u>	<u>103,421</u>

15. CREDITORS: Amounts falling due after more than one year

	Group 2018	Group 2017	Company 2018	Company 2017
	£	£	£	£
Accruals and deferred income	35,786	45,447	35,786	45,447
	<u>35,786</u>	<u>45,447</u>	<u>35,786</u>	<u>45,447</u>

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 *(continued)*

16. FINANCIAL INSTRUMENTS

	Group 2018	Group 2017	Company 2018	Company 2017
	£	£	£	£
Financial assets				
Financial assets that are debt instruments measured at amortised cost	176,627	289,299	130,950	244,229
	<u>176,627</u>	<u>289,299</u>	<u>130,950</u>	<u>244,229</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(80,133)	(78,444)	(77,877)	(43,352)
	<u>(80,133)</u>	<u>(78,444)</u>	<u>(77,877)</u>	<u>(43,352)</u>

Financial assets measured at amortised cost comprise trade debtors, cash at bank, investments and amounts owed to group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors and accruals.

17. RESERVES

Profit and loss account

The profit and loss account represents cumulative profits and losses.

18. COMPANY STATUS

The company is a private company limited by guarantee and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding £1 towards the assets of the company in the event of liquidation.

19. PENSION COMMITMENTS

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £84,128 (2017 - £75,036). Included in other creditors are £Nil (2017 - £Nil) of pension contributions outstanding at the year end.

20. RELATED PARTY TRANSACTIONS

The Company has taken advantage of exemptions conferred by section 33 of Financial Reporting Standard 102 and has not separately disclosed transactions with its wholly owned subsidiary.

Key management is defined as employees who take an active role in the management team. In the year this included six remunerated Directors (2017 - six). The aggregate cost of key management personnel, including employers national insurance and pension contributions, was £103,124 (2017 - £93,768).

ANNEX A: ACHIEVEMENTS IN THE LAST 12 MONTHS

LEASEHOLD IN ENGLAND:

1. Our website assisted 818,241 unique users who made 1,289,616 visits during the year.
2. The telephone and written advice service continued throughout the year and we addressed 20,190 enquiries.
3. New fire safety advice service for leaseholders in ACM clad buildings went live in November 2017.
4. 30 advice surgery and local events were undertaken during the year with 825 attendees.
5. 14 articles on leasehold topics were added to the website during the year.
6. We continued to host residential leasehold decisions of the First-tier Tribunal (Property Chamber) online.

LEASEHOLD AND PARK HOMES ADVICE IN WALES:

1. Our website assisted 20,103 unique users from Wales who made 28,758 visits during the year.
2. 438 advice enquiries were received and addressed during the year, with 361 of these being leasehold enquiries.
3. Five advice surgery and local events were undertaken during the year with 50 attendees.
4. We completed a self-assessment guide on Major Works Good Practice for social landlords in Wales.

PARK HOMES ADVICE IN ENGLAND:

1. The telephone and written advice service continued throughout the year and we addressed 1,579 enquiries.
2. 10 advice surgery/local events were undertaken during the year with over 300 attendees.
3. We provided responses to government calls for evidence as follows:
 - a. Review of Park Homes Legislation: Call for Evidence, Part 1
 - b. Park Homes Call for Evidence, Part 2.
4. We have updated our database of Local Authority site licence policies to 52. We plan to update the links and expand it further as appropriate.
5. We continued to host park homes decisions of the First-tier Tribunal (Property Chamber) online.

OTHER LEASEHOLD WORK:

1. Customers saw 14 new articles on leasehold issues, ranging from high ground rents to roll over management agreements added to the website.
2. Ahead of the new law limiting the rights of a landlord to recover litigation costs from leaseholders as administration charges we:
 - a. Amended LEASE's guide on tribunal procedure; and
 - b. Links to the new and adapted tribunal forms have been put on our website.
3. We provided responses to government consultations/calls for evidence as follows:
 - a. Regulations regarding new rights for tenants' associations.
 - b. Tackling unfair practices in the leasehold market.
 - c. Recognising residents' associations, and their power to request information about tenants.
 - d. Protecting consumers in the letting and managing agent market - Call for Evidence.
 - e. Improving the home buying and selling process - Call for Evidence.
4. Rewrote our guide, *Leasehold Retirement Housing*, with the assistance the Leasehold Knowledge Partnership and the Association of Retirement Housing Managers.

ANNEX A: ACHIEVEMENTS IN THE LAST 12 MONTHS

5. Monthly publication of our newsletter continued during the year and we grew to 6,519 subscribers in 2017-18.
6. Dispute resolution:
 - a. We collaborated with the Property Redress Scheme and produced a factsheet on redress and supporting podcasts.
 - b. Under our dispute resolution collaboration with subscribing members from the National Leasehold Group (NLG) we:
 - i. Conducted a free 'early neutral evaluation' for a leaseholder in dispute with an NLG member; and
 - ii. Facilitated two free mediations for leaseholders in dispute with an NLG member.

WORKING AT LEASE:

1. More robust IT systems have been incorporated to assist staff working remotely and improve LEASE's flexible working practices.

ANNEX B: TABLES AND FIGURES

Table 1 Online customers

	2017-18	2016-17	%+/-
Unique visitors	1,000,561	875,146	14%
Visits	1,578,991	1,429,446	10%
% from outside London & the Southeast	47%	45%	2%
Booklet downloads	853,542	857,546	- 0.4%

Table 2 Customers via other channels

Channel	2017-18	2016-17	%+/-
Telephone	14,821	15,816	- 6%
Email/letter	7,267	7,577	- 4%
Personal appointment	119	158	- 25%
Total customers*	16,428	16,819	- 2%
Total enquiries	22,207	23,679	- 6%

* Totals are less than the sum of the channels as customers sometimes contact us via more than one channel. Totals are actual customer numbers.

Table 3 Examples of Wales service

	2017-18	2016-17	%+/-
Unique visitors to internet service	20,562	20,452	0.5%
Enquiries via other channels	438	409	8%

Table 4 Customer feedback

	2017-18	2016-17
Complaints	5	5
% upheld	20%	40%
Compliments	110	104

Table 5 Customer survey results by channel

Survey	2017-18	sample size	2016-17	sample size
Telephone service	4.4 out of 5.0	1,299	4.5 out of 5.0	316
Email service	4.6 out of 5.0	525	4.5 out of 5.0	499
Personal appointment	5.0 out of 5.0	13	4.8 out of 5.0	3

ANNEX B: TABLES AND FIGURES

Figure 1 Leasehold - customer distribution by region

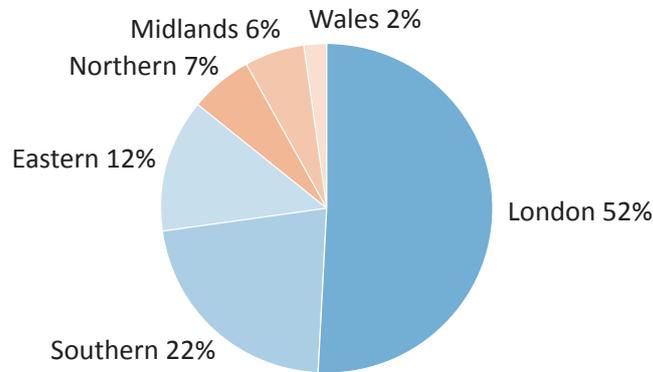


Figure 2 Leasehold - top customer enquiries

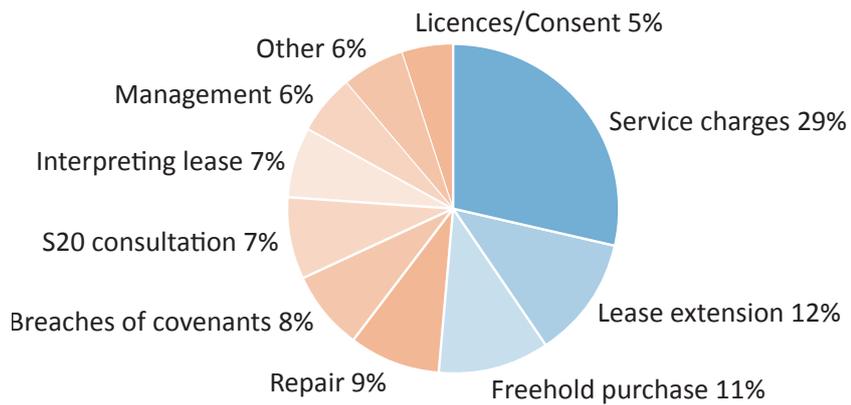
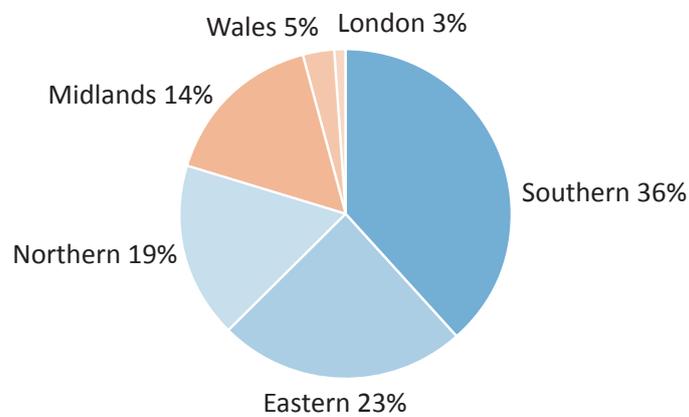
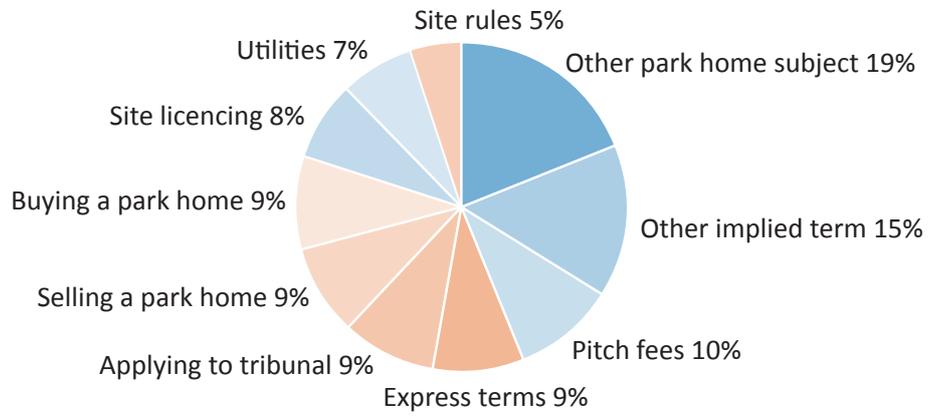


Figure 3 Park Homes - customer distribution by region



ANNEX B: TABLES AND FIGURES

Figure 4 Park Homes - top customer enquiries



GROUND RENTS | ANALYSIS

Q&A: Tory threat to new-build leaseholds

Alexander Peaco
Residential reporter

The government revealed this week that it is consulting on banning the sale of new-build homes as leasehold properties in an effort to crack down on what one commentator called "property's PFI".

The furore around the monetisation of ground rents and their increases – some in excess £10,000 pa – means the government now intends to ban them, with the DCLG's Sajid Javid saying he wants to put a stop to the "unjust" practices.

Anthony Essien, chief executive of the Leasehold Advisory Service, explains what is being proposed and what the changes mean for residential development.

What is the current furore and consultation about?

It is about consumer detriment and the detriment of new-build leaseholders particularly and their ground rents. What has happened is that ground rents have been monetised.

Why are some homes sold as leaseholds rather than freeholds?

There are a variety of reasons. In some places the practice is traditional, in other places it is because of the nature of the piece of land on which the property is built – a cathedral precinct, for example.

In other cases, as now perhaps, there is a preference for leasehold houses because of their investment potential. The Bank of England lending rate is 0.25%, but some of these yields or returns are approaching 7-8%, and therefore investors see these as making good sense.

What are the advantages to selling leasehold, not freehold?

It's hard to see anything other than the investment, or if the property is in a unique place.

What is the government proposing?

A range of things. It is asking about what to do in terms of ending new-build leasehold. And it is looking to make



DCLG secretary Sajid Javid: monetised ground rents "unjust"

TCL/DAVID JENNY/REUTERS/SHUTTERSTOCK

ground rent packages, I think these have to be reconsidered, no question about that.

How will it impact on the apartment sector, where leasehold is more commonplace?

There too, if there are escalations of ground rent, the government has made a clear proposal that its starting point would be for new leases to carry a peppercorn ground rent.

What are the options for those already sold?

That is the question that the government is asking now. It is looking for suggestions and solutions.

The government highlights that in April this year Taylor Wimpey announced a package intended ostensibly to assist those in that position. Looking at what has been said subsequently, it is not apparent that this move is necessarily satisfactory to leaseholders in that situation.

What should developers do?

They need to get as much information as they can, and see what their trade bodies have in mind.

It looks like ground rents and its monetisation for leasehold property has been highlighted as providing massive consumer detriment, and that needs addressing.

What are you recommending?

We support these changes wholeheartedly. They are about people's homes, many of them bought by first-time buyers using the HTB equity loan scheme.

Many of these people, through one reason or another, were not informed sufficiently about these ground rents and their increases. In some cases they were told they would be able to buy their freeholds, but these were then sold on without reference to them, without any right of first refusal.

This is now plainly an area of consumer detriment, like so many others in residential leasehold that need to be addressed.

changes to the Help to Buy equity loan scheme, so that it is not applicable to new-build leasehold houses any longer.

But there are other things as well: service charges on freehold houses, limits on starting rent and rent increases on a leasehold house or a leasehold flat, and a few other things just to tidy things up regarding unforeseen consequences.

But for the moment it is just a consultation?

It is indeed. But we have to remember that back in April the prime minister gave a pretty strong statement about the government's intentions regarding leasehold houses.

If I paraphrase, she said there was no realistic basis in which you should have leasehold houses on freehold land. This is a pretty strong indicator of where the government is looking to go.

Why is the government doing this?

It is about consumer detriment. There is no law that controls ground rent and how high it can go.

Although historically ground rents have been low and

increased in reasonable ways, now the starting figures and the gap between the increases are much shorter, and that has meant that many people are facing the prospect of paying substantial ground rents quite soon, which affects the sale of the property.

While the 1967 Leasehold Reform Act does provide ground rent tenants with rights to buy the freehold to their property, it means the cost of buying that freehold, which has to take into account the value of the ground rent, is pretty substantial.

Why has there been no regulation in the past?

It is hard to see why it has not been regulated. I suppose it is because the consumer detriment hasn't become apparent. These things have come to light only through the work of organisations and pressure groups and the All Party Parliamentary Group.

How will these new regulations affect housebuilders?

I am not an expert builder by any means, but if there is leasehold development in the pipeline aimed at similar sorts of

ANNEX D: ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE

1. The financial statements of the Leasehold Advisory Service (hereafter in this accounts direction referred to as 'the Company') shall give a true and fair view of the profit and loss and the cash flows for the accounting year and the state of affairs at the year end. Subject to this requirement, the financial statements shall be prepared in accordance with:
 - (a) the accounting and disclosure requirements of the Companies Act 1985;
 - (b) United Kingdom Financial Reporting Standards and Statements of Standard Accounting Practice;
 - (c) any guidance that the Treasury may issue from time to time in respect of the annual accounts of non-departmental public bodies;
 - (d) any other specific disclosure requirements of the Secretary of State;Insofar as these requirements are appropriate to the Company and are in force for the year for which the financial statements are prepared, and except where agreed otherwise with the Secretary of State or the Treasury, in which case the exception shall be described in the notes to the financial statements.
2. Schedule 1 to this direction gives clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards, and also gives any exceptions to standard Treasury requirements. Additional disclosure requirements of the Secretary of State and further explanations of Treasury requirements are set out in Schedule 2.
3. This direction shall be reproduced as an appendix to the financial statements.

SCHEDULE 1

1. The Company shall prepare an Operating and Financial Review in line with the recommendation of Reporting Statement Operating and Financial Review, to the extent that such requirements are appropriate to the Company.
- *2. The financial statements shall contain a Remuneration Report in line with the requirements of section 234B and Schedule 7A of the Companies Act 1985 and of which purpose, all members of the management board shall be taken to be additional directors.
3. The Company's profit and loss account shall be in format 1 as set out in Schedule 4 to the Companies Act 1985, adapted where necessary to suit the special nature of the Company's business. The balance sheet shall be in format 1. In the balance sheet, totals shall be struck at 'Total assets less total liabilities'.
4. Freehold land and non-leased buildings held as fixed assets shall be stated at existing use value, or, for property of a specialised nature, at depreciated replacement cost. Other non-leased fixed assets shall be stated at net current replacement costs. All valuation bases as defined by the Royal Institution of Chartered Surveyors.
5. Stocks and work in progress shall be included in the balance sheet at the lower of estimated replacement cost and estimated net realisable value.
6. Expenditure in the profit and loss shall include a notional cost of capital, at 3.5% of the average net assets during the year. This amount shall be reversed after the line showing the surplus or deficit for the year.
7. The foreword and balance sheet be signed and dated on behalf of the board of directors and by the accounting officer.

ANNEX D: ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE

SCHEDULE 2

Additional disclosure requirements:

The following information shall be disclosed in the notes to the financial statements, as a minimum, and in addition to the information required to be disclosed by paragraphs 1 and 2 of this direction.

- (a) An analysis of grants from:
 - (i) government departments
 - (ii) European Community funds
 - (iii) Other sources identified as to each source;
- (b) For grants from the Department for Communities and Local Government, the following information shall also be shown:
 - (i) the amount that the company is entitled to receive for the year
 - (ii) the amount received during the year
 - (iii) the amount released to the profit and loss account for the year
 - (iv) the amount used to acquire or improve fixed assets in the year
 - (v) movements on amounts carried forward in the balance sheetand the note should make it possible to reconcile any of the amounts in (i) to (v) above, to each of the other amounts;
- (c) An analysis of grants included as expenditure in the profit and loss account and a statement of the total value of grant commitments not yet included in the profit and loss account;
- (d) Details of employees, other than directors, showing:
 - (i) the average number of persons employed during the year, including part-time employees and secondees, analysed between appropriate categories
 - (ii) the total amount of loans to employees
 - (iii) employee costs during the year, showing separately:
 - (1) wages and salaries
 - (2) early retirement costs
 - (3) social security costs
 - (4) contributions to pension schemes
 - (5) payments for unfunded pensions
 - (6) other pension costs
- (e) An analysis of liquid resources, as defined by accounting standard FRS1 (revised).
- (f) In the note on debtors, prepayments and payments on account shall each be identified separately.
- (g)* Particulars, as required by the accounting standard on related party disclosures, of material transactions during the year and outstanding balances at the yearend (other than those arising from contract of service or of employment with the Company), between the Company and a party that, at any time during the year, was a related party. For this purpose, notwithstanding anything in the accounting standard, the following assumptions shall be made:
 - (i) transactions and balances of £5,000 and below are not material.
 - (ii) parties related to directors and key managers are as notified to the company by each individual director or key manager.

ANNEX D: ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE

- (iii) the following are related parties:
- (1) subsidiary and associate companies of the Company
 - (2) pensions funds for the benefit of employees of the Company or its subsidiary companies (although there is no requirement to disclose details of contributions to such funds)
 - (3) directors and key managers of the Company
 - (4) members of the close family of directors and key managers
 - (5) companies in which a director or key manager is a director
 - (6) partnerships and joint ventures in which a director or a key manager is a partner or venturer
 - (7) trusts, friendly societies and industrial and provident societies in which a director or a key manager is a trustee or committee member
 - (8) companies, and subsidiaries of companies, in which a director or a key manager has a controlling interest
 - (9) settlements in which a director or a key manager is a settler or beneficiary
 - (10) companies, and subsidiaries of companies, in which a member of the close family or a director or of a key manager has a controlling interest
 - (11) partnerships and joint ventures in which a member of the close family of a director or of a manager is a partner or venturer
 - (12) settlements in which a member of the close family of a director or a key manager is a settler or beneficiary
 - (13) the Department of Communities and Local Government, as the sponsor department of the Company.

For the purposes of this sub-paragraph:

- (i) A key manager means a member of the Company's management board.
 - (ii) The close family of an individual is the individual's spouse, the individual's relatives and their spouses, and relatives of the individual's spouse. For the purposes of this definition, 'spouse' includes personal partners, and 'relatives' means brothers, sisters, ancestors, lineal descendants and adopted children.
 - (iii) A controlling shareholder of a company is an individual (or an individual acting jointly with other persons by agreement) who is entitled to exercise (or control the exercise of) 30% or more of the rights to vote at general meetings of the company, or who is able to control the appointment of directors who are then able to exercise a majority of votes at board meetings of the company
- (h) A statement of losses and special payments during the year, being transactions of a type which parliament cannot be supposed to have contemplated. Disclosure shall be made of the total of losses and special payments if this exceeds £250,000, with separate disclosure and particulars of any individual amounts in excess of £250,000. Disclosure shall also be made of any loss or special payment of £250,000 and below if it is considered material in the context of the Company's operations.

**Note to paragraph 2 of Schedule 1 and paragraph 2(g) of Schedule 2: under the Data Protection Act 1998, individuals need to give their consent for some of the information in these sub-paragraphs to be disclosed. If consent is withheld, this should be stated next to the name of the individual.*