Annual Report and Financial Statements

2020

Year to 31 March 2020

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COMPANIES HOUSE

MILTON HOMES LIMITED

Company Registration No. 06037454

MILTON HOMES LIMITED

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MILTON HOMES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors	JDS Harrison MH Goldstein
Secretary	SGH Company Secretaries Limited 6th Floor 60 Gracechurch Street London EC3V 0HR
Registered office	6th Floor 60 Gracechurch Street London EC3V 0HR
Head office and principal place of business	No.1 Royal Exchange London EC3V 3DG
Auditors	BDO LLP 55 Baker Street London W1U 7EU
Legal advisers	Eversheds Sutherland 1 Callaghan Square Cardiff CF10 5BT
Valuer	Allsop LLP 8th Floor, Platform New Station Street Leeds LS1 4BJ

MILTON HOMES LIMITED

STRATEGIC REPORT

The Directors present the Strategic Report and the Directors' Report, together with the financial statements and auditors' report of Milton Homes Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2020.

Principal activities

The principal activity of the Group is to own and manage residential property acquired through home reversion plans. Whilst the Group is not currently entering into new business, it plans to maintain a significant long-term exposure to the UK residential property market as a provider of both traditional and innovative home reversion plans. The Group's subsidiaries, Living Plus Limited, Milton Homes Properties Limited and Retirement Plus Property Plans Limited, are authorised by The Financial Conduct Authority ("FCA") as home reversion plan providers and Retirement Plus Limited is authorised as an arranger and administrator of home reversion plans.

Results for the financial year

The financial statements show results for the Group for the year as follows:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Income	**3,644**	4,556
Loss before tax	**(2,602)**	(1,785)
Tax charge for the year	**(64)**	(60)
Loss for the year, attributable to equity shareholders	**(2,666)**	(1,845)

Business review and future developments

The Group has managed its business activities in the face of a fluctuating property market and extremely challenging lending conditions. In common with its peer group, the gain on revaluation of the Group's portfolio of reversionary interests in investment property dominates an assessment of current period financial performance in common with the prior financial year.

The Directors believe that the Group's strong brands, scalable infrastructure and established relationships with key intermediaries position it well to enjoy further significant growth when the company enters into new business.

Details of the principal risks and uncertainties facing the Group can be found in the Financial and Risk Review on pages 5 to 9.

Investment portfolio

When acquiring reversionary interests in investment property and equity release plan financial assets in the past, the Group endeavoured to reduce the property risk to which it is exposed by investing in higher-quality affordable housing stock and by maintaining regional diversification.

The Group's reversionary interests in investment properties and equity release plan financial assets have been acquired at a significant discount to vacant possession value at the time of acquisition. The pre-tax reversionary surplus of the Group's investment property and equity release plan financial assets portfolio (i.e. the difference between current vacant possession values and investment values determined by Allsop) as a percentage of investment value has remained virtually static at 35% or, in absolute terms, £24,142,160 (2019: £24,825,550) indicative of the level of profits to be expected from future property disposals.

The Group seeks to maintain a high-quality and well-diversified portfolio. In order to reduce portfolio risk, the Group aims to:

- minimise its exposure to adverse regional property price cycles by holding a geographically well-diversified portfolio of reversionary interests in investment property; and
- maintain a demographically well-balanced portfolio of reversionary interests so that there is a constant and smooth pattern of realisations.

Substantial interests

The Directors are aware that at the date of this report, the following shareholders held beneficial interests in ordinary shares amounting to 3% or more of the issued ordinary share capital of the company.

	No. of shares	% of issued share capital
City of London Group plc	42,092,323	100.00%

On 6 October 2017, City of London Group plc acquired 100% of the share capital of Milton Homes Limited. As part of this arrangement £11,149,168 of the deep discounted bonds payable to DV4 Limited (the Group's immediate parent undertaking at 31 December 2016), were acquired by City of London Group plc, who is now the bondholder.

Financial risk management objectives and policies

As part of the process of effective Corporate Governance, the Group conducts a process for the assessment and mitigation of risks affecting the Group, particularly those which could inhibit achievement of Group strategic objectives. In addition, risk management focuses on operational, compliance and financial objectives.

The City of London Group plc Board sets the overall risk appetite and philosophy of the Group. The City of London Group plc Board establishes the parameters for risk appetite through setting strategic direction, contributing to and ultimately approving annual business plans for the Group, and regularly reviewing and monitoring performance in relation to risk through half-yearly and ad hoc reports from the monthly Executive Committee meetings. Risk appetite is defined in both qualitative and quantitative terms and is an expression of the maximum level of residual risk that the Group is prepared to accept in order to deliver its business objectives and is regularly assessed. Monitoring exposure to risk and uncertainty is an integral part of the Group's structured management processes. The Group's activities expose it to a number of financial risks including interest rate risk, credit risk, property market risk, longevity risk and liquidity risk. Details of how these risks are monitored and mitigated can be found in the Financial and Risk Review.

The Group finances its operations and investment activity from the following sources:

a) Equity;
b) Shareholder debt;
c) External borrowings; and
d) Net proceeds from the sale of reverted properties and equity release plan assets.

Capitalisation and indebtedness

The following tables show the capitalisation and indebtedness of the Group at each year end:

	31 March 2020	31 March 2019
Capitalisation and indebtedness	**£'000**	£'000
Unguaranteed/unsecured	**23**	43
Total current debt	**23**	43
Secured	**57,087**	57,111
Unguaranteed/unsecured	**9,082**	9,681
Total non-current debt	**66,169**	66,792
Share capital and share premium	**42,225**	42,225
Merger reserves	**(4,837)**	(4,837)
Retained losses	**(35,364)**	(32,698)
Shareholders' equity	**2,024**	4,690

Net indebtedness	**31 March 2020 £'000**	31 March 2019 £'000
Cash	**339**	875
Total liquidity	**339**	875
Current financial debt	**(23)**	(43)
Net current financial funds	**316**	832
Non-current Partnership loan	**(57,087)**	(57,111)
Other non-current financial debt	**(9,082)**	(9,681)
Non-current financial indebtedness	**(66,169)**	(66,792)
Net financial indebtedness	**(65,853)**	(65,960)

Risk management

In assessing risk the Board utilises a consistent approach drawn from perceived best risk management practice which utilises a generic high-level framework and generic risk factors. This approach considers the potential impact of each risk together with the likelihood of the risk materialising at an "inherent" level, i.e. before considering any mitigating controls. The definition of these terms is as follows:

- Impact - the extent to which the risk, if it materialised, would adversely affect the Group. Factors that help define the impact rating may include financial effect, reputation impact, ability to achieve key objectives, etc.
- Likelihood - the probability of a risk materialising over a predefined time period, currently set at one year. In some cases, frequency of occurrence may be considered as well.

This assessment process results in a list of key business risks which have a high overall risk rating and, therefore, are those which most critically require controls to be implemented to manage or mitigate the underlying risks. Reassessment of key business risks is undertaken by executive management on a regular basis. The reassessment is not limited to the identified key business risks but takes into consideration both internal and external changes and includes those risks which would impact on the financial reporting process.

The Directors believe that this approach is consistent with FCA guidance for integrating and embedding risk and capital management practices and procedures.

Risk management (continued)

The following Board and executive sub-committees support the Board in the risk management process:

The Executive Committee is an executive sub-committee set up by the Managing Director to assist him in discharging his responsibilities to the Board for the running of the Group's businesses. The Executive Committee consists of the Managing Director, who is Chairman, and such other senior executives as the Managing Director chooses to appoint.

The Risk Management Committee is an executive sub-committee set up by the Managing Director to assist him in discharging his responsibilities to the Board for monitoring and managing risk throughout the Group's businesses, ensuring that the Group's risk management framework is adequate in design and operates effectively. At present the Risk Management Committee is run as part of the Executive Committee and has not been constituted as a separate committee. The Risk Management Committee recommends for approval limits, policies and procedures in respect of the effective management of all material risks, considering risks to the Group under the headings of:

a) Strategic objectives - that relate to high-level goals, aligned with and supporting the Group's mission;
b) Operational objectives - that relate to the effectiveness and efficiency of the Group's operations, including performance and profitability goals and safeguarding resources against loss;
c) Compliance objectives – that relate to adherence to the laws and regulations to which the Group is subject; and
d) Financial objectives – that pertain both to the financial status of the Group, together with that of individual operating companies, and financial reporting, including the exposure to fraudulent or erroneous public disclosure of financial information.

The principal risks that the Group seeks to manage are as follows:

a) Interest rate risk is the risk of adverse changes (effectively increases) in market interest rates and arises primarily from the mismatch between the Group's secured debt obligations and the rate it earns on its long term equity release plan financial assets and investment properties.

b) Liquidity risk is the risk that the Group is unable to meet its cash obligations as they fall due.

   The Group monitors its liquidity risk by maintaining short-term and long-term cash flow forecasts which identify significant future cash flow requirements, primarily from debt repayment schedules.

   The Group seeks to maintain facilities that ensure the Group has sufficient available funds to satisfy daily requirements and planned future acquisitions of reversionary interest in investment property and equity release plan assets.

   Partnership Life Assurance Company Limited has provided long-term funding on commercial terms.

Risk management (continued)

c) Credit risk is the risk that the Group will incur losses as a result of the failure of customers and counterparties to meet their obligations and arises from holdings of financial assets.

The Group is not subject to material levels of credit risk, as these assets revert fully to the Group on reversion.

d) Longevity risk is the risk that the Group, as a provider of equity release products, will incur financial loss because of the later-than-anticipated reversion of properties and equity release plan financial assets on account of experienced life expectancy improvements.

The Group seeks to mitigate this risk through the use of conservative mortality assumptions.

e) Property market risk is the risk that the investment value of the Group's reversionary interest in investment properties and equity release plan financial assets may experience lower than anticipated or indeed negative growth. The investment value of the Group's reversionary interest in investment properties and equity release plan financial assets is determined by changes in investment yields, actuarial assumptions regarding mortality and morbidity rates and by changes in the market value of the underlying properties.

The Group seeks to mitigate the level of property risk to which it is exposed by maintaining a portfolio that is well diversified both geographically and in terms of individual property values, and by seeking to avoid holding lower-quality property assets which are generally more adversely impacted by market downturns.

The Group's property market risk is further mitigated by the five-year floor in the Retirement Plus Property Plan which protects the Group from negative HPI in the first five years of the plan.

f) Regulatory risk is the risk arising from a failure to satisfy the Group's obligations to its regulators, primarily the FCA, or to identify the requirement for and implement revised business processes in response to changes in the regulations to which the Group is subject.

The Group utilises the services of a firm of regulatory compliance consultants to both advise on relevant changes in the regulatory environment and to ensure that the Group's operational processes and procedures are fully compliant with FCA rules, regulations and guidance and that they operate effectively.

Risk management (continued)

g) Reputation risk is the risk of damage to the Group's trading name, brands and/or corporate identity arising from perceived or actual instances of unethical or disreputable business behaviour.

The Directors recognise that the success of the Group is heavily dependent upon demonstrating and maintaining consistently high ethical standards in all business dealings and in delivering a high-quality, hassle-free service to intermediaries and customers. The Directors believe that the Group's service ethos helps engender a passion for delivering a high-quality personalised service.

h) Operational risk is the risk arising from the Group's people, processes, systems and external events.

The Group seeks to manage operational risk through the risk management framework articulated above.

Approved by the Board of Directors and signed by order of the Board

JDS Harrison
Director
9 October 2020

DIRECTORS' REPORT

Some information is not shown in the Directors' report because it is shown in the Strategic report instead.

Directors

The Directors who served the company during the year and up to the date of this report were as follows:

MH Goldstein
JDS Harrison
CR Rumsey (resigned 10 May 2019)

In terms of section 234 of the Companies Act 2006, the Directors of the Company have been granted Qualifying Third Party Indemnity Provisions by the Company, which remain in force as at the date of approving the Strategic Report and the Directors' Report.

The Directors do not recommend the payment of a dividend in respect of the period ended 31 March 2020 (2019: £nil).

Employees

Details of the number of employees and related costs can be found in note 5 to the financial statements.

Disabled persons

It is the Group's policy to give full consideration to suitable applications for employment of disabled persons. Disabled employees are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees of the Group who become disabled to continue in their employment or to be retrained for other positions in the Group.

Employee involvement

The Group is committed to involving all employees in the performance and development of the Group. Its approach to employee development offers continual challenges in the job, learning opportunities and personal development.

The Group encourages all its employees to participate fully in the business through open dialogue. Employees receive news of the Group through frequent email notices, internal notices and Board statements. The Group maintains a strong communications network and employees are encouraged, through its open-door policy, to discuss with management matters of interest to the employee and subjects affecting day-to-day operations of the Group.

Statement of Directors' responsibilities

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 the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 accounting estimates that are reasonable and prudent;
- state they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with these requirements.

Ethical Standards

The Directors and the Group are committed to high ethical standards in all their dealings. The subsidiary company, Retirement Plus Limited, as an FCA authorised arranger and administrator of home reversion plans is reliant upon its ability to build a long-term relationship of trust and high-quality service with elderly homeowners, and also with all our trusted suppliers.

In observing the FCA's high-level principle of Treating Customers Fairly, the Directors believe the delivery of appropriate advice is critical.

The Group's home reversion plans also continue to comply with the code of practice of the Equity Release Council (ERC) (formerly Safe Home Income Plans ("SHIP")). Occupants of properties held under the Group's home reversion plans have access to the Group's skilled staff who assist them with any problems associated with the maintenance of their homes.

Through its active participation in ERC and other bodies, the Group has assisted with the development of industry best practice in a changing regulatory environment. In addition, ERC has its own Reversions Complaints Board which acts independently of the FCA.

Although the equity release market is fully regulated by the FCA, homeowners contemplating an equity release plan are advised only to consider plans provided by members of ERC. Its members commit to a voluntary code which incorporates minimum product standards and other safeguards for consumers not covered by FCA regulation, including:

- a no negative equity guarantee;
- security of tenure for life;
- the ability to move home without financial penalty;
- clear presentation of plans, and
- a requirement that no plan may be taken out without the customer having first received independent legal advice.

Going concern statement

Having made appropriate enquiries and reviewing the Group's forecast cashflows, in particular regarding the ability of the Group to meet its liabilities as and when they fall due, the Directors are satisfied that the Group has adequate resources to continue its operations for the foreseeable future. The financing agreement with Partnership Life Assurance Company Limited provides cashflow stability, as interest is rolled up into the loan, and the loan and accrued interest is repayable on the disposal of each residential property. In addition, the deep discounted bonds are not repayable until December 2030, at which time the Group is expected to have generated further funds from the disposal of reverted investment properties and equity release plan assets. Furthermore, the Group's subsidiaries have confirmed in a letter that they will not demand repayment of their loans until the Group is in a position to make such a repayment, without jeopardizing the continued operations of the Group. We have assessed the impact of COVID-19. During the year the business was adversely affected by the slowdown in the housing market even before COVID-19 but did see a rise in the number of property reversions. However, the Directors believe the national spread of the portfolio and the limited number of higher value properties is a positive feature of the portfolio in these circumstances, with a positive cash flow arising from these sales. Given this, as well as the continued support from Milton Homes Properties Limited, the Directors continue to adopt the going concern basis in preparing the financial statements. The letter of support from Milton Homes Properties Limited is for a period of 13 months from the date of signing and confirms that they will support the Group financially should it be needed for cashflow purposes so as not to jeopardize the continued operations of the Group. The Directors, therefore, continue to adopt the going concern basis in preparing the financial statements.

Qualifying third party indemnity provisions for the benefit of Directors

Under the Companies (Audit, Investigations and Community Enterprise) Act 2004 (which amends the Companies Act 2006), companies are under an obligation to disclose any indemnities which are in force in favour of their directors. The current Articles of Association of the Company contain an indemnity in favour of the Directors of the Company which indemnifies them in respect of any liability incurred by them in defending any proceedings (whether civil or criminal) in which judgment is given in their favour and costs that they might incur in the execution of their duties as Directors. Copies of the relevant extract from the Articles of Association are available for inspection at the registered office of the Company during normal business hours.

Auditors

In the case of each of the persons who is a Director at the time when the Strategic Report and the Directors' Report are approved, the following apply:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Group's auditors are unaware; and
- each of the Directors has taken all the steps that a Director might reasonably be expected to have taken to be aware of all relevant audit information and to establish that the Group's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

BDO LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed by order of the Board

JDS Harrison
Director
9 October 2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MILTON HOMES LIMITED

Opinion

We have audited the financial statements of Milton Homes Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 March 2020 which comprise Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement, Company Cash Flow Statement and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 or 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.

Emphasis of matter - Valuation of interests in property portfolio

We draw attention to note 8 and note 9, which explains that as a result of the impact of the outbreak of the Novel Coronavirus (COVID-19) on the market, the Company's property valuer has advised that less certainty, and a higher degree of caution, should be attached to their valuation than would normally be the case. Our opinion is not modified in respect of this matter.

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.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and 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.

Responsibilities of Directors
As explained more fully in the Statement of Directors' Responsibilities, 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.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Orla Reilly (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
9 October 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

MILTON HOMES LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2020

	Notes	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Income			
Profit on disposal of investment property		**456**	573
Gain on cancellation of equity release plans		**240**	204
Gain on revaluation of investment properties		**1,138**	1,744
Gain on revaluation of equity release plan financial assets		**443**	538
Other income	3	**1,367**	1,497
		3,644	4,556
Administrative expenses		**(1,383)**	(1,314)
Operating profit	4	**2,261**	3,242
Finance expense	6	**(4,863)**	(5,027)
Loss before tax		**(2,602)**	(1,785)
Tax charge for the year	7	**(64)**	(60)
Total comprehensive loss for the financial year, attributable to equity shareholders		**(2,666)**	(1,845)

All activities arise from continuing activities. The Group has no other comprehensive income other than the losses and profits above, for the year ended 31 March 2020 (2019: £nil).

MILTON HOMES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2020

	Share capital	Share premium reserve	Capital reserve	Merger reserves	Accumulated losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2019	42,092	133	-	(4,837)	(32,698)	4,690
Total comprehensive loss for the year	-	-	-	-	(2,666)	(2,666)
As at 31 March 2020	**42,092**	**133**	**-**	**(4,837)**	**(35,364)**	**2,024**
As at 1 April 2018	42,092	133	-	(4,837)	(30,853)	6,535
Total comprehensive loss for the year	-	-	-	-	(1,845)	(1,845)
As at 31 March 2019	**42,092**	**133**	**-**	**(4,837)**	**(32,698)**	**4,690**

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2020

	Share capital £'000	Share premium reserve £'000	Capital reserve £'000	Other reserves £'000	Accumulated losses £'000	Total £'000
At 1 April 2019	42,092	133	-	-	(41,585)	640
Total comprehensive loss for the year	-	-	-	-	(3,385)	(3,385)
At 31 March 2020	**42,092**	**133**	**-**	**-**	**(44,970)**	**(2,745)**
At 1 April 2018	42,092	133	-	-	(38,329)	3,896
Total comprehensive loss for the year	-	-	-	-	(3,256)	(3,256)
At 31 March 2019	**42,092**	**133**	**-**	**-**	**(41,585)**	**640**

MILTON HOMES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 March 2020

Company Registration No. 06037454 (England and Wales)

	Notes	31 March 2020 £'000	31 March 2019 £'000
ASSETS			
Non-current assets			
Investment properties	8	**33,504**	35,397
Investment properties – held for sale	8	**5,105**	5,643
Financial assets – equity release plans	9	**27,987**	28,459
Financial assets – equity release plans held for sale	9	**2,356**	2,026
Plant and equipment	11	**1**	2
		68,953	71,527
Current assets			
Trade and other receivables	12	**23**	117
Cash and cash equivalents		**339**	875
		362	992
Total assets		**69,315**	72,519
LIABILITIES			
Current liabilities			
Trade and other payables	13	**(1,099)**	(994)
Interest-bearing loans and borrowings	14	**(23)**	(43)
		(1,122)	(1,037)
Non-current liabilities			
Interest-bearing loans and borrowings	14	**(66,169)**	(66,792)
		(66,169)	(66,792)
Total liabilities		**(67,291)**	(67,829)
Total net assets		**2,024**	4,690
EQUITY			
Share capital	16	**42,092**	42,092
Share premium reserve	17	**133**	133
Other reserves	17	**(4,837)**	(4,837)
Accumulated losses	17	**(35,364)**	(32,698)
Total equity		**2,024**	4,690

These financial statements were approved by the Board of Directors and authorised for issue on 9 October 2020.

Signed on behalf of the Board of Directors

JDS Harrison
Director

MILTON HOMES LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
as at 31 March 2020

Company Registration No. 06037454 (England and Wales)

	Notes	31 March 2020 £'000	31 March 2019 £'000
ASSETS			
Non-current assets			
Investment in subsidiary undertakings	10	**70,779**	70,779
		70,779	70,779
Current assets			
Trade and other receivables	12	**99**	93
Cash and cash equivalents		**52**	12
		151	105
Total assets		**70,930**	70,884
LIABILITIES			
Current liabilities			
Trade and other payables	13	**(18,271)**	(16,631)
Interest-bearing loans and borrowings	14	**(46,353)**	(43,986)
		(64,624)	(60,617)
Non-current liabilities			
Interest-bearing loans and borrowings	14	**(9,051)**	(9,627)
		(9,051)	(9,627)
Total liabilities		**(73,675)**	(70,244)
Total net assets		**(2,745)**	640
EQUITY			
Share capital	16	**42,092**	42,092
Share premium reserve	17	**133**	133
Accumulated losses	17	**(41,585)**	(38,329)
Loss for the period	17	**(3,385)**	(3,256)
Total equity		**(2,745)**	640

These financial statements were approved by the Board of Directors and authorised for issue on 9 October 2020.

Signed on behalf of the Board of Directors

JDS Harrison
Director

MILTON HOMES LIMITED
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 March 2020

	Notes	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Operating activities			
Loss for the year		**(2,666)**	(1,845)
Increase in fair value of investment properties	8	**(1,138)**	(1,744)
Realised gain on disposal of investment properties		**(456)**	(573)
Increase in fair value of equity release plan financial assets	9	**(443)**	(538)
Realised gains from cancellation of equity release plans		**(240)**	(204)
Equity Transfer Rate income	3	**(1,367)**	(1,497)
Finance expense	6	**4,863**	5,027
Depreciation of plant and equipment	11	**1**	4
Net cash outflow before changes in working capital		**(1,446)**	(1,370)
Decrease / (Increase) in trade and other receivables		**117**	(19)
Increase / (Decrease) in trade and other payables		**106**	(54)
Net cash outflow from operating activities		**(1,223)**	(1,443)
Investing activities			
Proceeds from sale of investment properties		**4,025**	6,198
Purchase of investment properties		**-**	-
Further releases - investment properties		**(12)**	(11)
Proceeds from cancellation of equity release plans		**2,212**	2,051
Purchase of equity release assets		**-**	(68)
Further releases - equity release plans		**(30)**	(4)
Net cash inflow from investing activities		**6,195**	8,166
Financing activities			
Repayment to parent company		**(1,500)**	(3,100)
Interest paid		**(4)**	(7)
Repayment of Partnership loan		**(3,952)**	(5,342)
Early repayment charge		**(8)**	(52)
Repayment of deferred purchase consideration		**(44)**	(43)
Net cash outflow from financing activities		**(5,508)**	(8,544)
Decrease in cash and cash equivalents		**(536)**	(1,821)
Cash and cash equivalents at the beginning of the year		**875**	2,696
Cash and cash equivalents at the end of the year		**339**	875

The finance expense of £4,863k incurred in the financial year ended 31 March 2020 (2019:£5,027k) is in relation to the accrued loan interests and early repayment charge on the Partnership loan, which is unpaid as at 31 March 2020.

MILTON HOMES LIMITED
COMPANY CASH FLOW STATEMENT
for the year ended 31 March 2020

	Notes	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Operating activities			
Loss for the year	17	**(3,385)**	(3,256)
Finance expense		**3,323**	3,228
Net cash outflow before changes in working capital		**(62)**	(28)
Increase in trade and other receivables		**(6)**	(4)
Increase / (Decrease) in trade and other payables		**8**	(18)
Net cash outflow from operating activities		**(60)**	(50)
Financing activities			
Repayment to ultimate parent company		**(1,500)**	(3,100)
New debt drawn down from subsidiary undertakings		**1,600**	3,150
Net cash inflow from financing activities		**100**	50
Net increase in cash and cash equivalents		**40**	-
Cash and cash equivalents at beginning of the year		**12**	12
Cash and cash equivalents at end of the year		**52**	12

The finance expense of £3,323k incurred in the financial year ended 31 March 2020 (2019:£3,228k) is in relation to the accrued loan interests payable to the subsidiary undertakings, which is unpaid as at 31 March 2020.

1. Accounting policies

Milton Homes Limited (the "Company") is a company registered in England and Wales under the Companies Act 2006. The consolidated financial statements of the Company for the year ended 31 March 2020 comprise the Company and its subsidiaries (together the "Group").

The Group and Company's financial statements are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of IASB (together "IFRS") as adopted by the European Union, and comply with the Companies Act 2006.

The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual statement of comprehensive income and related notes. The total comprehensive loss for Milton Homes Limited was £3,384,617 for the year ended 31 March 2020.

The principal accounting policies set out below have been applied consistently to all years presented in these financial statements.

The financial statements are prepared in Sterling and all values are rounded to the nearest pounds thousands except where otherwise indicated.

Changes in accounting policies

New standards, interpretations and amendments effective for periods beginning on or after 1 January 2019 and which have given rise to changes in the Company's accounting policies are:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Positions

IFRS 16 'Leases' – Provides a single lessee accounting model, specifying how leases are recognised, measured, presented and disclosed. The Company has completed an assessment of the impact of IFRS 16. Lessor accounting under IFRS 16 is similar to existing IAS 17 accounting and the adoption of IFRS 16 will not have a material impact on the financial statements.

IFRS 16 changes the basis of accounting for leases previously classified as operating leases under IAS 17.

IFRIC 23 requires the assessment of uncertainty over Income Tax Positions, which for this company is outside the scope of this standard as there are no uncertain tax treatments.

New standards and standards issued but not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the company has decided not to adopt early. The most significant of these is:

- IFRS 3 Business Combinations (effective 1 January 2020)
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective 1 January 2020).

1. Accounting policies (continued)

Basis of consolidation

The financial statements comprise the financial statements of Milton Homes Limited and its subsidiary undertakings. Subsidiaries are consolidated from the date control passes, and continue to be consolidated until the date such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights or by way of contractual agreement. The financial statements of subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. All inter-company balances and transactions are eliminated.

Going concern

Having made appropriate enquiries and reviewing the Group's forecast cashflows, in particular regarding the ability of the Group to meet its liabilities as and when they fall due, the Directors are satisfied that the Group has adequate resources to continue its operations for the foreseeable future. The financing agreement with Partnership Life Assurance Company Limited provides cashflow stability, as interest is rolled up into the loan, and the loan and accrued interest is repayable on the disposal of each residential property. In addition, the deep discounted bonds are not repayable until December 2030, at which time the Group is expected to have generated further funds from the disposal of reverted investment properties and equity release plan assets. Furthermore, the Group's subsidiaries have confirmed in a letter that they will not demand repayment of their loans until the Group is in a position to make such a repayment, without jeopardizing the continued operations of the Group. We have assessed the impact of COVID-19. During the year the business was adversely affected by the slowdown in the housing market even before COVID-19 but did see a rise in the number of property reversions. However, the Directors believe the national spread of the portfolio and the limited number of higher value properties is a positive feature of the portfolio in these circumstances, with a positive cash flow arising from these sales. Given this, as well as the continued support from Milton Homes Properties Limited, the Directors continue to adopt the going concern basis in preparing the financial statements. The letter of support from Milton Homes Properties Limited is for a period of 13 months from the date of signing and confirms that they will support the Group financially should it be needed for cashflow purposes so as not to jeopardize the continued operations of the Group. The Directors, therefore, continue to adopt the going concern basis in preparing the financial statements.

Investments in subsidiary undertakings

Investments in subsidiaries are at stated at cost less any provision for impairment in value. The carrying value is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Investment property

Freehold and leasehold property held for capital appreciation that is not occupied by the Group is classified as investment property. Investment property is measured initially at cost, including commissions paid to independent financial advisors and directly attributable property acquisition transaction costs, and is thereafter reported at fair value, which reflects market conditions at the year end date. Gains or losses arising from a change in the fair values of the investment properties are recognised in the statement of comprehensive income in the period in which they arise. An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future benefits can be

1. Accounting policies (continued)

expected. The gain or loss arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the statement of comprehensive income.

Financial assets – equity release plans

Through the Property Plan agreements of the subsidiary companies, Milton Homes Properties Limited and Retirement Plus Property Plans Limited, the Group owns rights to increasing beneficial interests in residential properties in the United Kingdom. The values of these interests are, subsequent to initial recognition at cost, measured at fair value with changes recognised in the statement of comprehensive income. Directly attributable transaction costs are excluded from the initial cost of financial assets which are fair valued through profit or loss.

Gains or losses arising from a change in the fair values of the financial assets are recognised in the statement of comprehensive income in the year in which they arise.

A financial asset is derecognised on disposal or when the financial asset is permanently withdrawn from use and no future benefits can be expected. The gain or loss arising from the retirement or disposal of financial assets is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the statement of comprehensive income.

Plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any impairment loss. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following basis:

Office and IT equipment - 33%

The carrying values of plant and equipment are reviewed for impairment if events or changes in circumstance indicate that the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are renewed annually and where adjustments are required, these are made prospectively.

An item of plant and equipment is derecognised on disposal or when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the statement of comprehensive income.

Leases

Leases taken by the Group are assessed individually as to whether they are finance leases or operating leases. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Properties leased out to tenants under operating leases are included in investment properties in the consolidated balance sheet and accounted for in accordance with the accounting policy on investment property. Operating lease payments net of lease incentives are recognised as an expense in the Income Statement on a straight line basis over the lease term.

1. Accounting policies (continued)

Trade and other receivables

Trade receivables are held solely for the collection and payment of contractual cash flows, and continue to be held at amortised cost at the lower of their invoiced value and recoverable amount. The Directors consider that there are no material differences between the carrying values and the fair values at each year end under IFRS 9.

Impairment of other receivables

Impairment provisions for receivables are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits, and are subjected to insignificant risk of changes in value. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Trade and other payables

Trade and other payables are stated at cost.

Current tax

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit, as reported in the statement of comprehensive income, because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

1. Accounting policies (continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax liabilities against current tax assets and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Interest-bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses on the repurchase, settlement or cancellation of liabilities are recognised in the statement of comprehensive income as finance income and finance expense, respectively.

Intra-group balances

Intra-group loans and similar balances between group companies are held at amortised cost. As these are financial instruments which come within the scope of IFRS 9, an assessment is made regularly to determine whether any provision for expected credit losses is required. The Company has applied the simplified approach to recognise lifetime expected credit losses on these intra group balances. It was determined that, having regard to the terms of each loan, no provisions were required.

Pension costs

Pension costs in respect of contributions to the Self-Invested Personal Pension plan arrangements of certain employees, together with employer contributions to the Group's stakeholder pension arrangements, are charged to the statement of comprehensive income as incurred.

1. Accounting policies (continued)

Deferred purchase consideration on acquisition of reversionary interests in investment property

The Group has entered into loan agreements with certain tenants which are repaid by way of monthly instalments over the term of the agreement ("Deferred purchase consideration"). The loans are recognised when the Group becomes party to the related contract and are measured initially at fair value less directly attributable transaction costs. After initial recognition, deferred purchase consideration is measured at amortised cost using the effective interest method. The loans are repaid in the event of death, vacation from the property or at the Group's request, but generally in response to receipt of a request for repayment from the tenant.

Financial instruments

Apart from the property plans, the group's principal financial instruments comprise cash, the Partnership loan, shareholder loans, deferred purchase consideration, trade and other receivables, and trade and other payables. Cash and cash equivalents are considered to be cash at bank and cash in hand. The main purpose of these instruments is to finance the acquisition of investment property and to meet operating, administrative and finance costs. It is the Group's policy that no speculative trading in financial instruments shall be undertaken. The Directors consider that there are no material differences between the carrying values and fair values of the Group's financial assets and liabilities at each year end.

Revenue recognition

Profits or losses on the sale of financial assets and reverted properties are recognised on completion of the sale and are included in operating profit. Profits or losses on disposal are calculated as net sales proceeds less the carrying value of the Group's beneficial interest in the properties determined with reference to the most recent valuation.

Equity Transfer Rate ("ETR") income represents the recognition in the statement of comprehensive income of the increase in the Group's beneficial interest in the properties underlying the equity release plan financial asset portfolio in accordance with the contractual terms of the Retirement Plus Property Plan.

ETR income is recognised on a monthly basis over the term of the plan until the Group's beneficial interest reaches the maximum set out in each individual Property Plan. This increase in value is recognised as part of other income in the statement of comprehensive income. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2. Critical accounting judgements and key sources of estimation and uncertainty

In the process of applying the Group's accounting policies as described in note 1, management have made the following judgements and estimations that have the most significant effect on the amounts recognised in the financial statements.

Fair value of investment properties
The fair value of the Group's investment properties and equity release plan assets is determined by independent real estate valuation experts Allsop LLP, using recognised valuation techniques. See note 8.

Fair value of financial assets – equity release plans
The fair value of the Group's equity release plans is determined by independent real estate valuation experts Allsop LLP using recognised valuation techniques. See note 9.

The valuation and impairment of the investments in the subsidiary undertakings includes provisions for the diminutions in values. These are all critical estimates.

3. Other income

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Equity Transfer Rate income	**1,367**	1,497

4. Operating profit

The operating profit is stated after charging:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Depreciation of plant and equipment	**1**	4
Operating lease – Newcombe House rent	**49**	65
Auditors' remuneration:		
- audit fees	**10**	4

5. Information regarding directors and employees

	Year ended 31 March 2020 £	Year ended 31 March 2019 £
Directors' emoluments:		
Directors' remuneration	**143,178**	330,044
Pension contributions	**6,500**	4,375
	149,678	334,419
Highest paid Director, excluding pension contributions	**117,500**	225,044
Pension contributions for highest paid Director	**6,500**	-

Pension contributions are accruing for one director. The highest paid director has not exercised any share options.

	Year ended 31 March 2020 £	Year ended 31 March 2019 £
Employment costs including Directors' emoluments, are as follows:		
Wages and salaries	**480,736**	596,576
Social security costs	**57,165**	73,837
Other and pension costs	**27,132**	42,544
	565,033	712,957

At 31 March 2020, the unpaid accrued pension costs amounted to £4,223 (2019: £1,822).

	Year ended 31 March 2020 No.	Year ended 31 March 2019 No.
The average number of persons, including executive Directors, employed by the Group is analysed below:		
Sales	**3**	3
Administration	**4**	5
	7	8

6. Finance expense

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Interest payable on Partnership loan	**3,927**	3,988
Early repayment charge on Partnership loan	**8**	-
Interest payable on other loans	**4**	8
Shareholders' loan interest on DDBs	**924**	1,031
	4,863	5,027

7. Taxation

Group

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Analysis of tax charge for the year		
Deferred tax charge	**64**	60
Tax charge for the year	**64**	60

The effective rate of corporation tax for the previous year is the same as the standard rate in the United Kingdom (19%) as applied to the Group's pre-tax loss for the reasons analysed below:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Reconciliation of total tax charge		
Loss on ordinary activities before tax	**(2,602)**	(1,785)
Loss for the year multiplied by the standard rate of corporation tax in the United Kingdom (19%) (2019: 19%)	**(494)**	(339)
Factors affecting the tax charge / (credit) for the year:		
Expenses not deductible for tax purposes	**13**	206
Recognition of deferred tax in respect of losses	**64**	4
Profit on revaluation of assets offset by brought forward losses	**(216)**	(331)
Other tax adjustments	**142**	282
Taxation losses carried forward	**555**	238
	64	60

7. Taxation (continued)

Deferred tax

The deferred tax liabilities are analysed below:

Deferred tax liability	**Year ended 31 March 2020 £'000**	Year ended 31 March 2019 £'000
Gains arising from the revaluation of the investment properties	**1,549**	1,417
Losses	**(740)**	(672)
Deferred tax liabilities	**809**	745

The group has an unrecognised deferred tax asset of £7,601,663 (2019: £6,290,068) in respect of tax losses together with capital allowances not yet claimed and other temporary differences calculated using the applicable standard rate of UK corporation tax of 19% (2019: 17%).

Although the Finance Act 2016 was enacted to introduce a reduction of the headline rate of corporation tax to 17% from 1 April 2020, on 11 March 2020 the Chancellor confirmed that the rate for corporation tax will remain at 19%. This change will be made under a Budget resolution, which has statutory effect under the provisions of the Provisional Collection of Taxes Act 1968. As such, it is substantially enacted for UK GAAP and IFRS on the passing of the resolution, which was passed in March 2020. Deferred tax is calculated at 19% as the temporary differences are expected to unwind after April 2020.

8. Investment properties

	31 March 2020		31 March 2019	
	No.	**£'000**	No.	£'000
Valuation at beginning of year	**271**	**41,040**	302	44,926
Additions	**-**	**12**	-	12
Disposals	**(23)**	**(3,581)**	(31)	(5,642)
Revaluations	**-**	**1,138**	-	1,744
Valuation at end of year	**248**	**38,609**	271	41,040

There are currently 25 properties held for sale with a value of £5,104,390.

Fair value hierarchy

The valuation of the investment properties is a Level 3 valuation in the fair value hierarchy.

Valuation method

The Group owns beneficial interests in residential properties in the United Kingdom. The fair values of these interests are based on the equity owned percentage of the properties upon the Group taking vacant possession, the fair value of the properties at the balance sheet date, assuming vacant possession, less a discount to take account of the risk of the realisation of those interests.

8. Investment properties (continued)

The board of directors is responsible for determining the company's valuation policies and procedures and appoints an external valuer to perform the valuation. The selection criteria used to select that valuer include their market knowledge & expertise, independence and demonstrable compliance with professional standards.

The fair value of the properties is determined on a market value basis with an assumption of vacant possession. One third of the properties each year are inspected externally to arrive at this value using a conventional approach of comparable analysis. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group's assets, including those properties which have become vacant and are in the process of being sold. Where the Group has taken vacant possession of property an allowance has been made against the full market value to take account of necessary refurbishment costs. Where properties are not inspected by the valuers a composite average of relevant house price indices are applied to the value estimated when previously inspected by the valuers.

The discount percentage is based upon a number of factors over which judgements are made. These judgements include:

- Investment term - the length of time until vacant possession becomes due.
- Investment rate - also known as a discount rate and this includes a judgement of current marketability and condition of the property.
- Cost saving rate - the potential cost saving of acquiring already existing life tenancy investments.

There were no changes in valuation techniques during the year.

Valuation assumptions

Investment term – the investment term is the period until the Group obtains vacant possession. This is based on the age of the tenant occupying the property and published life expectancy tables from the Office for National Statistics for the period 2016-18 (2019: for the period 2015-17). Where there is joint tenancy, the life expectancy of the tenant with the longest life expectancy has been used.

The length of the investment term is modified by applying a "speed up" rate to the life expectancy figures, as this reflects market evidence that the lower the age of the youngest tenant, the more likely it is that the Group will be able to access vacant possession before the end of the tenant's life, through the tenant entering into a care home or living with other family members.

The speed up rate applied ranges from 10% for younger tenants to 2.5% for older tenants. This remains unchanged from the prior period.

Investment rate – this input reflects the risk and opportunity which includes the growth prospects and marketability prospects of the property. Guidance is taken from the yield rates used by Valuation Tribunals for residential property.

The investment rates applied range from 5.25% to 7.5% (2019: 5.5% to 7.75%).

8. Investment properties (continued)

Cost saving rate – In determining the discount percentage, an adjustment is made for each property to take into account the potential cost saving of acquiring already existing life tenancy investments. It is estimated that the initial set up cost per property of acquiring life tenancy investments is approximately 5% of the value of the vacant possession equity being acquired. A 1.25% uplift has been applied to account for the potential cost savings of acquiring already existing life tenancy investments. This remains unchanged from the prior year. The sensitivity analysis to changes in unobservable inputs for investment properties is:

- increases in estimated investment terms and rates would result in a lower fair value; and
- decreases in estimated investment terms and rates would result in a higher fair value.

Due to the aggregated nature of the investment property portfolio it is not possible to accurately quantify sensitivity of an individual input.

In the course of preparing the valuation as at 31 March 2020, the external valuer has considered the potential impact of COVID-19. In accordance with the mandatory requirement introduced by RICS on 17 March 2020, his valuation includes a material uncertainty clause which encapsulates the difficulty that valuers have of accurately reflecting market circumstances at a valuation date where there is an absence of contemporaneous evidence and a degree of uncertainly going forward. Some adjustments have been made to the marketability ratings of properties to reflect the anticipated increase in the length of time before a sale can be completed during the COVID-19 pandemic. The external valuer stated that less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case. However, it was concluded that it would be inappropriate to make what would at this stage be arbitrary adjustments to vacant possession values or deviate from the established methodology.

9. Financial assets – equity release plans

	31 March 2020		31 March 2019	
	No.	**£'000**	No.	£'000
Valuation at beginning of year	**239**	**30,485**	250	30,213
Additions	**-**	**30**	1	71
Equity transfer	**-**	**1,367**	-	1,497
Cancellation of plans	**(14)**	**(1,982)**	(12)	(1,834)
Revaluations	**-**	**443**	-	538
Valuation at end of year	**225**	**30,343**	239	30,485

There are currently 18 properties held for sale with a value of £2,356,099.

Fair value hierarchy

The valuation of the financial assets is a Level 3 valuation in the fair value hierarchy.

9. Financial assets – equity release plans (continued)

Valuation method

The Group owns beneficial interests in residential properties in the United Kingdom. The fair values of these interests are based on the estimated equity owned percentage of the properties upon the Group taking vacant possession, the fair value of the properties at the balance sheet date, assuming vacant possession, less a discount to take account of the risk of the realisation of those interests. The board of directors is responsible for determining the Group's valuation policies and procedures and appoints an external valuer to perform the valuation. The selection criteria used to select that valuer include their market knowledge and expertise, independence and demonstrable compliance with professional standards.
The fair value of the properties is determined on a market value basis with an assumption of vacant possession. One third of the properties each year are inspected externally to arrive at this value using a conventional approach of comparable analysis. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group's assets, including those properties which have become vacant and are in the process of being sold. Where properties are not inspected by the valuers a composite average of relevant house price indices are applied to the value estimated when previously inspected by the valuers.

The discount percentage is based upon a number of factors over which judgements are made. These judgements include:

- Investment term - the length of time until vacant possession becomes due.
- Investment rate - also known as a discount rate and this includes a judgement of current marketability and condition of the property.
- Equity interest upon the Group taking vacant possession – the anticipated equity percentage expected to be held by the Group upon taking vacant possession.

The resultant valuations are capped at the estimated value of the Group's interest in the vacant possession value of the property should it have been obtained at the balance sheet date.

There were no changes in valuation techniques during the year.

Valuation assumptions

Investment term – the investment term is the period until the Group obtains vacant possession. This is based on the age of the tenant occupying the property and published life expectancy tables from the Office for National Statistics for the period 2016-18 (2019: for the period 2015-17). Where there is joint tenancy, the life expectancy of the tenant with the longest life expectancy has been used.

The length of the investment term is modified by applying a "speed up" rate to the life expectancy figures, as this reflects market evidence that the lower the age of the youngest tenant, the more likely it is that the Group will be able to access vacant possession before the end of the tenant's life, through the tenant entering into a care home or living with other family members.

The speed up rate applied ranges from 10% for younger tenants to 2.5% for older tenants. This remains unchanged from the prior year.

9. Financial assets – equity release plans (continued)

Equity interest upon the Group taking vacant possession – the anticipated equity percentage expected to be held by the Group upon taking vacant possession is calculated with reference to the expected investment term, the equity interest owned by the Group at the balance sheet date and the additional slices of equity in each property that will accrue under the terms of the equity release plans.

Investment rate – this input reflects the risk and opportunity which includes the growth prospects and marketability prospects of the property. Guidance is taken from the yield rates used by Valuation Tribunals for residential property.

The investment rates applied range from 5.25% to 7.5% (2019: 5.5% to 7.75%). The sensitivity analysis to changes in unobservable inputs for financial assets – equity release plans is:

- increases in estimated investment terms and rates would result in a lower fair value; and
- decreases in estimated investment terms and rates would result in a higher fair value.

Due to the aggregated nature of the financial asset portfolio it is not possible to accurately quantify sensitivity of an individual input.

In the course of preparing the valuation as at 31 March 2020, the external valuer has considered the potential impact of COVID-19. In accordance with the mandatory requirement introduced by RICS on 17 March 2020, his valuation includes a material uncertainty clause which encapsulates the difficulty that valuers have of accurately reflecting market circumstances at a valuation date where there is an absence of contemporaneous evidence and a degree of uncertainly going forward. Some adjustments have been made to the marketability ratings of properties to reflect the anticipated increase in the length of time before a sale can be completed during the COVID-19 pandemic. The external valuer stated that less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case. However, it was concluded that it would be inappropriate to make what would at this stage be arbitrary adjustments to vacant possession values or deviate from the established methodology.

10. Investment in subsidiary undertakings

	£'000
Cost	
At 1 April 2019 and 31 March 2020	80,227
Provision	
At 1 April 2019	(9,448)
At 31 March 2020	(9,448)
Carrying amount	
At 31 March 2020	**70,779**
At 31 March 2019	70,779

Provision
The Company holds 100% of the issued ordinary share capital and controls 100% of the voting rights of the unlisted subsidiary companies, Milton Homes Properties Limited, Living Plus Limited, Living Plus Assets Limited, and Retirement Plus Limited, all with their registered office at 6th Floor, 60 Gracechurch Street, London, EC3V 0HR. The impairment write back is determined by the growth in net assets of subsidiaries as at the current year ended 31 March 2020.

11. Plant and equipment

	Office and IT equipment £'000
Cost	
At 1 April 2019	272
Additions	-
At 31 March 2020	272
Accumulated depreciation	
At 1 April 2019	(270)
Charge for the period	(1)
At 31 March 2020	(271)
Carrying amount	
At 31 March 2020	**1**
At 31 March 2019	2

12. Trade and other receivables

	Group		Company	
	31 March 2020 £'000	31 March 2019 £'000	**31 March 2020 £'000**	31 March 2019 £'000
Trade receivables	**-**	2	**-**	-
Amounts due from group companies	**-**	-	**99**	93
Prepayments	**22**	93	**-**	-
Other debtors	**1**	22	**-**	-
	23	117	**99**	93

13. Trade and other payables

	Group		Company	
	31 March 2020 £'000	31 March 2019 £'000	**31 March 2020 £'000**	31 March 2019 £'000
Trade payables	**107**	60	**66**	7
Other tax and social security	**38**	44	**-**	-
Amounts due to group companies	**-**	-	**17,780**	16,237
Accrued interest on loans from group companies	**-**	-	**406**	375
Deferred tax liability	**809**	745	**-**	-
Accruals and deferred income	**145**	145	**19**	12
	1,099	994	**18,271**	16,631

Under IAS 7, current loans and borrowings due to group companies have moved by £1,543,000 from £16,237,000 to £17,780,000 due to payments made of £1,500,000 to COLG financed from the subsidiary company Milton Homes Properties Limited, and for other working capital commitments of £43,000.

14. Interest-bearing loans and borrowings

	Group		Company	
	31 March 2020 £'000	31 March 2019 £'000	**31 March 2020 £'000**	31 March 2019 £'000
Current				
Group company borrowings	**-**	-	**46,353**	43,986
Deferred purchase consideration	**23**	43	**-**	-
	23	43	**46,353**	43,986

	Group		Company	
	31 March 2020 £'000	31 March 2019 £'000	**31 March 2020 £'000**	31 March 2019 £'000
Non-current				
Partnership loan	**57,087**	57,111	**-**	-
Shareholder loans	**9,051**	9,627	**9,051**	9,627
Deferred purchase consideration	**31**	54	**-**	-
	66,169	66,792	**9,051**	9,627

Partnership loan
Partnership Life Assurance Company Limited has provided a £62,633,796 facility. The facility bears interest at 7.15% per annum and is secured on the Borrowers' rights to beneficial interests in residential properties acquired through equity release plans. The interest is rolled up into the loan, and a proportion of the loan and accumulated interest is repayable on disposal of each property and/or equity release plan asset, with the balance repayable in full on the earlier of 8 November 2065 and the date when the last property or equity release plan asset is disposed of. As at 31 March 2020, £57,086,713 was due to Partnership Life Assurance Company Limited (2019: £57,111,387).

Under IAS 7, non-current loans and borrowings owed to Partnership have moved by £24,674 from £57,111,387 to £57,086,713 due to repayments made of £3,952,149, offset by interest charges of £3,927,475 in the year.

Shareholder loans - Deep Discounted Bonds
DV4 Limited provided to Milton Homes Limited deep discounted bonds of £11,000,000 under a subordinated loan agreement on 11 February 2015. The deep discounted bonds have an interest element of 10% accruing to reach the maturity value upon the repayment date of 31 December 2030. These were transferred to City of London Group plc during the period to 31 March 2018.

Under IAS 7, non-current loans and borrowings owed to COLG moved by £576,000 from £9,627,000 to £9,051,000 due to repayments made of £1,500,000, offset by interest charges of £924,000 in the year.

14. Interest-bearing loans and borrowings (continued)

Group company borrowings
The Company has various subordinated loan facilities provided by subsidiary companies. The loans are unsecured and bear interest at LIBOR plus 1% per annum and at a fixed rate of 10% per annum. At 31 March 2020 the loans outstanding were £46,352,850 (2019: £43,985,965).

Under IAS 7, current Group company borrowings moved by £2,367,000 from £43,986,000 to £46,353,000 due to interest charges of £2,399,000 and payments made on behalf of group companies of £32,000 during the year.

Undrawn committed borrowings
As at 31 March 2020, the Group had £nil (2019: £nil) of undrawn committed borrowing facilities from Partnership Life Assurance Company Limited for asset purchases, as the fifth year commitment of £50m has now expired.

Deferred purchase consideration
Deferred purchase consideration represents annuities payable to tenants where consideration for a property has taken the form, in some part, of a commitment by the Group to pay monthly cash instalments over a set period. The last of these instalments is payable in 2025. The effective interest rate is 5.95%.

15. Financial instruments

Apart from the property plans, the group's principal financial instruments comprise cash, the Partnership loan, shareholder loans, deferred purchase consideration, trade and other receivables, and trade and other payables. Cash and cash equivalents are considered to be cash at bank and cash in hand. The main purpose of these instruments is to finance the acquisition of investment property and to meet operating, administrative and finance costs. It is the Group's policy that no speculative trading in financial instruments shall be undertaken.

Classification and measurement

A single classification and measurement model is to be used for financial assets, which is dependent on the entity's business model for managing financial assets and the contractual cash flow characteristics of those financial assets. Financial assets fall into one of three principal classification categories: (i) amortised cost, (ii) fair value through profit and loss or (iii) fair value through other comprehensive income. Equity investments in scope of IFRS 9 are measured at fair value with gains and losses recognised in profit or loss unless an irrevocable election is made to recognise gains or losses in other comprehensive income.

The financial assets and liabilities of the Group and the basis of measurement are set out below.

Loans and trade receivables are held solely for the collection of contractual cash flows, being interest, fees and repayments of principal. These assets continue to be held at amortised cost.

Financial liabilities are held solely for the collection and payment of contractual cash flows, being payments of principal and interest where applicable. These continue to be held at amortised cost.

15. Financial instruments (continued)

The main risks arising from the group's financial instruments are liquidity risk, credit risk and capital management. There is no currency risk as all financial instruments are held in Sterling. The Financial and Risk Review includes an explanation of the Group's objectives and policies with regard to financial instruments and the management of risk. There is no credit risk as intercompany loans are not demanded.

Group

Commitments and contingencies
The table below summarises the maturity profile of the group's financial liabilities and commitments at 31 March 2020 and 31 March 2019 based on contractual undiscounted payments:

	Interest rate (%)	**Within 1 year £'000**	**1-5 years £'000**	**More than 5 years £'000**	**Total £'000**
31 March 2020					
Partnership loan	7.15	-	-	57,087	57,087
Shareholder DDBs loans	10	-	-	9,051	9,051
Operating lease – Newcombe House	-	-	-	-	-
Deferred purchase consideration	5.95	23	31	-	54

	Interest rate (%)	**Within 1 year £'000**	**1-5 years £'000**	**More than 5 years £'000**	**Total £'000**
31 March 2019					
Partnership loan	7.15	-	-	57,111	**57,111**
Shareholder DDB loans	10	-	-	11,451	**11,451**
Operating lease – Newcombe House	-	22	-	-	**22**
Deferred purchase consideration	5.95	47	52	8	**107**

In regards to the Partnership loan, the above table shows the outstanding loan balance and accrued interest as at 31 March 2020. In addition, the Partnership loan bears interest at 7.15% per annum. The interest is rolled up into the loan, and a proportion of the loan and accumulated interest is repayable on disposal of each property and/or equity release plan asset, with the balance repayable in full on the earlier of 8 November 2065 and the date when the last property or equity release plan asset is disposed of. There is no risk at the year end.

There is no impact of changes in interest rates to profit before tax and equity.

Operating leases - lessee
The Group maintained one leased property at Newcombe House, 45 Notting Hill Gate, London, W11 3LQ until 24 December 2019. The terms of this property lease were tenant repairing with a mutual rolling break clause of 4 months. The table above shows the total future value of the minimum lease payments due which equates to 4 months rent at £65,000 per annum.

15. Financial instruments (continued)

Liquidity risk
Liquidity risk is the risk that the Group is unable to meet its cash obligations. The Group obtains financing from the Milton Homes Limited subsidiary company Milton Homes Properties Limited to fund overheads and the financing requirements of its other subsidiary companies. There is no risk to capital at the year end as property sales are frequent.

Credit risk
The Group's exposure to credit risk on cash and cash equivalents and loans, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. There is no risk at the year end.

Capital management
Through efficient capital management, the Group aims to maximise corporate value whilst reducing the financial risks to which it is exposed. Investment property and equity release plan asset acquisitions are individually reviewed for consistency with the Group's eligible investment property criteria.

The Group funds investment activity and operations through proceeds from reverted properties, shareholder equity and debt. The mix of financing between equity and bank debt is generally reviewed when debt facilities are renegotiated or when significant investment activity is forecast.

Fair values of financial assets and financial liabilities
The Directors consider that there are no material differences between the carrying values and the fair values of financial assets and liabilities at each year end under IFRS 9.

16. Share capital

Group and Company	**31 March 2020 £'000**	31 March 2019 £'000
<u>Authorised</u>		
100,000,000 (2019: 100,000,000) ordinary shares of £1 each	**100,000**	100,000

	31 March 2020 £'000	31 March 2019 £'000
<u>Allotted, Issued & fully paid</u>		
29,954,615 'A' Shares at £1	**29,955**	29,955
12,137,708 'A' Shares issued at £1	**12,137**	12,137
	42,092	42,092

17. Reserves

Group	Share premium reserve £'000	Capital reserve £'000	Merger reserves £'000	Accumulated losses £'000
At 1 April 2019	133	-	(4,837)	(32,698)
Transfers	-	-	-	-
Loss for the year	-	-	-	(2,666)
At 31 March 2020	**133**	**-**	**(4,837)**	**(35,364)**

Company	Share premium reserve £'000	Capital reserve £'000	Other reserves £'000	Accumulated losses £'000
At 1 April 2019	133	-	-	(41,585)
Transfers	-	-	-	-
Loss for the year	-	-	-	(3,385)
At 31 March 2020	**133**	**-**	**-**	**(44,970)**

Reserves are defined as follows:

Share premium reserve represents amounts subscribed for issued share capital in excess of nominal value. The capital reserve comprises the difference between the fair value and nominal amount of non-interest bearing loans made available by the ultimate parent company.

Merger reserves is a non-distributable reserve created as part of a group reorganisation.

Retained earnings are the cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

18. Related party transactions

DV4 Limited (previous 100% parent company) provided to Milton Homes Limited deep discounted bonds of £11,000,000, under a subordinated loan agreement effective from 11 February 2015. The loans have an interest element of 10% accruing to reach the maturity value upon the repayment date of 31 December 2030. These were transferred to City of London Group plc (100% parent company) during the period to 31 March 2018, and at 31 March 2020 the loan was recorded at £9,051,072 payable to City of London Group plc (2019: £9,627,349).

On 20 September 2011, an unsecured subordinated loan facility was provided to Milton Homes Limited by Retirement Plus Limited (a subsidiary undertaking). This facility bears interest at LIBOR plus 1% which is rolled up into the loan and is expected to be repaid after more than one year. The interest charge in the year to 31 March 2020 was £469,770 (2019: £453,291). The gross outstanding balance payable to Retirement Plus Limited (including accrued interest) at 31 March 2020 was £26,296,812 (2019: £25,827,042).

18. Related party transactions (continued)

On 20 September 2011, an unsecured subordinated loan facility was provided to Milton Homes Limited by Living Plus Limited (a subsidiary undertaking). This facility bears interest at 10% per annum which is rolled up into the loan and is expected to be repaid after more than one year. At 31 March 2020 the loan balance (including accrued interest) payable to Living Plus Limited was £4,455,432 (2019: £4,035,315).

On 20 September 2011, an unsecured subordinated loan facility was provided to Milton Homes Limited by Living Plus Assets Limited (a subsidiary undertaking). This facility bears interest at 10% per annum which is rolled up into the loan and is expected to be repaid after more than one year. At 31 March 2020, the outstanding loan balance (including accrued interest) payable to Living Plus Assets Limited was £16,007,215 (2019: £14,497,841).

Transactions with key management personnel (comprising the Directors) are disclosed below:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Short-term employee benefits	**150**	334
Employers NI	**17**	43

19. Notes to the cashflow statement

For the purpose of the cashflow statement, cash and cash equivalents comprise the following:

	31 March 2020 £'000	31 March 2019 £'000
Cash at bank and in hand	**52**	12

Changes in liabilities from financing activities:

	Non-current borrowings £	Total £
At 31 March 2018	70,162	70,162
Non cash interest	5,070	5,070
Repayments to parent company	(3,100)	(3,100)
Repayments to Partnership	(5,394)	(5,394)
At 31 March 2019	66,738	66,738
Non cash interest	4,860	4,860
Repayments to parent company	(1,500)	(1,500)
Repayments to Partnership	(3,960)	(3,960)
At 31 March 2020	66,138	66,138

20. Ultimate parent undertaking and controlling party

At 31 March 2020, the ultimate parent undertaking and controlling party was City of London Group plc, a company registered in England and Wales.

Copies of the financial statements of Milton Homes Limited are available from Companies House.

21. Post balance sheet events

DV4 Limited (previous 100% parent company) provided to Milton Homes Limited deep discounted bonds of £11,000,000, under a subordinated loan agreement effective from 11 February 2015. The loans have an interest element of 10% accruing to reach the maturity value upon the repayment date of 31 December 2030. These bonds were extended to a maturity date of 31 December 2030 by a new agreement dated 31 August 2020.