



Financial Statements Plus Dane Housing Group Limited

For the year ended 31 March 2012

**Industrial & Provident Society No: 29480R
Tenant Services Authority No: L4355**

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Association information

Board members

Richard Kemp, Chairman
Nigel Hodges, Deputy Chairman (stepped down 31 December 2011)
Catrina Hewitson, Deputy Chair (from 1 February 2012)
Roger Morris
Linda Minnis
John Turner
Glen Lewis
Lilian Hazell
Pol O'Gray

Secretary and registered office

Alison Carey
Baltimore Buildings
13-15 Rodney Street
Liverpool
L1 9EF

Executive officers

Ken Perry (Chief Executive)
Peter Shaw (Managing Director – Finance to July 2012, Managing Director-
Ellesmere Port & Neston from July 2012))
Jayne Phillips (Managing Director - Knowledge, Innovation
and Performance)
Mike Doran (Managing Director- Enterprising Neighbourhoods (Cheshire))
Gerard Murden (Managing Director – Enterprising Neighbourhoods
(Merseyside))
Clare Griffiths (Managing Director – Regeneration and Commercial
Development)
Vivien Cross (Managing Director- Finance from July 2012)

Auditors

Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Bankers

National Westminster Bank plc
Liverpool One Branch
49 South John Street
Liverpool One
Liverpool, Merseyside
L1 8BU

Solicitors

Devonshires
Salisbury House
London Wall
London
EC2M 5QY

Chairman's statement

It is now 12 years since I first became involved in what is now the Plus Dane group and became Chair of Include. Ironically, what CDS and Hornby agreed then is what is sustaining the Group now. We took a key decision that whilst being an excellent landlord was essential it wasn't enough. We needed to become far more involved in all the problems faced by our tenants and their neighbours and try and use our expertise and muscle to do something about them.

Initially we took on those wicked issues that publicly make or break an area. We pledged that where we were a landlord our neighbourhoods would be clean, safe and well managed. Then as we developed further we realised that social, care, youth services, employment and training initiatives were all things that we could and should get involved in.

We live in troubled times. Change is sweeping over Europe as Governments face up to acute budgetary problems. That means that they have to look at new ways of doing things. The neighbourhood agenda of combining all services together to provide cost effective solutions to local problems has become popular with politicians of all 3 Parties. But we still don't just talk about it – we do it. Where Plus Dane is a major stockholder or where the council requests it we have become the coordinator of public services.

We don't do this in a showy way. Whose name is over the door is not as important to us as getting the service right. In some cases we lead. In others we are content to follow. In those areas that we work councils and other players see us as key partners not only in delivery but in strategy. That is because when we say we will do something we deliver it.

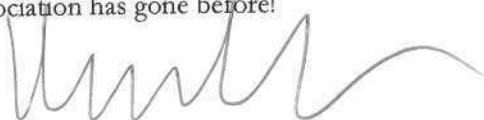
This year for example we have:

- Completed 51,000 jobs through our in-house repairs team and two outside contractors
- Undertaken £9.9 million of investment work to our homes to keep up our 100% compliance with the decent homes standard.
- Successfully applied for £600,000 of European money for energy efficiency projects to minimise energy bills for tenants.
- Delivered 412 new or refurbished homes.

At the end of the year, of course, we received the wonderful news that we were the choice of Cheshire West & Chester Council to manage 5,800 homes in Ellesmere Port.

This has been achieved by all the family. The staff team so ably led by Ken Perry; the tenants who play a major role in deciding strategies (and making sure that we deliver them!) and all the Board members who serve on our parent and subsidiary Boards.

Challenging times can lead people and organisations to do one of two things. They either retreat into a bunker and hope for the best or survey the horizon and look for needs and opportunities. Plus Dane has done and always will do the latter. Although this is my last report as Chair of the Board I will stay a friend and I am sure that I will continue to watch you break new ground and boldly go where no housing association has gone before!



Richard Kemp
Chairman Plus Dane Housing Group

Date: 20 September 2012

Chief Executive's report

The repairs and maintenance service was successfully delivered during 2011/2012 through an in-house workforce supported by two local contractors. Significant efficiency gains have continued to be achieved and high levels of customer satisfaction have been maintained. Over 57,000 repairs were completed together with further investment work to the stock which included window, door, kitchen and bathroom replacements. A programme of aids and adaptations was also undertaken which has removed all waiting lists and will result in future referrals being completed within our six month service standard. All statutory obligations have been met in respect of health and safety, and gas compliance has been maintained in the top quartile.

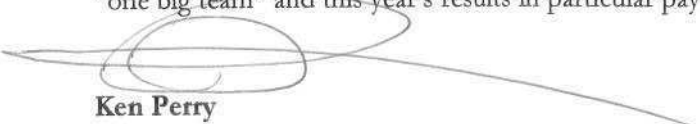
Asset Management has delivered over £9.9m of planned investment work to Plus Dane homes and neighbourhoods during 2011/12. This investment has ensured that we have been able to maintain 100% compliance with the Decent Homes Standard, to complete major adaptations that enable residents to retain independence in their own homes, and continue our programmes of upgrading facilities to our sheltered accommodation. Our investment programmes have also facilitated the creation of 18 additional local apprenticeships, further supporting delivery of our Business Plan objectives.

We have successfully gained European funding of £600k and are delivering a range of energy efficiency projects in line with our Energy Management Strategy which will help to minimise energy bills for our residents and provide Plus Dane with a clear vision for delivering further work through the Green Deal. Our investment in energy efficiency works, including external insulation works has resulted in our nomination for a National energy efficiency award.

Everyone associated with Plus Dane was proud to receive the fabulous news that we had been selected to deliver the housing management contract of the 5,800 Cheshire West and Chester Council owned homes in Ellesmere Port and Neston in a five year deal starting in July 2012. This success endorsed our neighbourhood investor mission and we look forward to strengthening our relationship with Cheshire West and Chester Council and working together to improve quality of life for the people of Ellesmere Port and Neston

This has been a challenging year for the Group, but as the results show our approach of increasing the role of the tenants we serve, our staff and Unions and all of our partners in the planning and running of the Group is making a positive difference. As the world within which we operate looks set to become even more challenging, this culture of open and active engagement in everything we do, together with even stronger governance will become more vital. A key player in developing this open style, our Chairman Richard Kemp is retiring this year and at the time of writing we are searching for his replacement. We will all miss Richard and on behalf of everyone involved with the Group I'd like to thank him for the role he has played in shaping Plus Dane over the many years he has been involved with us and wish him every success for the future.

Finally it is important to say all of this could not be achieved without the support of colleagues across the Group, whose dedication to our residents and neighbourhoods is outstanding. We talk about ourselves as "one big team" and this year's results in particular pay tribute to the value of that approach.



Ken Perry
Chief Executive
Date: 20 September 2012

Operating and Financial Review

Overview of the business

The Group is a Neighbourhood Investor providing affordable homes for rent and shared ownership throughout Cheshire and Merseyside. It also provides support for vulnerable and elderly tenants and is involved in regeneration projects within the neighbourhoods and communities we serve.

For the year under review the Group comprised six members: Plus Dane (Merseyside) Housing Association Limited, INclude Neighbourhood Regeneration ("INclude"), three60 Property Investors ("three 60"), Plus Dane (Cheshire) Housing Association Limited, Dane Partnership Homes, and Plus Dane Housing Group itself. In addition there are two joint venture undertakings: Three60 Austin and Circle Liverpool Limited.

Plus Dane (Merseyside), INclude, Plus Dane (Cheshire) and Plus Dane are incorporated as industrial and provident societies and are, with the exception of Include, regulated by the Homes and Communities Agency as registered social landlords. three60 and Dane Partnership Homes are registered as limited companies with Companies House.

Objectives and strategies

The objectives and strategy of the Group are set out in a business plan that is reviewed annually and approved by the Board. A summarised version of this document is available on application to the Company Secretary.

The business planning process includes an assessment of strengths and weaknesses, opportunities and threats which are discussed annually between the senior management team and the Board. It builds on the progress the association has made reports on progress made to deliver business objectives of growth, quality and efficiency and identifies priorities for growth and improvement of neighbourhoods to deliver the Plus Dane Neighbourhood Investor business objectives.

Plus Dane will continue to deliver on the seven promises made to tenants and will target resources to meet the promises made in the Neighbourhood Investment and Influencing plans. These are to:

- Increased investment in existing property
- Ensure neighbourhoods enjoy good well being
- Increased community safety measures
- Further supporting vulnerable customers
- Working in partnership with residents
- Increased creation of local jobs
- Increased supply and choice of homes

Performance against these objectives is monitored through the delivery of neighbourhood investor plans which have been drawn up for each of the association's neighbourhoods.

Operating and Financial Review

toward target with performance only just falling short of target and 1 was on alert indicating a significant improvement requirement with corrective action already underway. Performance in the alert indicators has been investigated and the Board is satisfied with the explanations for the dip in performance recorded. The Board is confident that performance will continue.

Key indicators that warrant specific mention are as follows:

- retained surplus achieved of £3.0m against a target of £14k (2011: 2.6m)
- Interest cover ratio 133% against a target of 126% (2011: 139%)
- Jobs created/safeguarded was 111 against a target of 80 (2011: 315)
- Number of properties on site was 241 against a target of 210 (2011: 393)
- Number of properties handed over was 452 against a target of 388 (2011: 457)
- % of properties with a valid gas safety certificate only just fell short of the target of 100% at 99.76% (2011: 99.68%) with legal action in place against the outstanding properties
- Number of apprentice/trainee opportunities met target at 33 (2011:28)

Subsidiary companies performance

The performance reporting for the main subsidiaries covers 22 performance measures which are reported to board on a quarterly basis. Of the 22 measures for the main subsidiaries, 16 have been achieved or exceed targets, 2 were on warning levels reflecting improvements towards target and 4 were on alert indicating improvement requirement with corrective action already underway. Performance in all the red indicators has been investigated and the Board is satisfied with the explanations for the dip in performance recorded. The Board is confident that performance will continue.

- First time fixes on repairs stands at 90% against a target of 82% and a 2010/11 level of 88%.
- Customers satisfied with new tenancies stands at 94% against a target of 90% (2011: 87%).
- However tenancies failing within 12 months increased from 8.54% to 12.74% with a target of 10%, demonstrating the more difficult circumstances we currently operate within.
- During the year customer satisfaction with repairs increased from 89.8% to 91% against a target of 90%. Our results are better than the top quartile.
- Particularly pleasing in these difficult times is the improvement in our arrears collection performance. Current arrears stand at 3.42% against a target of 3.62% and 2010/11 performance of 3.86.

These only represent a snapshot of performance and a much broader range of activities are measured. We continue to develop our performance management framework which is central to the way we do business.

Risks

A number of key risks exist that may prevent the Group achieving its objectives. The process for identifying risk is detailed in the internal controls section of the report of the board. The Group has identified the following major risks to the successful achievement of its objectives:

- Limitations in the availability of loan finance
- Changes in Supporting People funding
- Funding of future final salary pension scheme liabilities
- Uncertainty following changes in government policy and new legislation
- Increasing pressure on services from tenants as local authorities cuts start to impact.
- Further downturn in the economy

Operating and Financial Review

rates and increased borrowing levels. The average rate of interest paid in the year reduced from 4.3% to 3.9%. Gearing for those members of the group subject to gearing covenants stood at 56% (2011: 52%) while interest cover increased to 133%(2011:139%).

The Group borrows principally from banks, at both fixed and floating rates of interest. There is no limit imposed on the level of fixed interest rate borrowings the Association is able to hold. At the year-end, 53.7% of the Group's borrowings were at fixed rates. Variable rate borrowings are those where the interest rate is fixed for less than 12 months from the balance sheet date, including any where the agreement is longer but the bank has the option to cancel in this period.

Bank borrowings in summary:

	2012 £'000	2011 £'000
Fixed	139,900	119,276
Variable	120,559	112,771
Total Drawn	260,459	242,047
Available facility	70,451	36,072

The maturity of the Group's borrowings is detailed in note 20 of the financial statements.

The Group borrows and lends only in sterling and so is not exposed to currency risk.

Three60 Austin Limited

On 28 September 2010 our joint venture partner in Three60 Austin (Ethel Austin Investment Properties Limited) was placed into administration. In addition, on 12 November 2010 Austin received notification from Royal Bank of Scotland plc ("RBS") that an Event of Default had occurred in respect of its £4.35 million loan facility.

These material uncertainties are deemed to cast significant doubt on Austin's ability to continue as a going concern, such that the directors now view the company's investment in the joint venture as irrevocably impaired. As such, all amounts (£1.1m) due to the company in relation to its investment in Austin have been written off. The company is in the process of selling the property that it holds.

Going Concern

The Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. It therefore continues to adopt the going concern basis in the preparation of the financial statements.

Statement of compliance

In preparing this Operating and Financial Review, the Board has followed the principles set out in the Statement of Recommended Practice "Accounting for Registered Social Landlords 2008".



Vivien Cross
Managing Director- Finance

20 September 2012

Report of the Board

The Board has pleasure in presenting the report and financial statements for Plus Dane Housing Group Limited for the year ended 31 March 2012.

Principal Activity

Plus Dane Group provides affordable homes for rent and shared ownership together with housing support for vulnerable and elderly residents. It also has interests in major regeneration projects and partnerships to deliver change to the neighbourhoods and communities which it serves.

Status

Plus Dane Housing Group is an Industrial and Provident Society incorporated under the Industrial and Provident Societies Act 1965. It is registered with the Homes and Communities Agency as a Registered Provider of social housing as defined by the Housing Act 1996.

Post Balance Sheet Events

On 1 July 2012, the Group entered into a housing management contract to deliver housing management and capital programme works for Ellesmere Port and Neston. The contract was awarded by Cheshire West and Chester Council (CWAC) for an initial period of three years with the option to extend this for a further two years. Over 5,000 additional properties have been brought into management through this arrangement and just under 200 staff have also been transferred from CWAC to deliver the contract. The initial contract value is expected to be in the region of £100m over a five year period and performance will be monitored by CWAC as well as internally as certain elements of the contract price are performance related. A full mobilisation planned and management monitoring procedures have been put in place to monitor progress and performance against the contract.

Role of the Board

The Board comprises up to nine non-executive directors and is responsible for managing the affairs of the Association. The present Board members and the executive officers of the Association are set out on page 1. All of the Board members served throughout the period from the date of incorporation except as indicated on page 1.

The Board meets formally six times a year for regular business, including approval of the budget and business plan. Board members also attend an annual conference to discuss future strategy as part of the wider Plus Dane Group. Also in attendance at Board meetings are the members of the Managing Director Team as detailed on page 1. The managing director team are supported in their day to day running of the Association by members of the Group's Leadership Team. The managing director team served throughout the year except as detailed on page 1. They hold no interest in the Association's shares and act as executives within the authority delegated by the Board.

The Board members are drawn from a wide background bringing together professional, commercial and local experience. Terms of reference are issued to the Board. Board members act in the interest of the Association and not on behalf of any interest group.

Members of the Board represent the Association on the Plus Dane Group's group-wide committees: HR Committee, Group Audit and Scrutiny Committee and Development Investment Forum.

Group insurance policies indemnify board members and officers against liability when acting for the Association.

Report of the Board

Managing Director Team

While the Board is responsible for the Association's overall policy and strategy, management is delegated to the Chief Executive. The Managing Director Team are the senior management team appointed and act as executives within the authority delegated by the Board. They meet monthly under a revolving chairmanship to consider management issues. The meeting is the key decision making forum within the business.

Corporate Governance

The Board is committed to the integrity and accountability in the stewardship of the Association's affairs. The National Housing Federation Code of Governance underpins all matters of governance. The Association complies with the Code of Governance except that, to promote a culture of openness, the Group Audit and Scrutiny Committee (on which the Association has one representative) meet with paid staff present.

The Group Audit and Scrutiny Committee has a protocol with the external auditors, which sets out policies for determining what non-audit work can be undertaken by the external auditors and procedures for periodic review and selection of external auditors.

Internal controls assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This responsibility applies for all organisations controlled by the Association.

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

The process for identifying, evaluating and managing the significant risks faced by the Association is ongoing, has been in place throughout the period commencing 1 April 2011 up to the date of approval of the annual report and financial statements.

Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for Chair's Committee, Group Audit and Scrutiny Committee and Group HR Committee
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks
- Robust strategic and business planning processes, with detailed financial budgets and forecast
- Formal recruitment, retention, training and development policies for all staff
- Established authorisation and appraisal procedures for significant new initiatives and commitments
- A sophisticated approach to treasury management which is subject to external review each year
- Regular reporting to the appropriate committee on key business objectives, targets and outcomes
- Board approved whistle-blowing and anti-theft and corruption policies
- Board approved fraud policies, covering prevention, detection and reporting of fraud, and the recovery of assets
- Regular monitoring of loan covenants and requirements for new loan facilities

Report of the Board

A fraud register is maintained and is reviewed by the Group Audit and Scrutiny Committee on a quarterly basis. During the year there were no matters reported in the fraud register.

The board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the audit committee to regularly review the effectiveness of the system of internal control. The board receives quarterly reports and copies of the minutes from the Group Audit and Scrutiny Committee.

The Group Audit and Scrutiny Committee has received the Managing Director's annual review of the effectiveness of the system of internal control for the Association, and the annual report of the internal auditor, and has reported its findings to the Board.

Statement of the responsibilities of the board for the report and financial statements

The board is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

Industrial and Provident Societies Acts and registered social landlord legislation requires the board to prepare financial statements for each financial year. Under that law the board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under the Industrial and Provident Society legislation 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 and surplus or deficit of the Association for that period. In preparing these financial statements, the board are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social landlords (2008), have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and association and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 (to 31 March 2011), the Housing and Regeneration Act 2008 (from 1 April 2011) and the Accounting Requirements for Registered Social Landlords General Determination 2006. It is also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social landlords (2008).

The board is responsible for the maintenance and integrity of the corporate and financial information on the Association's website.

Report of the Board

Employees

The strength of the association lies in the quality and commitment of its employees. The association's ability to meet its objectives and commitments to its tenants in an efficient and effective manner depends on the contribution of all employees.

As an Investor in People, the Group provides training programmes focused on quality and customer service throughout the association, and seeks employees' views on how to improve services and on matters of common concern.

The Group continues to provide information on the Group's objectives, progress and activities through regular office and departmental meetings and through its staff newsletter 'Vibe'.

Tenant Engagement

The Board actively encourages tenants' involvement in decision making by promoting differing methods and means of tenant involvement. Effective tenant involvement enhances the scrutiny of the Group.

Three board members are tenants. The Tenants Together Forum meets regularly to consider policy and service delivery issues and commission tenant inspections of the Association's work. Tenants are also heavily involved in corporate initiatives such as the repairs framework tender, and amalgamation working groups.

Disclosure of information to auditors

The board members and managing directors who held office at the date of approval of this board report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditors are unaware; and each board member and managing director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

Equality and Diversity

The Association is committed to equal opportunities for all its employees. It is committed to fulfilling its statutory responsibilities with regard to equality and to the continued promotion of equality and diversity across the business.

Investment power

The Association's rules permit investment of monies not immediately required to carry out its objectives, as it determines and is permitted by law.

Annual general Meeting

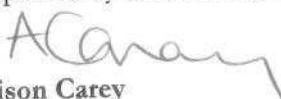
The Annual General Meeting will be held on 20th September 2012.

Auditors

A resolution to re-appoint Grant Thornton LLP as auditors will be proposed at the Annual General Meeting.

Approval

Approved by the Board and signed on its behalf by:



Alison Carey
Company Secretary
20 September 2012

Independent Auditors' Report to the Members of Plus Dane Housing Group Limited

We have audited the financial statements of Plus Dane Housing Group Limited for the year ended 31 March 2012 which comprise the Consolidated and Association Income and Expenditure accounts, the Consolidated and Association Statements of Total Recognised Surpluses and Deficits, the Reconciliations of Movements in Group and Association funds, the Consolidated and Association Balance Sheets, the Consolidated Cash Flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with regulations made under Section 4 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the association'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 association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and auditors

As explained more fully in the Statement of Board's Responsibilities set out on page 12, the board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion

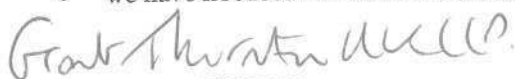
In our opinion the financial statements:

- give a true and fair view of the state of the Association's and of the Group's affairs as at 31 March 2012 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2002, the Housing and Regeneration Act 2008 and The Accounting Requirements for Registered Social Landlords General Determination 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002 requires us to report to you if, in our opinion:

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



Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

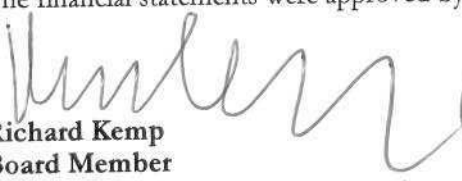
[27 September] 2012

Consolidated and Association's Income and Expenditure Account

	Note	Group		Association	
		2012 £'000	2011 restated £'000	2012 £'000	2011 £'000
Turnover: group and share of joint venture		57,637	55,673	-	-
Less: share of joint venture turnover		(283)	(496)	-	-
Group turnover	3	57,354	55,177	8,945	8,467
Operating costs	3	(44,935)	(44,502)	(8,550)	(8,043)
Group operating surplus before share of joint venture operating profit	3,9	12,419	10,675	395	424
Share of joint venture operating profit		13	180	-	-
Total operating surplus		12,432	10,855	395	424
Surplus on sale of fixed assets	10	52	595	-	-
Gift Aid		-	-	(400)	(615)
Interest receivable	7	71	57	2	2
Interest payable and similar charges	8	(9,476)	(9,184)	-	-
Share of joint venture interest payable		(4)	(177)	-	-
Other finance costs	6	17	(466)	-	-
Surplus/(deficit) on ordinary activities before tax		3,092	1,680	(3)	(189)
Tax on surplus/(deficit) on ordinary activities	11	(35)	983	(27)	27
Surplus/(deficit) for the year	25	3,057	2,663	(30)	(162)

All amounts relate to continuing activities.

The financial statements were approved by the Board and signed on its behalf on 20 September 2012.


Richard Kemp
Board Member


Catrina Hewitson
Board Member


Alison Carey
Secretary

The consolidated comparatives for the year-ended 31 March 2011 have been restated as the group has introduced component accounting in accordance with the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers Update 2010. Further detail can be found in note 31 to these financial statements.

The accompanying notes form part of these financial statements.

Consolidated and Association Statements of Total Recognised Surpluses and Deficits

Group	2012 £'000	2011 restated £'000
Surplus for the year	3,057	2,663
Actuarial (loss)/gain on defined benefit pension scheme	(3,088)	9,382
Unrealised (loss)/gain on revaluation of investment properties	(2,425)	720
Share of joint venture unrealised gain on revaluation of investment properties	-	75
	<hr/>	<hr/>
Total recognised surpluses and deficits for the year	(2,456)	12,840
Prior year adjustment	4,341	<hr/> <hr/>
	<hr/>	
Total recognised surpluses and deficits since last report	1,885	<hr/> <hr/>

Association

There are no other recognised gains and losses for the Association for the year other than the surplus/(deficit) for the year.

Reconciliations of Movements in Group's and Association's Funds

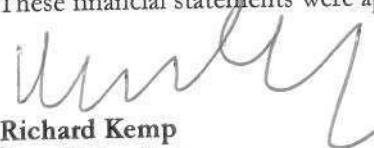
	Group		Association	
	2012 £'000	2011 restated £'000	2012 £'000	2011 £'000
Opening funds/(deficit) as previously stated	5,688	(8,208)	46	208
Prior year adjustment	4,341	5,397	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Opening funds/(deficit) as restated	10,029	(2,811)	46	208
Total recognised surpluses/(deficits) relating to the year	(2,456)	12,840	(30)	(162)
	<hr/>	<hr/>	<hr/>	<hr/>
Closing funds	7,573	10,029	16	46
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form part of these financial statements.

Consolidated and Association's Balance Sheet

	Note	Group		Association	
		2012 £'000	2011 restated £'000	2012 £'000	2011 £'000
Tangible fixed assets					
Housing properties	12	529,020	477,260	-	-
Social housing and other grant	12	(275,824)	(247,870)	-	-
		<u>253,196</u>	<u>229,390</u>	<u>-</u>	<u>-</u>
Other fixed assets	13	15,982	18,676	1,231	954
Investments	15	113	1,188	113	113
Share of joint venture gross assets	15	323	2,443	-	-
Share of joint venture gross liabilities	15	(313)	(3,500)	-	-
Homebuy initiative		1,260	1,237	-	-
Less: Social housing grant		(1,225)	(1,215)	-	-
		<u>269,336</u>	<u>248,219</u>	<u>1,344</u>	<u>1,067</u>
Current assets					
Stock	16	109	102	-	-
Properties for sale	17	4,208	4,301	-	-
Debtors: Due within one year	18	7,915	9,136	1,645	638
Debtors: Due after one year	18	5,973	5,980	-	-
Cash at bank and in hand		3,676	3,930	914	2
		<u>21,881</u>	<u>23,449</u>	<u>2,559</u>	<u>640</u>
Creditors: amounts falling due within one year	19	(18,073)	(20,073)	(3,887)	(1,661)
Net current assets/(liabilities)		<u>3,808</u>	<u>3,376</u>	<u>(1,328)</u>	<u>(1,021)</u>
Total assets less current liabilities		<u>273,144</u>	<u>251,595</u>	<u>16</u>	<u>46</u>
Creditors: amounts falling due after more than one year	20	256,257	234,899	-	-
Net pension liability	6	9,314	6,667	-	-
Capital and reserves					
Non-equity share capital	24	-	-	-	-
Revenue reserve	25	14,471	15,469	16	46
Designated reserve	25	1,220	1,316	-	-
Revaluation reserve	25	(8,118)	(6,756)	-	-
Consolidated/Association funds		<u>7,573</u>	<u>10,029</u>	<u>16</u>	<u>46</u>
		<u>273,144</u>	<u>251,595</u>	<u>16</u>	<u>46</u>

These financial statements were approved by the Board and signed on its behalf on 20 September 2012.


Richard Kemp
Board Member


Catrina Hewitson
Board Member


Alison Carey
Secretary

The accompanying notes form part of these financial statements

Consolidated Cash Flow Statement

	Note	2012		2011 restated	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	27(a)		24,287		16,650
Returns on investment and servicing of finance					
Interest received		71		57	
Interest paid		(9,747)		(9,424)	
Interest element of finance lease payments		(25)		(63)	
			(9,701)		(9,430)
Taxation:					
Taxation (paid)/received			293		(429)
Capital expenditure and financial investment					
Housing property additions		(55,230)		(51,237)	
Social Housing Grant received		21,214		14,220	
Proceeds from sale of housing properties		765		1,263	
Proceeds from sale of other fixed assets		5		960	
Purchase of other tangible fixed assets		(1,067)		(549)	
			(34,313)		(35,343)
Cash outflow before management of liquid resources and financing			(19,434)		(28,552)
Financing					
Loans received		19,323		21,637	
Capital repayment of finance lease		(143)		(107)	
Net cash inflow from financing			19,180		21,530
Decrease in cash in year	27(b)		(254)		(7,022)

The accompanying notes form part of these financial statements

Notes to the financial statements

1. Legal status

The Association is registered under the Industrial and Provident Societies Act 1965 and is registered with the Homes and Communities Agency as a housing provider.

2. Principal accounting policies

Basis of accounting

The financial statements of the Group and the Association have been prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP) and in accordance with the Accounting Requirements for Registered Social Landlords General Determination 2006 and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers (Update 2010).

The consolidated comparatives for the year-ended 31 March 2011 have been restated as the group has introduced component accounting in accordance with the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers Update 2010. Further detail can be found in note 31 to these financial statements.

Basis of consolidation

The Group accounts consolidate the Accounts of the Association and its subsidiaries at 31 March using merger accounting.

Interests in joint ventures are accounted for using the gross equity method in accordance with Financial Reporting Standard ("FRS") 9 – Associates and Joint Ventures.

Turnover and revenue recognition

Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale, other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants receivable in the year.

Rental income is recognised from the point when properties become available for letting. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

Pre-emption agreement

Properties developed under a right of pre-emption agreement are included within current assets (as development sales debtors) where it is considered probable that the pre-emption right will be exercised.

Taxation

The charge for taxation is based on the taxable surplus for the year and includes current tax on the taxable surplus for the year and deferred tax.

Notes to the financial statements

2. Principal accounting policies (continued)

Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Except as noted below, full provision for deferred taxation is made under the incremental liability method on all timing differences that have arisen, but not reversed by the balance sheet date.

In accordance with FRS19, deferred tax is not provided for gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over.

The recognition of deferred tax assets is limited to the extent that the Association and Group anticipates making sufficient taxable surpluses in the future to absorb the reversal of the underlying timing differences.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantially enacted at the balance sheet date.

Value Added Tax

The Group charged Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

Interest payable

Interest, including issue costs, is allocated at a constant rate on the carrying amount over the period of the borrowing. Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

- a) interest on borrowings specifically financing the development programme after deduction of interest on Social Housing Grant (SHG) in advance; or
- b) interest on borrowings of the group as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the income and expenditure account in the year.

Notes to the financial statements

2. Principal accounting policies (continued)

Pension costs

Contributions to the Group's defined contribution pension scheme, the Norwich Union Group personal pension plan, are charged to the profit and loss account in the year in which they become payable.

The Group participates in three funded multi-employer defined benefit schemes: the Social Housing Pension Scheme (SHPS), Merseyside Pension Fund (MPF) and Cheshire Pension Fund (CPF).

For SHPS, it has not been possible to identify the share of the underlying asset and liabilities belonging to the individual participating employers. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period.

For the MPF and CPF schemes, assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the Group.

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs. Actuarial gains and losses are reported in the statement of total recognised surpluses and deficits.

Supporting people

Charges for support services funded under Supporting People are recognised as they fall due under contractual arrangements with administering authorities.

Supporting people managed by agencies

Social housing capital grants are claimed by the Group as a developer and owner of the property and included in the balance sheet of the Group. The treatment of other income and expenditure in respect of supported housing projects depends on the nature of the partnership arrangements between the Group and its managing agents and on whether the Group carries the financial risk. Where the group holds the support contract with the Supporting People administering authority and carries the financial risk, all the projects income and expenditure is included in the Group's income and expenditure account.

Investment properties

In accordance with SSAP 19 investment properties held for long term investment are revalued annually at open market value as at the balance sheet date. Valuations are carried out by external valuers at least every third year. Properties in the course of development included in tangible fixed assets are stated at cost or at valuation at the commencement of the development plus all development costs incurred subsequently. Properties are reviewed regularly by the Directors and if, in their opinion, there has been impairment the property is written down to its valuation. On completion of a development the property is reclassified as either an investment property or property held for resale as appropriate.

Notes to the financial statements

2. Principal accounting policies (continued)

The aggregate surplus or deficit arising on revaluation is transferred to the revaluation reserve except where a deficit is deemed to represent a permanent diminution in value, in which case it is charged to the profit and loss account.

On disposal of a fixed asset property, any surplus or deficit calculated by comparing net sale proceeds with book value, is included in profit on ordinary activities before taxation and any realised revaluation surplus or deficit is reclassified, within reserves, to the profit and loss account.

No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. The Directors acknowledge that this is a departure from the Companies Act, however believe that it is necessary in order to present a true and fair view in accordance with applicable accounting standards and because current values and changes in current market values are of prime importance rather than the calculation of systematic depreciation. The depreciation charge is only one of the factors reflected in the annual valuation and cannot be separately quantified.

Housing properties

Housing properties are principally properties available for rent and are stated at cost less social housing grant and depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Shared ownership properties are split proportionally between fixed and current assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included within turnover, and the remaining element is classed as a fixed asset included in housing properties at cost, less any provisions needed for depreciation or impairment.

Depreciation of housing properties

The group separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

Where SHG has been allocated to a component; the depreciable amount is arrived at on the basis of original cost, less the proportion of SHG and other grants attributable to the component, less residual value.

Notes to the financial statements

2. Principal accounting policies (continued)

The group depreciates the major components of its housing properties at the following annual rates:

	Years
Main structure	100
Pitched Roofs	60
Flat Roofs	20
Windows, doors, external joinery & cladding	25
Heating systems	15
Kitchens	15
Bathrooms	20
Electrics including PV panels, wind turbines and other generators	25
Septic Tanks	25
Lifts	20
Aids and adaptations	15

Freehold land is not depreciated.

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business if shorter.

Impairment

Housing properties, including those with individual components which are depreciated over a period in excess of 50 years are subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to the recoverable amount, being the higher of the net realisable value or the value in use to the Association. Any such write down is charged to operating surplus.

Social housing grant

Social Housing Grant (SHG) is receivable from the Homes and Communities Agency ("HCA") and is utilised to reduce the capital costs of housing properties. It is allocated to the land and structure components of the associated asset in proportion to their cost. SHG due from the Homes and Communities Agency or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with the Homes and Communities Agency. SHG released on sale of a property is normally available to be recycled and is credited to a recycled capital grant fund and included in the balance sheet in creditors.

Other grants

Other grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

Notes to the financial statements

2. Principal accounting policies (continued)

Properties for sale

Shared ownership first tranche sales, completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Other tangible fixed assets

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal depreciation rates applied are:

Freehold office building	2%
Motor vehicles (on a reducing balance basis)	25%
Furniture and equipment	10% to 33%
Leasehold buildings	Over term of the lease

Leased assets

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the Group's normal accounting policies. The present value of future rentals is shown as a liability.

The interest element of rental obligations is charged to the income and expenditure account over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

Investments

Investments are valued at the lower of cost and net realisable value.

Stocks

Stocks have been valued at the lower of cost and net realisable value.

Derivatives

The Group uses interest rate swaps to reduce its exposure to future increases in the interest rates on floating rate loans. The notional principal is not reflected in the Group's balance sheet. Payments made under swaps are accrued over the payment period on a straight-line basis and adjusted against interest payable on the loans.

Notes to the financial statements

2. Principal accounting policies (continued)

Revenue reserves

Revenue reserves represent the accumulated accounting surpluses of the Group. They are utilised for investment in future capital repairs and improvements to the Group's housing stock and funding for new housing projects. The Board regularly reviews the group's overall financial strength and accordingly agrees the appropriate level of reserves relative to the size of its development programme and risk capacity, especially in relation to treasury risk.

Designated reserves

A designated reserve is a reserve which has been earmarked for a specific use. The Group maintains designated reserves as follows:

Furniture/Equipment Replacement – an amount set aside for the replacement of communal furnishings and other equipment.

The neighbourhood reinvestment reserve is designated to fund improvements in neighbourhoods decided upon by tenants.

Notes to the financial statements

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

	2012			2011 restated				
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating Surplus £'000
Group	48,264	-	(37,885)	10,379	43,696	-	(36,421)	7,275
Social housing lettings								
Development services	923	-	(695)	228	1,235	-	(1,123)	112
Supporting people contracts	899	-	(1,055)	(156)	1,109	-	(1,008)	101
Management services and other	34	-	(29)	5	1,101	-	(351)	750
Leased to others	348	-	(71)	277	-	-	-	-
Community regeneration	184	-	(393)	(209)	746	-	(1,860)	(1,114)
Sale of housing accommodation	3,293	(3,176)	-	117	2,428	(2,284)	-	144
Other	525	-	(466)	59	1,463	-	(190)	1,273
	<u>6,206</u>	<u>(3,176)</u>	<u>(2,709)</u>	<u>321</u>	<u>8,082</u>	<u>(2,284)</u>	<u>(4,532)</u>	<u>1,266</u>
Non-social housing activities								
Lettings	265	-	(35)	230	1,037	-	(459)	578
Income from finance leases	436	-	-	436	432	-	-	432
Other*	2,183	(344)	(786)	1,053	1,930	(349)	(457)	1,124
	<u>2,884</u>	<u>(344)</u>	<u>(821)</u>	<u>1,719</u>	<u>3,399</u>	<u>(349)</u>	<u>(916)</u>	<u>2,134</u>
	<u>57,354</u>	<u>(3,520)</u>	<u>(41,415)</u>	<u>12,419</u>	<u>55,177</u>	<u>(2,633)</u>	<u>(41,869)</u>	<u>10,675</u>

* Non-social housing activities – other, includes the activities of three60 Property Investors Limited, a subsidiary of the group, whose principal activity is that of property investment and development.

Notes to the financial statements

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

Association	2012			2011			
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000	Turnover £'000	Cost of sales £'000	Operating surplus £'000
Other social housing activities							
Development services	2,713	-	(2,473)	239	2,537	-	125
Management services and other	6,232	-	(6,077)	156	5,930	-	299
	8,945	-	(8,550)	395	8,467	-	424

Notes to the financial statements

3. Income and expenditure from social housing lettings

Group

	General needs housing £'000	Shared ownership £'000	Supported Housing & housing for older people £'000	Total 2012 £'000	Total restated 2011 £'000
Rent receivable net of identifiable service charges	36,853	962	7,336	45,151	40,803
Service charges receivable	1,028	148	1,117	2,293	2,093
Charges for support services	100	-	720	820	800
Turnover from social housing lettings	37,981	1,110	9,173	48,264	43,696
Expenditure on social housing lettings					
Management	8,632	237	2,450	11,319	12,223
Services	1,204	248	1,850	3,302	2,365
Routine and planned maintenance	9,593	26	2,186	11,805	11,030
Major repairs expenditure	2,629	13	524	3,166	3,937
Rent losses from bad debts	296	-	83	379	186
Supporting people	90	-	57	147	132
Depreciation of housing properties	6,530	91	1,140	7,761	6,564
Provision for bad debts	4	-	2	6	(16)
Operating costs on social housing lettings	28,978	615	8,292	37,885	36,421
Operating surplus on social housing lettings	9,003	495	881	10,379	7,275
Rent losses from voids	426	13	203	642	719
				2012	2011
Particulars of turnover from non-social housing lettings				£'000	£'000
Market rented letting				856	915
Garages				65	112
Shops				2	10
				923	1,037

Notes to the financial statements

4. Accommodation in management and development

Group

At the end of the year, accommodation in management for each class of accommodation was as follows:

Owned and managed by the Group

	2012	2011
	Units	Units
Social housing		
General needs housing	9,452	9,274
Supported housing	1,893	1,893
Low cost home ownership	347	401
Leaseholder units	132	233
	<hr/>	<hr/>
Total owned	11,824	11,801
Managed for others	268	123
Managed by others	108	69
Non-social housing		
Market rented	123	123
Extra care	72	72
	<hr/>	<hr/>
	195	195
	<hr/>	<hr/>
Total owned and managed	12,395	12,188
	<hr/> <hr/>	<hr/> <hr/>
Under construction		
General needs	749	547
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements

5. Directors' emoluments and expenses

Board members

During the year fees of £60,186 (2011: £61,250) were paid to Board members and expenses paid amounted to £3,305 (2011: £4,189).

Executive directors

The remuneration for the executive directors of the Plus Dane Housing Group for the year ended 31 March 2012 is detailed in the table below.

As a member of the Group, the Association bears a charge in respect of the services provided to it by the members of the group executive director team. The charge for the current year amounted to £43,724 (2011: £28,984).

		Basic salary £'000	Benefits in kind £'000	Pension contribution £'000	2012 Total £'000	2011 Total £'000
K Perry	Group Chief Executive	127	4	22	153	154
A Ward	Chief Integration Officer (to July 2010)	-	-	-	-	37
P Shaw	MD – Finance	87	6	7	100	98
S Deepwell	Acting MD Merseyside & Lancashire (to June 2010)	-	-	-	-	26
J Phillips	MD Knowledge, Innovation & Performance	87	4	26	117	109
M Doran	MD – Enterprising Neighbourhoods: Cheshire & Staffordshire	87	5	7	99	97
G Murden	MD - Enterprising Neighbourhoods: Merseyside	87	5	15	107	111
P Patterson	MD Three60 (to July 2010)	-	-	-	-	37
C Griffiths	MD Regeneration and Commercial Development	87	3	9	99	99
V Cross	Acting MD Finance (from June 2011)	69	4	5	78	-
Total		631	31	91	753	768

The emoluments of the highest paid director of the group, the Group Chief Executive, excluding pension contributions were £126,650 (2011: £120,825). The Group Chief Executive is a member of the Merseyside Pension Fund. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The Group does not make any further contribution to an individual pension arrangement for the chief executive.

In addition to the amounts shown above for 2011, a total of £284,276 was paid to three Group executive directors (A Ward, P Patterson and S Deepwell) for compensation for loss of office following a restructure of the executive management team.

Notes to the financial statements

6. Employees

Group

The average number of employees of the group expressed in full time equivalents during the year was:

	2012 Number	2011 Number
Housing, support and care	357	364
Development	26	37
Administration	135	122
	<hr/>	<hr/>
	518	523
	<hr/> <hr/>	<hr/> <hr/>

	2012 £'000	2011 £'000
Employee costs		
Wages and salaries	14,323	14,284
Social security costs	1,207	1,160
Other pension costs	1,269	1,398
	<hr/>	<hr/>
	16,799	16,842
	<hr/> <hr/>	<hr/> <hr/>

Association

The average number of employees of the association expressed in full time equivalents during the year was:

	2012 Number	2011 Number
Administration and development	90	93
	<hr/>	<hr/>

	2012 £'000	2011 £'000
Employee costs		
Wages and salaries	3,284	3,425
Social security costs	285	289
Other pension costs	356	462
	<hr/>	<hr/>
	3,925	4,176
Recharged to/(from) group companies	1,201	-
	<hr/>	<hr/>
	5,126	4,176
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements

6. Employees (continued)

The group participates in three funded multi-employer defined benefit schemes: the Social Housing Pension Scheme, Merseyside Pension Fund and Cheshire County Council Pension Scheme.

Social Housing Pension Scheme (SHPS)

Members of the Group participate in SHPS (the Scheme). The Scheme is funded and contracted out of the state scheme.

SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide"

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate, to March 2007. From April 2007 there are three benefit structures available, namely:

- Final salary with a 1/60th accrual rate
- Final salary with a 1/70th accrual rate
- Career average revalued earnings with a 1/60th accrual rate

From April 2010 there are a further two benefit structures available, namely:

- Final salary with a 1/80th accrual rate.
- Career average revalued earnings (CARE) with a 1/80th accrual rate.

A defined contribution benefit structure was made available from 1 October 2010.

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Different members of the Group have elected to operate the final salary benefit structure as follows:

- a 1/60th accrual rate benefit structure for active members at 31 March 2007;
- a 1/60th or 1/70th accrual rate benefit structure for new entrants between 1 April 2007 and 31 March 2010;
- a 1/80th accrual rate benefit structure for new entrants from 1 April 2010;
- the option of a defined contribution benefit structure from 1 October 2010.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From 1 April 2010 the requirement for employers to pay at least 50% of the total contribution rate no longer applies.

Notes to the financial statements

6. Employees (continued)

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discounted rate calculated by reference to the expected future investment returns.

During the accounting period the Group paid contributions at the rate of 7% to 10.15% in to the defined benefit scheme. Member contributions into the defined benefit scheme were at the rate of 5.2% to 9.95%. Employer and member contributions to the defined contribution scheme are set at 4.5% each.

As at the balance sheet date there were 78 active members of the Scheme employed by the Group. The annual pensionable payroll of these members was £1,950,000 on a consistent and reasonable basis. The group continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2008 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,527 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £663 million, equivalent to a past service funding level of 69.7%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	% pa
• Investment return pre-retirement	7.8
• Investment return post-retirement	6.2
• Rate of salary increases to 30 September 2011	5.6
• Rate of salary increases from 1 October 2011	4.7
• Rate of price inflation	3.2
• Pension increases	
○ Pre 88 GMP	0.0
○ Post 88 GMP	2.8
○ Excess over GMP	3.0

Expenses for death in service insurance, administration and PPF levy are included in the contribution rate.

The valuation was carried out using the following demographic assumptions:

- Mortality pre-retirement PA92 year of birth, long cohort projection, minimum improvement 1%
- Mortality post-retirement S1PA year of birth, long cohort projection, minimum improvement 1%

Notes to the financial statements

6. Employees (continued)

The long-term joint contribution rates that will apply from April 2010 required from employers and members to meet the cost of future benefit accrual were assessed at:

Benefit Structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary with a 1/60 th accrual rate	17.8
Final salary with a 1/70 th accrual rate	15.4
CARE with a 1/60 th accrual rate	14.9
Final salary with a 1/80 th accrual rate	13.5
CARE with a 1/80 th accrual rate	11.9

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £663 million would be dealt with by the payment of deficit contributions of 7.5% of pensionable salaries, increasing in line with the salary growth assumptions, from 1 April 2010 to 30 September 2020, dropping to 3.1% from 1 October 2020 to 30 September 2023. Pensionable earnings at 30 September 2008 are used as the reference point for calculating these deficit contributions. These deficit contributions are in addition to the long-term joint contribution rates set out in the table above.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the Scheme to new entrants are required to pay an additional employer contribution of 3% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the SHPS scheme.

Employers joining the Scheme after 1 October 2002 that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and applies until the second valuation after the date of joining the Scheme, at which point the standard employer contribution rate is payable. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The recovery plan for the SHPS Scheme in respect of the September 2008 actuarial valuation has been submitted to the Regulator.

Notes to the financial statements

6. Employees (continued)

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,985 million and indicated a reduction in the shortfall of assets compared to liabilities to approximately £497 million, equivalent to a past service funding level of 80.0%.

Merseyside Pension Fund

The MPF is a multi-employer scheme, administered by Wirral Borough Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2010 and rolled forward to 31 March 2011 by a qualified independent actuary.

The Group's employees participate in the scheme through two admission agreements, the results of which have been aggregated for the purposes of FRS17. The assumptions used have been consistently applied to both agreements within the MPF scheme.

The 2012 employers' contributions to the MPF by the Group for the year ended 31 March 2012 were £854,000 (2011: £829,000) at a contribution rate of 9.8-16.5%% of pensionable salaries, set until the next funding valuation at 31 March 2011. From 1 April 2012 the contribution rate is set at 16.5%.

Financial assumptions

	31 March 2012 % per annum	31 March 2011 % per annum
Discount rate	4.9	5.5
Future salary increases	4.0	4.4
Future pension increases	2.5	2.9
CPI Inflation assumption	2.5	2.9

Expected return on assets

The expected return on assets were:

	2012 % per annum	2011 % per annum
Equities	7.0	7.5
Government bonds	3.1	4.4
Other bonds	4.1	5.1
Property	6.0	6.5
Cash/liquidity	0.5	0.5
Other	7.0	7.5

Notes to the financial statements

6. Employee Information (continued)

Mortality assumptions

The post retirement mortality assumptions used to value the benefit obligation at March 2011 and March 2012 are based on PA92 mc YoB + 2 years for non-retired members and pensioners.

Within the past three years, investigations have been carried out by the scheme actuaries into the mortality experience of the Association's scheme. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	2012	2011
Current pensioners		
- Males	21.5 years	21.4 years
- Females	24.2 years	24.1 years
Future Pensioners		
- Males	22.8 years	22.8 years
- Females	25.8 years	25.7 years

Amounts recognised in the balance sheet:

	2012 £'000	2011 £'000
Present value of funded obligations	(25,772)	(23,238)
Present value of unfunded obligations	-	-
Total present value of benefit obligations	(25,772)	(23,238)
Fair value of plan assets	20,532	19,475
Deficit	(5,240)	(3,763)

Notes to the financial statements

6. Employee Information (continued)

Analysis of the amount charged to the income and expenditure account:

	2012 £'000	2011 £'000
Current service cost	578	624
Expected return on pension scheme assets	(1,288)	(1,151)
Interest on pension scheme liabilities	1,286	1,435
	<hr/>	<hr/>
Total operating charge	576	908
	<hr/> <hr/>	<hr/> <hr/>

£578,000 (2011: £624,000) was charged to the operating surplus and £2,000 was credited (2011: £284,000 charged) to other finance costs/income.

Amounts recognised in the statement of total recognised surpluses and deficits

	2012 £'000	2011 £'000
Actuarial (loss)/gain in pension scheme recognised in STRSD	(1,754)	3,864
	<hr/>	<hr/>
Cumulative actuarial loss recognised in STRSD	(2,814)	(1,070)
	<hr/> <hr/>	<hr/> <hr/>

Included within the actuarial gain for the current year is £1.6 million relating to the government's announcement of on 22 June 2010 that future pension increases would be linked to CPI as opposed to RPI. The Group recognised this amount in the STRSD in accordance with the Urgent Issues Task Force (UITF) Abstract 48 as the Directors consider that no constructive obligation existed prior to this. As such the resulting gain has been accounted for as a change in actuarial assumption.

Changes in present value of defined benefit obligation:

	2012 £'000	2011 £'000
Opening defined benefit obligation	23,238	24,923
Current service cost	578	624
Member contributions	255	247
Interest cost	1,286	1,435
Actuarial (gains)/losses	938	(3,642)
Benefits paid	(523)	(349)
	<hr/>	<hr/>
Closing defined benefit obligation	25,772	23,238
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements

6. Employee Information (continued)

Changes in fair value of assets:

	2012 £'000	2011 £'000
Fair value of assets at beginning of year	19,475	17,375
Expected return on assets	1,288	1,151
Member contributions	255	247
Employer contributions	853	829
Actuarial (losses)/gains	(816)	222
Benefits paid	(523)	(349)
	<hr/>	<hr/>
Fair value of assets at end of year	20,532	19,475
	<hr/> <hr/>	<hr/> <hr/>

Major categories of plan assets as a percentage of total plan assets:

	2012	2011
Equities	59.1%	60.7%
Government bonds	15.7%	10.7%
Other bonds	4.0%	6.7%
Property	9.3%	7.9%
Cash	2.2%	2.3%
Other	9.7%	11.7%

Actual return on plan assets:

	2012 £'000	2011 £'000
Actual return on plan assets	472	1,430
	<hr/>	<hr/>

Amounts for the current and previous four periods are as follows:

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Present value of defined benefit obligation	(25,772)	(23,238)	(24,923)	(16,230)	(19,179)
Fair value of scheme assets	20,532	19,475	17,375	12,478	14,079
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Deficit on scheme	(5,240)	(3,763)	(7,548)	(3,752)	(5,100)
Experience adjustments on plan liabilities	-	1,857	-	-	-
Experience adjustments on plan assets	(816)	222	3,483	(3,570)	-

Notes to the financial statements

6. Employees (continued)

Cheshire Pension Fund ("CPF")

The CCCPS is a multi-employer scheme, administered by Cheshire County Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2010 and rolled forward to 31 March 2012 by a qualified actuary.

The employer's contributions to the scheme by the Group for the year ended 31 March 2012 were £495,000 (2011: £403,000) and the employer's contribution rate has been fixed as 29.8% of pensionable pay from April 2011 and set until the next funding valuation at 31 March 2013.

Financial Reporting Standard 17

Financial assumptions

The major assumptions used by the actuary in assessing scheme liabilities were:

	2012 % per annum	2011 % per annum
Rate of increase in salaries	4.8	5.1
Rate of increase in pensions in payment	2.5	2.8
Discount rate	4.8	5.5
Expected return on assets	5.5	6.8

Expected return on assets

The expected return on assets assumptions were:

	2012 % per annum	2011 % per annum
Equities	6.2	7.5
Bond	3.3	4.9
Property	4.4	5.5
Cash	3.5	4.6

Notes to the financial statements

Mortality

Within the past three years, investigations have been carried out by the scheme actuaries into the mortality experience of the Association's scheme. Life expectancy is based on the SAPS year of birth tables with the improvements from 2007 in line with the Medium Cohort and a 1% p.a. underpin. Mortality loadings were applied to the SAPS tables based on membership class. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	2012	2011
Current pensioners		
- Males	22.9 years	22.9 years
- Females	25.7 years	25.7 years
Future Pensioners		
- Males	24.9 years	24.9 years
- Females	27.7 years	27.7 years

Amounts recognised in the balance sheet

	2012 £'000	2011 £'000
Fair value of employer assets	13,714	13,345
Present value of funded liabilities	(17,788)	(16,249)
Net underfunding in funded plans	(4,074)	(2,904)
Present value of unfunded liabilities	-	-
Unrecognised past service cost	-	-
Net liability	(4,074)	(2,904)
Amount in the balance sheet		
Liabilities	(4,074)	(2,904)
Assets	-	-
Net liability	(4,074)	(2,904)

Analysis of the amount charged to the income and expenditure account

	2012 £'000	2011 £'000
Current service cost	346	388
Past service costs	-	69
Expected return on pension scheme assets	(903)	(854)
Interest on pension scheme liabilities	888	1,036
	331	639

£346,000 (2011: £457,000) was charged to the operating surplus and £15,000 credited (2011: £182,000 charged) to other finance income/(cost).

Notes to the financial statements

6. Employees (continued)

Amounts recognised in the statement of total recognised surpluses and deficits

	2012 £'000	2011 £'000
Actuarial (loss)/gain in pension scheme recognised in STRSD	(1,334)	5,518
Cumulative actuarial (loss)/gain recognised in STRSD	(1,125)	209

Included within the actuarial gain for the current year is £nil (2011: £1.8million) relating to the government's announcement of on 22 June 2010 that future pension increases would be linked to CPI as opposed to RPI. The Group recognised this amount in the STRSD in accordance with the Urgent Issues Task Force (UITF) Abstract 48 as the Directors considered that no constructive obligation existed prior to this. As such the resulting gain has been accounted for as a change in actuarial assumption.

Changes in present value of defined benefit obligations

	2012 £'000	2011 £'000
Defined benefit obligations at beginning of year	16,249	20,326
Current service cost	346	388
Interest cost	888	1,036
Contributions by members	110	111
Actuarial losses/(gains)	857	(4,978)
Past service cost	-	69
Benefits paid	(662)	(703)
Defined benefit obligations at end of year	17,788	16,249

The past service cost figure for 2011 relates to £69,000 in respect of efficiency and other early retirements.

Notes to the financial statements

Changes in fair value of assets

	2012 £'000	2011 £'000
Fair value of assets at beginning of year	13,345	12,140
Expected return on assets	903	854
Contribution by members	110	111
Contributions by employer	495	403
Actuarial (losses)/gains	(477)	540
Benefits paid	(662)	(703)
	<u>13,714</u>	<u>13,345</u>

Major categories of plan assets as a percentage of total plan assets

	2012 £	2012 %	2011 £	2011 %
Equities	9,874	72	9,608	72
Bonds	1,920	14	2,002	15
Property	960	7	801	6
Cash	960	7	934	7
	<u>13,714</u>	<u>100</u>	<u>13,345</u>	<u>100</u>

Actual return on plan assets

	2012 £'000	2011 £'000
Actual return on plan assets	458	1,021

Amounts for the current and previous four periods are as follows:

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Fair value of employer assets	13,714	13,345	12,140	8,852	11,185
Present value of defined benefit obligation	(17,788)	(16,249)	(20,326)	(12,242)	(12,458)
	<u>(4,074)</u>	<u>(2,904)</u>	<u>(8,186)</u>	<u>(3,390)</u>	<u>(1,273)</u>
Experience gains/(losses) on assets	(477)	540	2,660	(3,216)	(239)
Experience gains/(losses) on liabilities	(181)	1,042	-	-	(1,080)

Notes to the financial statements

7. Interest receivable

	Group		Association	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Interest receivable and similar income	71	57	2	2

8. Interest payable and similar charges

	Group 2012	Group 2011
Interest on bank loans and overdrafts	9,769	9,335
Finance leases	25	63
RCGF Interest	6	11
Disposal Proceeds fund interest	-	2
Refinancing costs written off	55	13
	<u>9,855</u>	<u>9,424</u>
Less: interest capitalised in housing property costs	(379)	(240)
	<u>9,476</u>	<u>9,184</u>
Capitalisation rate used to determine the finance costs capitalised during the period	2.59%	0.95%

9. Operating surplus

	Group		Association	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Is stated after charging:				
Depreciation of housing properties	7,063	2,084	-	-
Depreciation of other tangible fixed assets	960	817	387	299
Operating lease charges:				
- Land and buildings		301	-	-
- Other		475	1	-
Auditors' remuneration:				
- for audit services		61	7	5
- for non-audit services				
- tax compliance		6	3	-
- tax advisory		21	6	-
- other		5	6	-

Notes to the financial statements

10. Surplus on sale of fixed assets- housing properties

	Group		Association	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Disposal proceeds	462	2,038	-	-
Carrying value of fixed assets	(410)	(1,443)	-	-
	<u>52</u>	<u>595</u>	<u>-</u>	<u>-</u>

11. Tax on surplus on ordinary activities

United Kingdom Corporation Tax	Group		Association	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
<i>Current taxation:</i>				
Current tax on income for year	66	104	66	-
Adjustment in respect of prior year	2	(430)	-	(14)
	<u>68</u>	<u>(326)</u>	<u>66</u>	<u>(14)</u>
Total current tax charge/(credit)	68	(326)	66	(14)
Share of joint venture tax charge	6	-	-	-
	<u>74</u>	<u>(326)</u>	<u>66</u>	<u>(14)</u>
<i>Deferred taxation:</i>				
Net origination and reversal of timing differences	(33)	(26)	(33)	(26)
Adjustment in respect of prior year	(6)	(631)	(6)	13
	<u>35</u>	<u>(983)</u>	<u>27</u>	<u>(27)</u>
Total tax charge/(credit)	35	(983)	27	(27)

Notes to the financial statements

11. Tax on surplus on ordinary activities (continued)

The current tax charge for the year varies from the standard rate of corporation tax in the United Kingdom of 26% (2011 – 28%). The differences are explained below:

	Group		Association	
	2012	2011 restated	2012	2011
	£'000	£'000	£'000	£'000
Surplus/(deficit) on ordinary activities subject to tax	3,092	1,680	(3)	(189)
Surplus on ordinary activities at the standard rate of corporation tax in the UK of 26% (2011 - 28%)	804	470	(1)	(53)
Effects of:				
Expenses not deductible for tax purposes	597	1,466	25	14
Capital gain	19	13	-	-
Net charitable income	(485)	(767)	-	-
Accelerated capital allowances	(13)	(25)	-	-
Depreciation in excess of capital allowances	42	57	42	32
Losses utilised	(855)	(82)	-	-
Unrelieved tax losses	-	170	-	-
Other	-	218	-	7
Adjustment in respect of prior year	2	(430)	-	(14)
Short term timing differences	(43)	(1,416)	-	-
	68	(326)	66	(14)

Notes to the financial statements

12. Tangible fixed assets - Housing properties

GROUP Housing properties	Non-Social Housing		Social Housing Shared Ownership		Social Housing General needs		Total £'000
	Held for letting £'000	Under construction £'000	Held for letting £'000	Under construction £'000	Held for letting £'000	Under construction £'000	
Cost							
At 1 April 2011 (restated)	1,443	25	20,235	141	469,393	26,258	517,354
Works to existing properties	-	-	7,365	-	7,365	-	7,365
Reclassification	-	4,503	(6,360)	-	6,360	(4,503)	-
Additions	68	5,770	769	-	9,213	39,360	55,180
Transfer (to)/ from current assets	-	(1,263)	(610)	-	-	-	(1,873)
Schemes completed in year	-	(8,894)	8,894	-	48,906	(48,906)	-
Disposals	-	(201)	(201)	-	(2,225)	-	(2,426)
At 31 March 2012	1,511	141	22,727	141	539,012	12,209	575,600
Depreciation and impairment							
At 1 April 2011 (restated)	(14)	-	(179)	-	(39,901)	-	(40,094)
Charged in year	(12)	-	(153)	-	(6,673)	(225)	(7,063)
Reclassification	-	-	88	-	(88)	-	-
Released on disposal	-	-	-	-	577	-	577
At 31 March 2012	(26)	-	(244)	-	(46,085)	(225)	(46,580)
Depreciated cost							
At 31 March 2012	1,485	141	22,483	141	492,927	11,984	529,020
At 31 March 2011 (restated)	1,429	25	20,056	25	429,492	26,258	477,260
Social Housing Grant							
At 1 April 2011	(97)	-	(8,383)	-	(221,447)	(16,882)	(246,809)
Reclassification	-	(1,030)	1,757	-	(1,757)	1,030	-
Additions	-	(1,554)	(323)	-	(7,639)	(19,017)	(28,533)
Schemes completed in year	-	2,584	(2,584)	-	(27,700)	27,700	-
Disposals	-	-	78	-	549	-	627
At 31 March 2012	(97)	-	(9,455)	-	(257,994)	(7,169)	(274,715)
Other Grant							
At 1 April 2011	(485)	-	(39)	-	(447)	(90)	(1,061)
Additions	(48)	-	-	-	-	90	(48)
Schemes completed in year	-	-	-	-	(90)	-	-
At 31 March 2012	(533)	-	(39)	-	(537)	-	(1,109)
Net book value							
At 31 March 2012	855	141	12,989	141	234,396	4,815	253,196
At 31 March 2011 (restated)	847	25	11,634	25	207,598	9,286	229,390

Notes to the financial statements

12. Tangible fixed assets - Housing properties (continued)

The net book value includes £724,281 (2011 (restated): £812,707) in respect of assets held under finance leases. Depreciation charged in the year on these assets amounted to £88,426 (2011: £88,667).

Social Housing Grant	2012	2012	2011	2011
	£'000	£'000	£'000	£'000
	Revenue	Capital	Revenue	Capital
Total accumulated SHG receivable at 31 March :	1,809	265,900	867	246,809

The Group is unable to analyse the cost of housing land and buildings between freehold and other tenures, nor is it able to provide a reasonable estimate except at excessive costs. It is considered the effect of this omission is negligible.

Expenditure on works to existing properties:	2012	2011
	£'000	restated £'000
Amounts capitalised	7,365	5,162
Amounts charged to income and expenditure account	3,166	3,937
	<u>10,531</u>	<u>9,099</u>

Notes to the financial statements

13. Other fixed assets

Group

	Freehold offices £'000	Leasehold office premises £'000	Motor vehicles £'000	Fixtures & equipment £'000	Freehold investment properties £'000	Total £'000
Cost or valuation						
At 1 April 2011	6,689	1,178	89	3,983	11,380	23,319
Additions	-	8	-	733	-	741
Disposals	-	-	(4)	(361)	-	(365)
Revaluations	-	-	-	-	(2,425)	(2,425)
At 31 March 2012	6,689	1,186	85	4,355	8,955	21,270
Depreciation						
At 1 April 2011	(2,141)	(435)	(89)	(1,978)	-	(4,643)
Charged for the year	(230)	(81)	-	(649)	-	(960)
Disposals	-	-	4	311	-	315
At 31 March 2012	(2,371)	(516)	(85)	(2,316)	-	(5,288)
Net book value						
At 31 March 2012	4,318	670	-	2,039	8,955	15,982
At 31 March 2011	4,548	743	-	2,005	11,380	18,676

The group's four freehold commercial investment properties were subject to an external valuation by Knight Frank LLP as at 31 March 2012.

In addition to the commercial assets, the group also owns seven residential units which are held for rental income. The residential assets were subject to a valuation undertaken by a qualified valuer (member of the Royal Institute of Chartered Surveyors) who is an employee of Plus Dane (Merseyside) Housing Association Limited (a subsidiary of the group). An external valuation of these assets was last undertaken as at 31 March 2010.

Both valuations represent an assessment of the Market Value (as defined in the Royal Institute of Chartered Surveyors' Valuation Standards) of the individual properties.

The deficit arising of £2.425 million has been debited to the revaluation reserve.

Notes to the financial statements

13. Other fixed assets (continued)

In determining that the cumulative diminution in value (including that previously recognised in the financial statements) is temporary rather than permanent, the directors have taken into account general movements in UK commercial property values, regional variations on such movements and the condition and position of each individual property in the company's portfolio. It is the group's intention to hold the properties for their long-term potential and the directors consider that in the medium to long term values will recover to at least those paid. In the context of holding the properties for long-term benefit the directors have prepared cash flow projections that support their view that (based on current occupancy and yield levels) the treatment of the diminution in value as temporary is appropriate.

In reaching this conclusion the board directors acknowledge the current uncertainties in the UK economy and that recorded reductions in value may take longer than anticipated to recover or indeed may in part prove to be permanent. In such an event, part or all of the deficit on the revaluation reserve (note 25) will be realised.

Had the freehold investment property not been revalued, it would have been included on the historical cost basis at £17.076m.

Association

Cost	Fixtures, fittings & equipment £'000
At 1 April 2011	1,468
Additions	664
Disposals	(20)
	<hr/>
At 31 March 2012	2,112
	<hr/>
Depreciation	
At 1 April 2011	(514)
Charge for the year	(387)
Disposals	20
	<hr/>
At 31 March 2012	(881)
	<hr/>
Net book value	
At 31 March 2012	1,231
	<hr/> <hr/>
At 31 March 2011	954
	<hr/> <hr/>

Notes to the financial statements

14. Subsidiaries

As required by statute, the financial statements consolidate the results of Plus Dane Housing Group Limited and its wholly owned and/or controlled subsidiary undertakings, as follows:

- Plus Dane (Cheshire) Housing Association Limited
- INclude Regeneration Company Limited;
- Three60 Property Investors Limited
- Dane Partnership Homes Limited
- Plus Dane (Merseyside) Housing Association Limited

On 26 July 2010, CDS Housing Association Limited, Greater Hornby Housing Association Limited and New Generation Housing Association Limited amalgamated. On this date the activities, assets and liability of these association became vested in a new entity Plus Dane (Merseyside) Housing Association Limited. The activities of these associations continue within the amalgamated society.

15 Fixed asset investments

Group

	Joint venture loan £'000
At 1 April 2011	1,188
Impairment of investment	(1,075)
At 31 March 2012	<u>113</u>

Association

	Joint Venture £'000
As at 1 April 2011 and 31 March 2012	<u>113</u>

Notes to the financial statements

15. Fixed asset investments (continued)

Joint Venture Undertakings

The group has the following aggregate interests in joint ventures.

	2012 £'000	2011 £'000
Share of gross assets	323	2,443
Share of gross liabilities	(313)	(3,500)
	<hr/>	<hr/>
Share of net assets/(liabilities)	10	(1,057)
	<hr/> <hr/>	<hr/> <hr/>

The Association (and Group) holds a 22.5% interest in the ordinary share capital of a joint venture undertaking, Circle Liverpool Limited. This company is incorporated in the United Kingdom and manages and operates waste recycling in the Liverpool area.

The Group holds 50% of the issued share capital of three60Austin Limited, a company incorporated in England and Wales, whose main activity is that of property investment and development. This company is in breach of covenant requirements associated with its external borrowings, as a result of which, the directors are actively seeking a buyer for its sole investment property.

The Group is not anticipating recovery of amounts loaned to, or otherwise invested in three60Austin Limited and for this reason, the balance has been fully impaired. Furthermore, it is considered that the requirements of Financial Reporting Standard ("FRS") 9 – Associates and Joint Ventures, for de-recognition of the joint venture interest within the consolidated financial statements have been satisfied. Accordingly, the net liabilities arising under the gross equity method of accounting have also been de-recognised as at 31 March 2012. The net impact of £12,000 as shown below, is recognised in non-social housing activities – other operating costs within the consolidated income and expenditure account.

	2012 £'000
Impairment of investment	(1,075)
Gain on de-recognition of joint venture interest	1,063
	<hr/>
Share of net assets/(liabilities)	12
	<hr/> <hr/>

Notes to the financial statements

16. Stock

Group

	2012 £'000	2011 £'000
Consumables	109	102

17. Properties for sale

Group

	2012 £'000	2011 £'000
Outright sale	2,689	2,481
Shared ownership	1,519	1,820
	<u>4,208</u>	<u>4,301</u>

Notes to the financial statements

18. Debtors

Amounts receivable within one year

	Group		Association	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Rent and service charges	4,070	3,759	-	-
Less: provision for bad debts	(2,300)	(2,099)	-	-
	<u>1,770</u>	<u>1,660</u>		
Development sales debtors	-	1,100	-	-
Amounts due under finance leases	489	482	-	-
Loans to employees	328	302	-	2
Other debtors and prepayments	4,570	3,314	404	345
SHG receivable	645	1,804	645	-
Corporation tax	-	400	-	25
Amounts due from group undertakings	-	-	483	192
Deferred tax	113	74	113	74
	<u>7,915</u>	<u>9,136</u>	<u>1,645</u>	<u>638</u>
Amounts receivable after one year				
Amounts due under finance leases	5,973	5,980	-	-
	<u>13,888</u>	<u>15,116</u>	<u>1,645</u>	<u>638</u>

Amounts due under finance lease

Amounts due under finance leases amount to £6,462,000. This represents the value of the finance lease at 31 March 2012 granted to CLS Care Services over The Larches in Macclesfield. The Larches is a 90 unit dementia and extra care village which was completed and the lease granted in October 2007. The lease is for a period of 30 years and the substance of the lease is such that it is deemed to be a finance lease and has been treated in the financial statements accordingly.

Loans to employees

The loans to employees relate solely to the Group's car loan, travel pass and course loan scheme, the interest rate on all loans being between 3 per cent and 3.5 per cent per annum repayable by monthly instalments.

Development sales debtors

In accordance with Financial Reporting Standard 5 "Reporting the substance of transactions" properties developed under a right of pre-emption agreement are included in debtors where it is considered probable that the pre-emption right will be exercised. The cost of properties is £nil (2011 - £3,282,323) less social housing grant of £nil (2011 - £2,181,661).

Notes to the financial statements

19. Creditors: amounts falling due within one year

	Group		Association	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Loans (see note 20)	4,877	8,167	-	-
Finance lease creditor (see note 20)	142	125	-	-
Trade creditors	2,943	3,208	545	579
Social Housing Grant received in advance	1,649	102	1,614	-
Other grant received in advance	103	150	-	-
Rent received in advance	770	639	-	-
Other tax and social security	454	808	90	116
Corporation tax	64	-	64	-
Accruals and deferred income	5,343	6,555	554	448
Recycled Capital Grant Fund (see note 23)	875	319	-	-
Amounts due to group undertakings	-	-	1,020	518
Other creditors	853	-	-	-
	<u>18,073</u>	<u>20,073</u>	<u>3,887</u>	<u>1,661</u>

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

Group	2012 £'000	2011 £'000
Bank loans	255,582	234,273
Less: issue costs	(266)	(1,570)
	<u>255,316</u>	<u>232,703</u>
Recycled Capital Grant Fund (see note 23)	202	949
Scheme dowries	-	287
Disposal Proceeds Fund	120	120
Other grants	264	325
Finance lease creditor	355	515
	<u>256,257</u>	<u>234,899</u>

Notes to the financial statements

20. Creditors: amounts falling due after more than one year (continued)

Debt Analysis

Group	2012 £'000	2011 £'000
Debt is repayable as follows		
In five or more years	232,012	214,446
Between two and five years	23,210	15,463
Between one and two years	557	4,879
	<hr/>	<hr/>
	255,779	234,788
In one year or less	5,019	8,292
	<hr/>	<hr/>
	260,862	243,080
	<hr/> <hr/>	<hr/> <hr/>

Housing loans from lending institutions are secured by specific charges on some of the Group's housing properties and floating charges over the Group's assets and are repayable at rates of interest of between 1.3% and 15% as follows:

The level of undrawn facilities at the year end stands at £70.4 million (2011: £36.1 million).

Finance leases are secured on the assets to which they relate.

21. Disposal proceeds funds

Group	2012 £'000	2011 £'000
At 1 April	120	135
Grant recycled upon relevant events	-	73
Interest accrued	-	2
Purchase/development of properties	-	(90)
	<hr/>	<hr/>
Balance at 31 March (due after one year)	120	120
	<hr/> <hr/>	<hr/> <hr/>

The fund was partly utilised during the year ended 31 March 2011 to purchase social housing properties in accordance with permitted uses of the fund.

Notes to the financial statements

22. Deferred tax

	Group		Association	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
At 1 April	(74)	583	(74)	(61)
Origination and reversal of timing differences	(33)	(26)	(33)	(26)
Prior year	(6)	(631)	(6)	13
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March	(113)	(74)	(113)	(74)
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred tax asset (note 18)	(113)	(74)	(113)	(74)
Deferred tax liabilities	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net deferred tax (asset)/liability	(113)	(74)	(113)	(74)
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred taxation comprises:				
Fixed asset timing differences	(113)	(74)	(113)	(74)
	<hr/>	<hr/>	<hr/>	<hr/>

23. Recycled capital grant fund

Group	2012 £'000	2011 £'000
At 1 April	1,268	2,235
Additions to fund	124	87
Interest credited	6	11
Utilised in the year	(321)	(1,065)
	<hr/>	<hr/>
At 31 March	1,077	1,268
	<hr/>	<hr/>
Disclosed as:		
Amounts falling due within one year	875	319
Amounts falling due after one year	202	949
	<hr/>	<hr/>
	1,077	1,268
	<hr/>	<hr/>

Notes to the financial statements

24. Share capital

	2012 £	2011 £
Shares of £1 each issued and fully paid		
At 1 April and 31 March	8	8

The shares provide members with the right to vote at general meetings but do not provide any rights to dividends or distributions. The members' liability is limited to £1 on a winding up of the Association.

25. Reserves

Group	Revenue reserve £'000	Acquisition reserve £'000	Furniture equipment replacements (Designated) £'000	Revaluation reserve £'000	Tenant invest reserve £'000	Total 2012 £'000
At 1 April as previously stated	10,010	1,118	1,116	(6,756)	200	5,688
Prior year adjustment	5,459	(1,118)	-	-	-	4,341
At 1 April as restated	15,469	-	1,116	(6,756)	200	10,029
Surplus for year	3,057	-	-	-	-	3,057
Transfers	(967)	-	21	1,063	(117)	-
Actuarial gain on defined benefits pension	(3,088)	-	-	-	-	(3,088)
Fixed asset revaluation	-	-	-	(2,425)	-	(2,425)
At 31 March	14,471	-	1,137	(8,118)	83	7,573

Association

	Revenue reserve	
	2012 £'000	2011 £'000
At 1 April	46	208
Deficit for year	(30)	(162)
At 31 March	16	46

Notes to the financial statements

26 Note of historical cost surpluses and deficits

Group	2012	2011 restated
	£'000	£'000
Reported surplus on ordinary activities before taxation	3,092	1,680
Realisation of property revaluation loss	-	(651)
	<hr/>	<hr/>
Historical cost surplus on ordinary activities before taxation	3,092	1,029
	<hr/>	<hr/>
Historical cost retained surplus for the year	3,057	2,012
	<hr/>	<hr/>

27. Notes on the cash flow statement

a) Reconciliation of operating surplus to net cash inflow from operating activities

	2012	2011 restated
	£'000	£'000
Operating surplus	12,432	10,855
FRS 17 adjustment	(424)	(151)
Depreciation/amortisation/impairment	8,825	7,510
Share of JV surplus	(13)	(180)
Movement in stock and properties held for sale	1,959	(1,902)
Movement in debtors	866	1,713
Movement in creditors	642	(1,195)
	<hr/>	<hr/>
Net cash inflow from operating activities	24,287	16,650
	<hr/>	<hr/>

Notes to the financial statements

27. Notes on the cash flow statement (continued)

b) Reconciliation of net cash inflow to movement in net debts

	2012 £'000	2011 £'000
Change in cash in the year	(254)	(7,022)
Cash flow from movement in debt	(19,180)	(21,530)
	<hr/>	<hr/>
Movement in net debt	(19,434)	(28,552)
Net debt at 1 April	(237,580)	(209,028)
	<hr/>	<hr/>
Net debt at 31 March	(257,014)	(237,580)
	<hr/> <hr/>	<hr/> <hr/>

c) Analysis of changes in net debt

	At 31 March 2011 £'000	Cash flow £'000	At 1 April 2012 £'000
Cash at bank and in hand	3,930	(254)	3,676
	<hr/>	<hr/>	<hr/>
Loans	(240,870)	(19,323)	(260,193)
Finance leases	(640)	143	(497)
	<hr/>	<hr/>	<hr/>
	(241,510)	(19,180)	(260,690)
	<hr/>	<hr/>	<hr/>
Change in net debt	(237,580)	(19,434)	(257,014)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements

28. Capital commitments

Group

	2012 £'000	2011 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	7,287	18,349
Capital expenditure that has been authorised but not yet contracted for	57,405	16,476
	<u>64,692</u>	<u>34,825</u>

The Group expects to finance the above commitments by:

Social Housing Grant receivable	11,226	11,103
Loan facilities, shared ownership staircasing sales and other trading cash flows	53,466	23,722
	<u>64,692</u>	<u>34,825</u>

29. Commitments under operating leases

As at 31 March 2012 the Group had annual commitments under non-cancellable operating leases as follows:

	2012 £'000	2011 £'000
Land and buildings		
Operating leases which expire:		
Less than 1 year	-	-
In two to five years	12	10
In five to ten years	300	300
	<u>312</u>	<u>310</u>

Notes to the financial statements

29. Commitments under operating leases (continued)

	2012 £'000	2011 £'000
Other		
Operating leases which expire:		
Less than 1 year	120	65
In two to five years	584	465
In five to ten years	-	-
	704	530
	704	530

The payments which the Association is committed to make in the next year under operating leases are as follows:

	2012 £'000 Other equipment	2011 £'000 Other equipment
Leases expiring:		
Within one year	-	-
One to five years	7	-
	7	-
	7	-

30. Post balance sheet event

On 1 July 2012, the Plus Dane (Cheshire) Housing Association Limited, a subsidiary of the Association entered into a housing management contract to deliver housing management and capital programme works for Ellesmere Port and Neston. The contract was awarded by Cheshire West and Chester Council (CWAC) for an initial period of three years with the option to extend this for a further two years. Over 5,000 additional properties have been brought into management through this arrangement and just under 200 staff have also been transferred from CWAC to deliver the contract. The initial contract value is expected to be in the region of £100m over a five year period and performance will be monitored by CWAC as well as internally as certain elements of the contract price are performance related. A full mobilisation planned and management monitoring procedures have been put in place to monitor progress and performance against the contract.

31. Prior year adjustment

The prior year adjustment reflects the introduction of component accounting in accordance with SORP update 2010 which confirms that housing properties always comprise of several components.

The Group has determined that its properties include major components as set out in note 2 to these financial statements. The SORP 2010 requires these components to be accounted for separately to the land and structure of the building for depreciation purposes.

The effect of this change in accounting policy is to reduce the group's surplus for the year ended 31 March 2011 by £1,077,000

Notes to the financial statements

31. Prior year adjustment (continued)

The cumulative effect on group reserves is an increase of £4,341,000.

Additionally, the group has (in accordance with SORP 2010) reviewed the treatment of negative goodwill arising on past acquisitions. It has been determined that such goodwill arose as a consequence of a non-exchange transaction and has therefore, been transferred to the revenue reserve. This has no effect of the group's overall funds.

Prior year adjustment

	Cumulative prior year adjustments to 31 March 2010 £'000	Prior year adjustment for 2010/11 £'000	Cumulative prior year adjustment to 31 March 2011 £'000
Income and expenditure account			
Operating costs - depreciation charge	(18,760)	(4,609)	(23,369)
Operating costs - major improvement expenditure	24,157	3,553	27,710
	<u>5,397</u>	<u>(1,056)</u>	<u>4,341</u>
Operating costs – amortisation of negative goodwill	-	(21)	-
Impact on operating surplus	<u>5,397</u>	<u>(1,077)</u>	<u>4,341</u>
Balance sheet			
Housing properties (cost)			
At 31 March as previously stated	444,251		489,644
Additional capitalisation of components	24,157	3,553	27,270
At 31 March as restated	<u>468,408</u>		<u>517,354</u>
Housing properties (depreciation)			
At 31 March as previously stated	(14,645)		(16,725)
Additional depreciation	(18,760)	(4,609)	(23,369)
At 31 March as restated	<u>(33,315)</u>		<u>(40,094)</u>
Revenue reserves			
Revenue reserve at 31 March as previously stated	(2,241)		10,010
Implementation of component accounting	5,397	(1,056)	4,341
Gain on transfer (net of amortisation)	1,139	(21)	1,118
Revenue reserve at 31 March as restated	<u>4,295</u>		<u>15,469</u>
Negative goodwill			
At 31 March as previously stated	1,139		1,118
Gain on transfer (net of amortisation)	(1,139)	21	(1,118)
At 31 March as restated	<u>-</u>		<u>-</u>