

# Plymouth Community Homes



Consolidated Financial Statements  
For The Year Ended 31 March 2011

**Work**

for

**Plymouth**

**Strengthen**

each

**Community**

**Improve**

our

**Homes**

Plymouth  
Community Homes



**Plymouth Community Homes Ltd  
Consolidated Financial Statements for the Year Ended 31 March 2011  
Legal and Administrative Details**

**Plymouth Community Homes Ltd**

**Financial Statements  
For the Year Ended 31 March 2011**

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**Plymouth Community Homes Ltd**  
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**Report of the Board**

**Registered Office:** Princess Court, 23 Princess Street  
Plymouth, PL1 2EX

**Legal Status:**

Plymouth Community Homes is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Financial Services Authority (registration 30637R) and the Tenant Services Authority (registration L4543).

Plymouth Community Homes has two wholly owned subsidiaries, Plymouth Community Homes Services Limited (company number 07001677) and Plymouth Community Homes Regeneration Company Limited (company number 7272688). Both subsidiaries are incorporated under the Companies Act 2006.

**Members of the Board:** Peter Ebsworth (tenant) – Chair  
Zilpah Walton (independent) - Vice Chair (re-appointed 21<sup>st</sup> September 2010)  
William Lean (independent) – Chair Audit and Risk Committee (resigned 8<sup>th</sup> October 2010)  
Alan Clifford (independent)– Chair PCH Services Board to 1 February 2011. Chair Audit and Risk Committee from 2 February 2011.  
Elaine Pellow (tenant)–Chair Customer Focus Committee  
Nigel Warn (tenant) – Chair Governance Committee  
Sue Dann (Council nominee , re-appointed 20 May 2011)  
Jack Thompson (Council nominee, re-appointed 20 May 2011)  
Sue McDonald (Council nominee, resigned 20 May 2011)  
Christine Watts (leaseholder)  
Roger Pipe (independent, appointed 21<sup>st</sup> September 2010)  
Thomas Browne (Council nominee, appointed 11 April, resigned 20 May 2011)  
Nicky Williams (Council nominee, appointed 20 May 2011)  
Brian Roberts (Council nominee, appointed 20 May 2011)  
Joan Watkins (Council nominee resigned 21<sup>st</sup> May 2010)  
Jim Webster (resigned 27<sup>th</sup> April 2010)  
Andy Fox (Council nominee appointed 5<sup>th</sup> July 2010, resigned 18<sup>th</sup> March 2011)

**Members of Plymouth  
Community Homes  
Services Ltd Board**

Alan Clifford – Chair (resigned 1<sup>st</sup> February 2011)  
Elaine Pellow – Chair (appointed 1<sup>st</sup> February 2011)  
Clive Turner  
Martin Snell

**Members of Plymouth  
Community Homes  
Regeneration Company  
Ltd**

Clive Turner (appointed 2<sup>nd</sup> November 2010)  
Sue Shaw (appointed 2<sup>nd</sup> November 2010)  
Jack Thompson Chair (appointed 10<sup>th</sup> August 2010)  
Christine Watts (appointed 10<sup>th</sup> August 2010)  
Nigel Pitt – Independent (appointed 14<sup>th</sup> December 2010)

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<b>Audit and Risk Committee</b>	William Lean, Chair (resigned 8th October 2010) Alan Clifford (Chair from 1 <sup>st</sup> February 2011) Jack Thompson Christine Watts Sue McDonald (resigned 20 May 2011) Nicky Williams (appointed 20 May 2011)
<b>Customer Focus Committee</b>	Elaine Pellow, Chair Zilpah Walton Nigel Warn Christine Watts Joan Watkins (resigned 21 <sup>st</sup> May 2010) Andy Fox (resigned 18 <sup>th</sup> March 2011) Brian Roberts (appointed 20th May 2011)
<b>Governance Committee</b>	Nigel Warn, Chair Peter Ebsworth Sue Dann Alan Clifford Roger Pipe
<b>Executive Management Team:</b>	Clive Turner - Chief Executive Nicholas Jackson – Finance Director Gill Martin –Director of Corporate Services Sue Shaw – Director of Housing and Neighbourhoods Martin Snell – Director of Property Services
<b>Company Secretary:</b>	Belinda Pascoe
<b>External Auditors</b>	KPMG LLP 3 Longbridge Road Plymouth PL6 8LT
<b>Internal Auditors</b>	PricewaterhouseCoopers LLP Princess Court 23 Princess Street Plymouth PL1 2EX
<b>Tax Advisors</b>	KPMG LLP 100 Temple Street Bristol BS1 6AG
<b>Principal Bankers:</b>	National Westminster Bank Plc 14 Old Town Street Plymouth PL1 1DG

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<b>Funders</b>	The Royal Bank of Scotland plc Housing Finance 7th Floor 135 Bishopsgate London EC2M 4UR	
<b>Security Trustees:</b>	Prudential Trustees Governors House Laurence Pountney Hill London EC4R 0HH	
<b>Solicitors:</b>	Trowers & Hamblins LLP The Senate Southernhay Gardens Exeter EX1 1UG	Devonshires 30 Finsbury Circus London EC2M 7DT
	Cobbetts One Colmore Square Birmingham B4 6AJ	Ashfords LLP Princess Court 23 Princess Street, Plymouth PL1 2EX
	Foot Anstey Salt Quay House 4 North East Quay Sutton Harbour Plymouth PL4 0BN	Bond Pearce Ballard House West Hoe Road Plymouth PL1 3AE
<b>Financial Advisers:</b>	Savills (L&P) Ltd 20 Grosvenor Hill London W1K 3HQ	J.C. Rathbone Associates Ltd 12 St James' Square London SW1Y 4LB

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The Board presents its report and the audited financial statements for the year ended 31 March 2011. The prior year comparatives are for the 4 month period to 31 March 2010.

**A Profile of Plymouth Community Homes Ltd**

Plymouth Community Homes was registered with the Financial Services Authority on 3<sup>rd</sup> March 2009 and commenced trading on 20<sup>th</sup> November 2009. The Housing Association is entrusted with the ownership and management of approximately 15,000 homes which transferred from Plymouth City Council on the 20<sup>th</sup> November 2009, and provides a range of key customer services across Plymouth.

Our vision is to Work for Plymouth, Strengthen each Community and Improve the quality and services in our Homes.

Plymouth Community Homes is a Registered Provider (RP) with the Tenant Services Authority (TSA) and is a charitable Industrial and Provident Society. In addition, the Association has established two separate subsidiaries, Plymouth Community Homes Services Limited, providing manufacturing services to external customers and Plymouth Community Homes Regeneration Company, which oversees the regeneration of the North Prospect estate. Significant funding has been secured from the Homes and Communities Agency (HCA) and private funding from the Royal Bank of Scotland.

We had a successful first year and this was recognised in our first judgement report from the TSA which said we had made "good progress". We continue to be committed to meeting our promises to residents on a whole range of issues, from repairing and improving homes to tackling anti-social behaviour, and from improving local services to strengthening our communities. Overall, there are 125 promises and, in our first year, we met 61 of them. You can find all those promises on our website.

**Plymouth Community Homes Services Ltd**

When Plymouth Community Homes was established, it acquired Plymouth City Council's Manufacturing Unit. This unit provides a range of specialist services comprising PVCu fabrication, survey and installation, joinery, signage and metal fabrication. This unit has operated continuously since 1948.

Whilst the Manufacturing Unit operates as a single unit, its trading activities with Plymouth Community Homes are accounted for within Plymouth Community Homes. Its trading activities with external parties, which include Plymouth City Council, are channelled through a non-charitable subsidiary called Plymouth Community Homes Services Ltd.

The key objectives for Plymouth Community Homes Services are to grow its trading in a sustainable way, maintain product quality and workforce skills, achieve a high level of customer satisfaction and offer a value for money portfolio of products and services.

The intention is to make surpluses which support community investment by Plymouth Community Homes.

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**Plymouth Community Homes Regeneration Company Ltd**

A new subsidiary, Plymouth Community Homes Regeneration Company Ltd, was incorporated on 3<sup>rd</sup> June 2010 to oversee the design and build work for the North Prospect Development.

**Business Objectives 2010 - 2015**

We have published a 2011 revision to our 'Business Plan 2010-2015 : A focus on our promises'. The following extracts summarise the Association's strategies for achieving our vision which is to



We will do this by focusing on

- Customers and Communities
- The Environment
- Homes
- Our People
- Governance
- Money and Resources

**Customers and Communities**

We are committed to creating high quality customer focussed services and in the year to 31<sup>st</sup> March 2011 all staff received customer service training and equality and diversity awareness training. We will involve tenants and leaseholders in designing, monitoring and improving our services. We will engage with customers, consult in new ways that broaden inclusion, and continue to use feedback to make real changes to our services.

We are also committed to making sure that vulnerable tenants receive the support they need to live in their homes and that properties meet the needs of our current and future customers.

In addition, we have a wider responsibility to strengthen our communities by working with residents and local agencies to improve health, employment and educational opportunities, and to ensure that our neighbourhoods are safe and well kept places to live in.

**A focus on the environment**

The quality of the local environment is important to our residents. We want to do more than improve the internal quality of people's homes. We want people to feel a pride in their local area and we want our homes and estates to look good and feel like good places to live in.

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We will involve residents in the work on the external environment and ask them for their views. The work will be funded primarily through our Money Tree Fund, which funds environmental improvements

**A focus on homes**

The quality of our tenants' homes is at the heart of what we do and we are committed to meeting the Plymouth Community Homes' Decent Homes Standard by the end of 2014/15. As well as this, we are committed to tackling the challenge of regenerating North Prospect and Devonport. We also want to continue the progress made by the in-house repairs team in improving customer satisfaction with repairs, in managing empty homes, and in tackling repairs and adaptations.

**A focus on our people**

Plymouth Community Homes depends on the professional skills, dedication and motivation of our employees to ensure that we function properly.

We value and support people in their work and in their individual well-being. This is reflected in the objectives set for staff, which are designed to promote individual and team development, and to reward outstanding performance.

**A focus on governance**

Governance is the way that we run our affairs and maintain the highest standards. It is crucial that we conduct our day-to-day business in a professional manner and in accordance with regulatory requirements monitored by the Tenant Services Authority (TSA). It is also important that we have robust planning and review processes in place that enable the Board to assess our overall performance as an organisation.

Plymouth Community Homes is committed to the active promotion of equality, diversity and community cohesion.

**A focus on money and resources**

Plymouth Community Homes is a multi-million pound organisation. We receive extensive grant funding from the Homes and Communities Agency and extensive loan funding from the Royal Bank of Scotland. The association also receives millions of pounds of income from our customers.

Our stewardship of these resources is very important and we want to ensure that we achieve value for money across the whole organisation, through effective procurement and financial management.



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**Performance**

The Management Teams and Board use a variety of management information and performance indicators, both financial and non-financial, to assist with the effective management of the Association's activities.

The table below summarises the key performance indicators

	<b>Outturn 2010/11</b>	<b>2011/12 Target</b>
% of Rent Collected (excl arrears brought forward)	99.21%	100%
Arrears as a % of annual debit (net) – based on Actual Balance	3.21%	2.8%
% of Rent void rent loss	0.92%	0.9%
Average number of days taken to relet void properties	36.72	31
Percentage of Lettings to BME Residents (Cumulative)	3.59%	4.6%
Percentage <b>non</b> -decent homes	60.44%	55%
Percentage of Stage One Complaints Responded to In Full within Timeframe	64.69%	100%
Percentage of respondents very or fairly satisfied with the outcome of their ASB complaint	N/A	75%
Number of properties with a gas supply and a valid landlords gas safety certificate	99.83%	100%
Percentage of emergency repairs completed within published timeframe (24 hours)	95.65%	97%
Percentage of Routine Repairs Completed within Published Timeframe (20 Days)	90.8%	94%

In addition the 2011 Customer Satisfaction survey showed that

- 82% of tenants are satisfied with services overall compared with 73% in 2008
- 81% of tenants are satisfied with repairs compared with 73% in 2008
- 83% of tenants think we provide good value for money compared with 75% in 2008.

**Financial Position**

Having just completed our first full year of trading, we have no previous trends or meaningful outturn comparisons. However for the future we do have the Business Plan which sets out the financial implications of carrying out the significant programme of improvements and repairs in the first five years and in future years we will be able to provide a more meaningful report on our financial performance.

The result for the year ended 31<sup>st</sup> March 2011, shown in the Income and Expenditure Account, is a surplus of £30.3m. The main reason for this is the revenue GAP funding grant of £25.8m. GAP funding debtors of £38.1m (due within 1 year) and £7m (due after 1 year)

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explain the high level of debtors in the Balance Sheet. We expect to receive £38.1m of this in August 2011, the remainder being due for receipt in 2012. A substantial element of the creditors balance is accruals and deferred income totalling £8.9m.

Properties are held in the Balance Sheet at the nil value transferred cost from Plymouth City Council in November 2009 plus the cost of the improvement programme, reflected in the components to date of £20m net of social housing profit but before gap funding.

Plymouth Community Homes Services Ltd achieved a surplus of £0.103m which it gift aided to Plymouth Community Homes Ltd.

Plymouth Community Homes Regeneration Company Ltd achieved a surplus of £0.012m which it gift aided to Plymouth Community Homes Ltd.

**Our Business Plan (Revised 2011)**

Although it is only a short time since the start of Plymouth Community Homes, we have revised the financial model of our Business Plan to reflect the operational reality and our aspirations for the next 5 years and our long term aims for the next 30 years. We have successfully completed nearly all the first year objectives of our 5 year plan and outperformed our financial targets. In particular we have:

- Fitted kitchens, bathrooms, heating systems, windows and roofs all at reduced prices thus securing £1.4m in savings in 2010/11, £26m over 5 years.
- Re-profiled our asset management spend over the next 5 years to keep on track with our promises but putting back £10m of the external work needed on non traditionally built properties.
- Spent £2m on moving tenants on the North Prospect estate to new homes and acquiring all the land and properties on the estate we needed so that the regeneration work could begin in March 2010.
- Spent £1m on environmental projects led by tenants and financed by the money tree fund. Although less than planned, this money is not lost and remains in the fund to support an increasing number of proposed projects
- Improved our treasury risk strategy to protect against the potential for rising interest rates and secure the price of loans for the North Prospect regeneration.
- Reviewed how we charge for the services provided to residents making sure that the charges are fair and underpin the financial need to close the gap of £2.3m between what residents pay and what it costs to provide the services.
- Made a decision to stop cash collection by our housing officers whilst providing other ways to pay rent and setting up an incentive scheme to encourage residents to pay by direct debit.
- Providing a commitment of £750,000 a year - £56m over 30 years to increase the number of housing officers and change their way of working.

By the end of this 5 year plan our income is projected to rise from £47m to £55m and costs from £65m to £95m (including all major works and capital costs). We successfully claimed the first grant from the government of £6m towards our decent homes work and we also received £1.9m of grants from the Homes and Communities Agency to meet the upfront costs of regenerating North Prospect. We still expect to receive the entire core grant funding (gap funding) an additional £112m over the next 3 years and also a further £1.9m development funding for North Prospect. Our plans for the future were based on receiving more development funding but under the coalition Government the rules have changed. It is

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early days but we are working with the Homes and Communities Agency and Plymouth City Council on how much grant we can have and how many of our residents will have to pay the new rents. This should allow us to regenerate North Prospect and also allow us to provide between 100 and 200 new homes in other parts of Plymouth.

The main source of income for Plymouth Community Homes remains the rents which are currently the 4<sup>th</sup> lowest in the country. These will continue to be governed by the Government's policy on rent restructuring which applies to both local authorities and registered (housing) providers such as us. This policy sets a target rent to be achieved by 2012/13, but we will keep to our promise of bringing rents to this target by 2016 in the same way that Plymouth City Council would have done.

Rents will therefore increase by Retail Price Index +1/2% each year plus a move to target of a maximum of £2 up or down. New tenants will automatically be charged their target rent.

However as mentioned above the Government is also planning to allow registered providers to charge higher rents up to 80% of a market rent to new tenants with different housing needs and use the extra money to invest in building new houses and flats. This means that we could have a wide gap between the rents for new and existing tenants but start to better meet the housing needs across all sorts of people on the housing waiting list.

Unlike many housing associations, we are not going to charge an additional 5% on rents for general needs housing and 10% on sheltered/supported housing, except on North Prospect where the brand new properties will have the extra 5%. Currently 72% of our properties are at their target rent.

The rents for 2011/12 will increase on average by 5.42%. This is above our business plan expectation and has created some capacity to make a substantial investment in improving our Housing and Neighbourhood services and put more money into the Resident Involvement Team. Closely linked with rents are the service charges to leaseholders and tenants. During the first year of this plan we reviewed what services are provided and who is paying for them. We now have a system where residents will pay for the full cost of services but charges will be fair and we can be held to account for the quality of services. This will allow us to meet the financial targets in the business plan and secure the continued provision of services that tenants want.

**Value for money** is critically important to Plymouth Community Homes' focus on customers. We will ensure that tenants and leaseholders are consulted as we move forward, so they know they can sometimes influence what decisions we make about rents and service charges, and importantly, understand why we need to make those decisions.

Finally, an area where we can begin to create some additional money is on the income from commercial services which will generate c£4m by the end of year 5. By this we mean mainly shops, but it also includes Plymouth Community Homes Services – the trading arm of Plymouth Community Homes.

We reviewed the trading arm's capacity during the year and decided that at the moment it is better for manufacturing to focus on supporting Plymouth Community Homes to meet the promises we made to tenants. There will still be some commercial work but we do not plan to increase this significantly until we near the end of the 5-year plan. We have begun a shops review but not yet completed our strategy but our aim remains to maximise the

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income whilst preserving the sustainability of the communities on our estates. Where we can, we will support local business in this way.

Some costs can be looked at on a subjective basis, for example staff costs, professional and legal costs, print and stationery, IT support, utilities or equipment. Over the next 5 years we will be looking to reduce such costs whilst maintaining high levels of service. This will be done through a strategic approach to procurement and reviews carried out by the Continuous Improvement Groups.

This will help us meet the challenging efficiency targets built into the business plan. However, in the initial years we will be in a transition period as we move out of the service level agreements with Plymouth City Council and seek to control our own services with costs consequently higher in the short term.

This includes investment in our staff. We will move staff onto new Plymouth Community Homes' terms and conditions, offering competitive salaries and benefits and investing £450k in training. We have invested £1.6m in a new Information Technology (IT) infrastructure and systems and plan for another £1.8m. We have also set aside £6m for new premises to support new premises for all our staff at Prince Rock, Fort Austin and Derriford Business Park and £3m for new vehicles and other equipment investment.

### **Capital Structure and Treasury Policy**

Plymouth Community Homes Ltd is registered as an Industrial and Provident Society with a total of 21 £1 shares. Plymouth Community Homes holds the £1 share of each of its subsidiaries, Plymouth Community Homes Services Ltd and Plymouth Community Homes Regeneration Company Ltd. None of these companies are able to raise equity funding. Consequently the Group finances its operations by a combination of government grants, loans from commercial banks and retained surpluses.

Capital and Reserves include a restricted reserve of £0.6m which relates to the agreement with Plymouth City Council to clear the flats within Devonport for handover to Devon and Cornwall Housing Association for development.

The total level of reserves at 31 March 2011 is £31.4m.

The core funding comes from Government Gap Funding of £118m over 4 years.

As part of the transfer Plymouth Community Homes negotiated loan facilities totalling £110m, of which £14.5m was drawn at 31<sup>st</sup> March 2011. The undrawn balance of £95.5m will be required to meet future development programme requirements as laid out in the Business Plan.

Based on the current 2011 Business Plan, borrowings will reach £77m at the end of 5 years (March 2016) and will peak at £95.4m in 2019. We pay back the loan in 2039 which is the end of its term. The plans meet conditions set by lenders for us to continue to borrow money. A key measure is the security of the stock against these loans. The security

valuation at 31 March 2011 was £202.5m as long as we continue to receive the guaranteed Gap Funding.

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As part of the Treasury Management Strategy a hedging strategy was taken out at Transfer, to protect against the potential of rising interest rates. The hedge was restructured in September 2010 and now has a forward starting fixed rate loan, taken out for the period 21 May 2012 to 20 February 2039 and a SWAPtion with a start date of 20 August 2014 for 10 years.

Plymouth Community Homes operates a centralised Treasury Management function. Its primary function is to manage liquidity, funding, investment and financial risk, including risk from volatility in interest rates. Treasury Policies are approved by Plymouth Community Homes Ltd Board. At 31 March 2011 the percentage of borrowings on variable rate was 100%. The forward fixed rate loan is based on a 75% profile of the anticipated debt to be

borrowed and the SWAPtion on 75% of the funds needed to regenerate North Prospect. Based on the current market rates the SWAPtion would not be exercised.

### **Cash Flows**

The operating activities of Plymouth Community Homes generated a cash inflow of £0.6m which, after net interest payments of £1.3m and after allowing for capital expenditure and financing movements, led to a net overall decrease in the cash balance of £1.3m.

The capital programme for delivering on decent homes has commenced. During the period £18.6m was spent on improving such developments, which after the receipts of sales from Right to Buy and grants amounted to a net capital expenditure of £11m. This was largely financed by drawings under the Loan Agreement.

At 31 March 2011 there was a GAP funding debtor of £38m (within 1 year) and £7m (after 1 year). This forms part of the overall funding from the Homes and Communities Agency of £118m. The Royal Bank of Scotland loan totalled £14.5m.

### **The Board**

Membership of the Board, including subsidiaries, is detailed on page 2.

### **Share Capital**

Plymouth Community Homes Limited was registered under the Industrial and Provident Societies Act 1965 on 3 March 2009. Plymouth City Council and the eight 'non Local Authority' Board members subsequently became shareholders. An additional 12 shares were issued during this financial period, making a total share capital of £21.

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**Statement of Board's responsibilities in respect of the Board's report and the financial statements**

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Industrial and Provident Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group & Association and of the surplus or deficit for that period.

In preparing these financial statements, the Board is required to:

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

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Industrial and Provident Societies Acts 1965 to 2003, the Industrial and Provident Societies (Group Accounts) Regulation 1969, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Group & Association and to prevent and detect fraud and other irregularities.

The Board has adopted the National Housing Federation Code of Excellence in Governance and the Association broadly complies with the requirements of that code.

**The Board's Report on Internal Controls Assurance**

The Board is responsible for the Group's systems of internal control and for reviewing their effectiveness. The overall decision-making processes and roles of the Board are supported by three committees:

- The Audit and Risk Committee
- The Governance Committee
- The Customer Focus Committee

A Customer Assurance Panel is being established to support the Customer Focus Committee in its role of ensuring that Plymouth Community Homes provide excellent customer services to all its customers.

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The Group's systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

We have implemented a robust process for managing, evaluating, mapping and monitoring the significant risks faced by the Group and this is continually being developed and will be regularly reviewed by both the Audit and Risk Committee and the Board.

In terms of financial risks we have looked at what happens to our business in the face of changes in inflation, interest rates, increase in repairs and maintenance and staff costs. We have also looked at what action we would need to take to cope with and manage such risks. These could include raising rents, stopping development or cutting back on the modernisation programme. Because we have fixed the payment of interest to our lenders on a large proportion of our loans, changes in interest rates do not have a significant impact on our financial position. Higher inflation and repairs costs will make our business plan considerably worse because of higher spending throughout the plan. This is being mitigated by entering into long term contracts with our suppliers.

A further significant risk is the possibility of a reduction in Gap Funding. We have a guarantee of a minimum receipt of £83m. Even with this level of receipt we would need to take actions to cope with and manage these risks. It is clear that any level of receipts below this will jeopardise the viability of the Group, which is why we would act to protect it. We already have robust financial planning and monitoring systems and will identify any trigger points which could signal the need to take action to secure our financial position, without breaching the conditions set by our lenders.

There is an anti-fraud and anti-money laundering policy covering prevention, detection and reporting and the recovery of assets. This is also supported by a whistle blowing policy.

The Board has reviewed the Fraud Register and can confirm that there have been no recorded incidents during the year to 31st March 2011 and up to the date of signing these financial statements.

The Board exercises internal control through a framework, which comprises:

- Board overview of plans, finances and key policies
- Operational reports on key business drivers
- Performance information
- Risk management strategy
- Compliance with quality management systems
- The Executive's management assurance and Members' review
- Internal audit
- External audit
- Reports to regulators and funders

The Audit and Risk Committee reviews reports received from management and from internal and external auditors and will make regular reports to the Board on the extent to which internal controls continue to take account of the major risks facing the Group. A formal process exists for the reporting and correction of significant control weaknesses.

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The Board has received the Executive's annual report and has conducted its annual review of the effectiveness of the system of internal control. Account has been taken of any changes needed to develop and maintain the effectiveness of the risk management and control process. The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Association. This process has been in place throughout the year under review, up to the date of the Annual Report.

**Internal Audit Annual Report**

The following extracts are taken from the Internal Auditors' Annual Report:

'We have completed the program of internal audit work for the year ended 31 March 2011 and we can report that our work did not identify any significant control weaknesses that we consider to be pervasive in their effects on the system of internal control. However, we have identified significant control weaknesses in the following specific systems and processes that have had an impact on the achievement of the system's objectives

- Key Performance Indicators
- Risk Management
- Anti Social Behaviour
- IT Systems and Business Continuity'

'These particular issues have arisen since the systems in place are still maturing for the areas listed above. Management have action plans in place to address these issues on a timely basis.'

**Disclosure of information to auditors**

The Members of the Board who held office at the date of approval of this 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 Member of the Board has taken all the steps that he/ she ought to have taken as a Member of the Board to make himself/ herself aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

**Auditors**

A resolution for the re-appointment of KPMG LLP as auditors of the Association is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



09.08.2011

**Peter Ebsworth, Chair**

August 2011

*Plymouth Community Homes is registered with the Financial Services Authority (registration 30637R) and the Tenant Services Authority (registration L4543)*



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**Consolidated Financial Statements for the Year Ended 31 March 2011**

**Independent auditor's report to the members of Plymouth Community Homes Limited**

We have audited the financial statements of Plymouth Community Homes Limited for the year ended 31 March 2011 which comprise the Group and Association Income and Expenditure Account, the Group and Association Statement of Total Recognised Surpluses and Deficits, the Group and Association Balance Sheet, the Group Cash flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice). This report is made solely to the association's members, as a body, in accordance with section 128 of the Housing and Regeneration Act 2008 and section 9 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 auditor**

As more fully explained in the Statement of Board's Responsibilities set out on page 13, the association's 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](http://www.frc.org.uk/apb/scope/private.cfm).

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Group and Association as at 31 March 2011 and of the Group and Association surplus for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003 and the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

**Plymouth Community Homes Ltd**  
**Consolidated Financial Statements for the Year Ended 31 March 2011**

**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 2003 and the Industrial and Provident Societies (Group Accounts) Regulations 1969 require 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.



Harry Mears (Senior Statutory Auditor)  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
*Plym House*  
*3 Longbridge Road*  
*Plymouth*  
*PL6 8LT*

11 August 2011

**Plymouth Community Homes Ltd**  
**Consolidated Financial Statements for the Year Ended 31 March 2011**

**Income and Expenditure Account**

	<i>Note</i>	<b>Group Year to 31 March 2011 £'000</b>	<b>Association £'000</b>	<b>Group 4 Month Period to 31 March 2010 £'000</b>	<b>Association £'000</b>
<b>Turnover</b>	2a	74,317	73,463	25,704	25,372
Cost of sales	2a	(545)	-	(203)	-
Operating costs including exceptional pension credit of £3,845,000 (2010 :£nil)	2a	(43,105)	(42,898)	(18,331)	(18,230)
<b>Operating surplus</b>		<b>30,667</b>	<b>30,565</b>	<b>7,170</b>	<b>7,142</b>
<b>Surplus on sale of properties not developed for outright sale</b>	6	<b>1,059</b>	<b>1,059</b>	<b>247</b>	<b>247</b>
<b>Surplus on sale of other fixed assets</b>		<b>22</b>	<b>22</b>	<b>-</b>	<b>-</b>
Interest receivable	7	5	5	3	3
Interest payable and similar charges	8	(1,495)	(1,495)	(376)	(376)
<b>Surplus on ordinary activities for the period before taxation</b>		<b>30,258</b>	<b>30,156</b>	<b>7,044</b>	<b>7,016</b>
Gift Aid Receivable		-	115	-	28
Tax on surplus on ordinary activities	9	-	-	-	-
<b>Surplus on ordinary activities for the period after taxation</b>		<b>30,258</b>	<b>30,271</b>	<b>7,044</b>	<b>7,044</b>

All amounts relate to continuing activities. The above results are based on historic costs.

**Plymouth Community Homes Ltd**  
**Consolidated Financial Statements for the Year Ended 31 March 2011**

**Statement of Total Recognised Surpluses and Deficits**

	<b>Group</b>	<b>Association</b>	<b>Group</b>	<b>Association</b>
	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Surplus for the period	<b>30,258</b>	<b>30,271</b>	<b>7,044</b>	<b>7,044</b>
Actuarial loss on pension scheme	<b>(4,442)</b>	<b>(4,442)</b>	<b>(1,468)</b>	<b>(1,468)</b>
<b>Total surplus recognised for the year/period</b>	<b>25,816</b>	<b>25,829</b>	<b>5,576</b>	<b>5,576</b>

**Plymouth Community Homes Ltd**  
**Consolidated Financial Statements for the Year Ended 31 March 2011**  
**Notes to the Accounts**

**Balance Sheet at 31 March 2011**

	<i>Note</i>	<b>Group 2011 £'000</b>	<b>Association 2011 £'000</b>	<b>Group 2010 £'000</b>	<b>Association 2010 £'000</b>
<b>Fixed Assets</b>					
Tangible assets - Housing	10	24,264	24,275	2,756	2,756
Less: Social Housing Grant		(2,672)	(2,672)	-	-
Less: GAP Funding	10	(18,195)	(18,195)	(2,756)	(2,756)
		<u>3,397</u>	<u>3,408</u>	<u>-</u>	<u>-</u>
Tangible assets - Other	10	2,799	2,799	932	932
		<u>6,196</u>	<u>6,207</u>	<u>932</u>	<u>932</u>
<b>Assets : amounts receivable after more than one year</b>					
Development debtor		73,693	73,693	76,564	76,564
GAP Funding		7,001	7,001	3,713	3,713
	12	<u>80,694</u>	<u>80,694</u>	<u>80,277</u>	<u>80,277</u>
<b>Current Assets</b>					
Stock	11	768	768	756	756
Debtors	12	47,694	47,710	13,072	13,175
Properties held for resale		-	-	-	-
Cash at bank and short term deposits		173	136	1,455	1,243
		<u>48,635</u>	<u>48,614</u>	<u>15,283</u>	<u>15,174</u>
<b>Creditors: amounts falling due within one year</b>					
	13	(14,408)	(14,386)	(10,258)	(10,149)
<b>Net current assets</b>					
		<u>34,227</u>	<u>34,228</u>	<u>5,025</u>	<u>5,025</u>
<b>Total assets less current liabilities</b>					
		<u>121,117</u>	<u>121,129</u>	<u>86,234</u>	<u>86,234</u>

**Plymouth Community Homes Ltd**  
**Consolidated Financial Statements for the Year Ended 31 March 2011**

<b>Creditors:</b> amounts falling due after more than one year	14	13,165	13,165	2,511	2,511
Development creditor		73,693	73,693	76,564	76,564
<b>Pension liability</b>	15	2,866	2,866	1,583	1,583
<b>Capital and Reserves</b>					
Share Capital	16	-	-	-	-
Restricted reserve	17	603	603	900	900
Revenue reserve	17	33,656	33,668	6,259	6,259
Pension fund reserve	17	(2,866)	(2,866)	(1,583)	(1,583)
		<u>121,117</u>	<u>121,129</u>	<u>86,234</u>	<u>86,234</u>

The financial statements on pages 18 to 57 were approved by the Board on 09<sup>th</sup> August 2011 and were signed on its behalf by:

**Chair:**

-----  
  
 ----- 09 August 2011  
 -----  
 Peter Ebsworth  
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**Vice Chair:**

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 ----- 09 August 2011  
 -----  
 Zilpah Walton  
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**Plymouth Community Homes Ltd**  
**Consolidated Financial Statements for the Year Ended 31 March 2011**

**Group Cash Flow Statement**

		2010/11	2009/10
	Note	£'000	£'000
<b>Net cash inflow from operating activities</b>	18	564	941
<b>Returns on investments and servicing of finance</b>			
Interest received		5	3
Interest paid		(1,336)	(242)
<b>Net cash outflow from returns on investment and servicing of finance</b>	18	<u>(1,331)</u>	<u>(239)</u>
		(767)	702
<b>Capital Expenditure and Financial Investment</b>			
Acquisition and construction of housing properties		(18,551)	(953)
Social Housing Grant Receivable		2,672	-
GAP Funding Received		6000	-
Proceeds from sale of housing properties		1,063	247
Proceeds from sale of other assets		23	-
Purchase of other fixed assets		(2,222)	(1,001)
<b>Net cash outflow from capital expenditure</b>		<u>(11,015)</u>	<u>(1,707)</u>
<b>Net cash outflow before management of liquid resources and financing</b>		(11,782)	(1,005)
<b>Management of liquid resources</b>		-	-
<b>Financing</b>	18	10,500	2,460
<b>(Decrease)/increase in net cash</b>	19	<u>(1,282)</u>	<u>1,455</u>

**Plymouth Community Homes Ltd**  
**Consolidated Financial Statements for the Year Ended 31 March 2011**

**1. Principal Accounting Policies**

**Basis of Accounting**

The Group is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Tenants Services Authority (TSA) as a Registered Provider as defined by the Housing and Regeneration Act 2008. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements comply with Schedule 1 of the Housing Act 1996, the Accounting Requirements for Registered Social Landlords General Determination 2006 and the Statement of Recommended Practice (SORP) published by the National Housing Federation in 2008 (SORP 2008). The financial statements are prepared on the historical cost accounting rules.

**Basis of Consolidation**

The consolidated financial statements include the financial statements of the Association and its subsidiary undertakings, Plymouth Community Homes Services Ltd and Plymouth Community Homes Regeneration Company Ltd, made up to 31<sup>st</sup> March 2011.

**Going Concern**

The Association and Group have sufficient financial resources based on forecasts and current expectations of future sector conditions. As a consequence, the Board believes that the Association and Group are well placed to manage their business risks successfully despite the current uncertain economic outlook.

The Board has a reasonable expectation that the Association and Group have adequate resources to continue in operational existence for the foreseeable future. Thus they adopt the going concern basis in preparing the financial statements.

**Turnover**

Turnover represents rent and service charge income receivable; revenue grants from the department for 'Communities and Local Government', Local Authorities, the 'Homes and Communities Agency' and other public bodies; the proceeds of first tranche sales of shared ownership properties and any other income. Turnover is shown net of rent and service charge losses from voids.

**Fixed Assets and Depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected remaining economic useful lives of the assets as follows:

<b>Category</b>	<b>Years</b>
Plant & Machinery	5
Motor Vehicles	5
Office and estate equipment and furniture	5
Computer equipment and software	5

The threshold for capitalisation is £1,000, the useful economic lives of all tangible fixed assets are reviewed annually. Assets are depreciated from the month following purchase.



**Plymouth Community Homes Ltd**  
**Consolidated Financial Statements for the Year Ended 31 March 2011**  
**Notes to the Accounts**

**1. Principal Accounting Policies (continued)**

**Housing Properties**

Completed housing properties are stated at cost less accumulated depreciation and capital grants and the Association has adopted component accounting.

Cost includes the cost of acquiring land and buildings, development costs, and expenditure incurred in respect of improvements. Expenditure incurred by way of improvement of major repairs that increases the rental income, reduces future maintenance or significantly extends the life of housing properties is capitalised. Other expenditure incurred on major repairs, cyclical or void day to day repairs to housing properties is charged to the Income and Expenditure Account in the period in which it is incurred.

Depreciation is charged on a straight line basis over the expected remaining economic useful lives of the assets as follows:

<b>Category</b>	<b>Years</b>
Structure of Building	30 -80
Kitchens	20
Bathrooms	30
Heating Systems	15-30
Windows	30
Roofs examples include:	15-80
Flat roofs - felt	15
Pitched roofs - Concrete	55
Pitched roofs - Slate	80

Social housing property depreciation is charged on the cost, including the cost of components, excluding freehold land, which is not depreciated.

All properties are reviewed for impairment annually.

Donated land is included in cost at its valuation on donation, with the donation treated as a capital grant.

Housing properties in the course of construction are stated at cost less Social Housing Grant ('SHG') and are not depreciated.

Housing properties are transferred to completed properties when they are available for letting.

The cost of rebuilding properties which have been demolished is capitalised in full where there is no indication of impairment

**Properties Held for Resale**

Where a decision has been taken to dispose of housing properties, these are held on the balance sheet under current assets. These properties are held at the lower of historical cost less depreciation, or net realisable value.

## **1. Principal Accounting Policies (continued)**

### **Gap Funding Grant**

As the expenditure is eligible under the agreement with department for 'Communities and Local Government' in principle this means that gap funding to match the expenditure is accounted for in the period in which the expenditure has been incurred irrespective of when the grant is received.

Where the capital costs of housing properties have been financed wholly or partly by the grant the cost of the property is shown net of the grant receivable. Grants in respect of revenue expenditure are credited to the Income & Expenditure Account in the same period as the expenditure to which they relate. The associated grant is amortised over the economic useful life of the asset to which it relates.

### **Operating Leases**

Rentals paid under operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term.

### **Loan Issue Costs**

The cost of raising finance is amortised over the period of the facility. The deferred amount is included within creditors: amounts falling due after more than one year.

### **Fair value of assets and liabilities**

The Association has derivative financial instruments that have not been recognised at fair value. This is because the Group is not required to apply FRS 26 'Financial Instruments: Recognition and Measurement.'

### **Bad and Doubtful Debts**

Provision is made against rent arrears of current and former tenants and miscellaneous debtors.

### **Right to Buy**

Proceeds from the sale of dwellings under Right to Buy are received by the Association in the first instance. The Association is entitled to retain a share of these proceeds in accordance with the terms of the Right to Buy clawback agreement between the Association and Plymouth City Council (PCC). The Association pays the balance to PCC by no later than 30 April immediately following the end of each financial year.

Surplus relating to such properties are recognised in the Income and Expenditure Account at the date of transfer of title.

### **Stocks and Work in Progress**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

**Plymouth Community Homes Ltd**  
**Consolidated Financial Statements for the Year Ended 31 March 2011**

**1. Principal Accounting Policies (continued)**

**Pension Costs**

The cost of providing retirement pensions and related benefits is accounted for in accordance with FRS 17 - 'Retirement Benefits'.

The LGPS scheme is administered by Devon County Council and is independent of the Group's finances. Contributions are paid to the scheme in accordance with the recommendations of an independent actuary to enable the scheme to meet the benefits accruing in respect of current and future service.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using a projected unit method and discounted at the rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the Group's defined benefit pension scheme expected to arise from employee service in the period is charged to operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in other finance income/charges. Actuarial gains and losses are recognised in the consolidated statement of total recognised surpluses and deficits.

The pension scheme's surpluses to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet.

**Restricted Reserves**

Where funds are provided which are subject to external restrictions these are carried in trust and the balance of any unspent funds is held in a restricted reserve.

**Provisions**

Provisions are recognised where the Group has an obligation to incur future expenditure. The value of provisions is re-assessed each year in the light of estimated future income and costs as appropriate.

**Taxation**

The subsidiary companies are liable to Corporation Tax. The charge for taxation is based on the profit/loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting. Deferred taxation is provided using the full provision basis, in accordance with FRS 19 - 'Deferred Tax'.

**Value Added Tax ('VAT')**

PCH and its subsidiary Plymouth Community Homes Services Ltd are registered as a VAT Group but a large proportion of its income, including its rents, is exempt for VAT purposes. Under a special arrangement with HM Revenue and Customs, VAT on certain of the Association's planned maintenance and improvement programme is fully recoverable. The costs of these activities are therefore shown net of recoverable VAT. Under the Transfer Agreement 50% is repayable to Plymouth City Council.

**Plymouth Community Homes Ltd**  
**Consolidated Financial Statements for the Year Ended 31 March 2011**

**1. Principal Accounting Policies (continued)**

The majority of other expenditure which is subject to VAT cannot be reclaimed and is shown inclusive of irrecoverable VAT. The values of the asset and liability which arose under the contract are shown separately in the balance sheet as is the matching release of income and expenditure relating to the asset and liability in the income and expenditure account.

Where opportunities for the regeneration of local authority housing stock arise after transfer requests from tenants and residents, the Association may seek to maximise the resources available for regeneration schemes by entering into VAT shelter arrangements. In these circumstances, the underlying substance of the transactions is reflected in the accounts on a gross basis. The obligation of the local authorities is shown as long term debtors and the obligation as contractors under the refurbishment contracts is shown in long term creditors. Amounts due within one year under the arrangements are classified within current assets and liabilities.

Plymouth Community Homes Regeneration Company Ltd was incorporated on 3<sup>rd</sup> June 2010 to oversee the design and build work for the North Prospect Development. This company is not part of the above VAT group.

**Interest Payable**

Loan issue costs are allocated at a constant rate on the carrying amount over the period of the borrowing. Other interest payable is charged to the Income and Expenditure Account in the period.

**Capitalisation of Administration Costs**

Administration costs relating to development activities are capitalised to the extent that they are part of the development process and directly attributable to bringing the properties into their intended use.

**Capitalisation of Interest Costs**

Interest costs relating to the construction and acquisition of fixed assets are capitalised to the extent that they are incremental to the process and directly attributable to bringing the assets into their intended use.

**Income from Supporting People and Support Services**

Supporting People contract income and income from charges for support services are recognised when receivable and included in turnover. If support is provided under a contract separate from a tenancy agreement the related income is shown under 'Supporting People'. Charges for support services, if the services are provided within a tenancy agreement, are shown as 'Services' costs.

**Plymouth Community Homes Ltd**  
**Consolidated Financial Statements for the Year Ended 31 March 2011**  
**Notes to the Accounts**

**2a. Turnover, Operating Costs and Surplus: Group**

	Turnover	Cost of Sales	2011 Operating Costs	Operating Surplus/ (Deficit)
	£'000	£'000	£'000	£'000
<b>Income and Expenditure from Social Housing Lettings</b>				
Rents	42,080	-	(38,701)	3,379
Service Charges	2,528	-	(4,385)	(1,857)
GAP funding Revenue Receipt	25,782	-	-	25,782
GAP funding Capital Release	210	-	-	210
	<u>70,600</u>	<u>-</u>	<u>(43,086)</u>	<u>27,514</u>
<b>Other Social Housing Income and Expenditure</b>				
Supporting People	433	-	(451)	(18)
Development not capitalised	-	-	(2,164)	(2,164)
Resident Involvement	-	-	(647)	(647)
Garage Lettings	1,179	-	(148)	1,031
Exceptional item : pension credit relating to change in assumptions from RPI to CPI	-	-	3,845	3,845
	<u>1,612</u>	<u>-</u>	<u>435</u>	<u>2,047</u>
<b>Non-Social Housing Activities</b>				
Commercial Properties managed by agents	1,176	-	(165)	1,011
Other	75	-	(83)	(8)
External Sales	854	(545)	(206)	103
	<u>2,105</u>	<u>(545)</u>	<u>454</u>	<u>1,106</u>
<b>Total Year ended 31 March 2011</b>	<u><u>74,317</u></u>	<u><u>(545)</u></u>	<u><u>(43,105)</u></u>	<u><u>30,667</u></u>
<b>Total Period ended 31 March 2010</b>	<u><u>25,704</u></u>	<u><u>(203)</u></u>	<u><u>(18,331)</u></u>	<u><u>7,170</u></u>

**Plymouth Community Homes Ltd**  
**Consolidated Financial Statements for the Year Ended 31 March 2011**

**2a. Turnover, Operating Costs and Surplus:  
Association**

	Turnover	Cost of Sales	2011 Operating Costs	Operating Surplus/ (Deficit)
	£'000	£'000	£'000	£'000
<b>Income and Expenditure from Social Housing Lettings</b>				
Rents	42,080	-	(38,701)	3,379
Service Charges	2,528	-	(4,385)	(1,857)
GAP funding Revenue Receipt	25,782	-	-	25,782
GAP funding Capital Release	210	-	-	210
	<u>70,600</u>	<u>-</u>	<u>(43,086)</u>	<u>27,514</u>
<b>Other Social Housing Income and Expenditure</b>				
Supporting People	433	-	(451)	(18)
Development not capitalised	-	-	(2,164)	(2,164)
Resident Involvement	-	-	(647)	(647)
Garage Lettings	1,179	-	(148)	1,031
Exceptional item : pension credit relating to change in assumptions from RPI to CPI	-	-	3,845	3,845
	<u>1,612</u>	<u>-</u>	<u>435</u>	<u>2,047</u>
<b>Non-Social Housing Activities</b>				
Commercial Properties managed by agents	1,176	-	(165)	1,011
Other	75	-	(82)	(7)
	<u>1,251</u>	<u>-</u>	<u>(247)</u>	<u>1,004</u>
<b>Total Year ended 31 March 2011</b>	<u>73,463</u>	<u>-</u>	<u>(42,898)</u>	<u>30,565</u>
<b>Total Period ended 31 March 2010</b>	<u>25,372</u>	<u>-</u>	<u>(18,230)</u>	<u>7,142</u>

**Plymouth Community Homes Ltd**  
**Consolidated Financial Statements for the Year Ended 31 March 2011**  
**Notes to the Accounts**

**2b. Income and Expenditure from Social Housing Lettings: Group and Association**

	<b>General Needs Housing</b>	<b>Supported Housing</b>	<b>Shared Ownership</b>	<b>Total 2011</b>	<b>Total 2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income</b>					
Rents	40,977	1,100	-	42,077	15,590
Service charges	2,250	278	-	2,528	957
Gap Funding					
Revenue Receipt	25,037	745	-	25,782	6,949
Gap Funding					
Capital Release	207	6	-	213	8
<b>Total Net Rents Receivable</b>	<b>68,471</b>	<b>2,129</b>	<b>-</b>	<b>70,600</b>	<b>23,504</b>
<b>Expenditure</b>					
Management	(7,267)	(221)	-	(7,488)	(4,490)
Services	(4,024)	(361)	-	(4,385)	(1,315)
Cyclical & Planned					
Maintenance	(7,161)	(240)	-	(7,401)	(2,422)
Response					
Repairs	(9,836)	(216)	-	(10,052)	(4,101)
Major Repairs	(12,064)	(72)	-	(12,136)	(2,586)
Bad Debts	(455)	-	-	(455)	(428)
FRS17					
Adjustment	(267)	-	-	(267)	(96)
Set Up Costs	(332)	-	-	(332)	(1,691)
Depreciation	(570)	-	-	(570)	(78)
<b>Operating costs on housing lettings</b>	<b>(41,976)</b>	<b>(1,110)</b>	<b>-</b>	<b>(43,086)</b>	<b>(17,207)</b>
<b>Operating surplus on social housing letting activities</b>	<b>26,495</b>	<b>1,019</b>	<b>-</b>	<b>27,514</b>	<b>6,297</b>
<b>Void losses from rents</b>	<b>(488)</b>	<b>-</b>	<b>-</b>	<b>(488)</b>	<b>(140)</b>

**Plymouth Community Homes Ltd**  
**Consolidated Financial Statements for the Year Ended 31 March 2011**

**3. Surplus on Ordinary Activities for the Period before Taxation**

	Group 2011 £'000	Association 2011 £'000	Group 2010 £'000	Association 2010 £'000
<b>Surplus on Ordinary Activities for the Period before Taxation</b>				
is stated after charging/(crediting):				
Auditors' remuneration (including VAT):				
In their capacity as auditors	35	28	23	23
In respect of other services	92	92	33	33
Depreciation:				
Housing properties	214	214	70	70
Other assets	355	355	8	8
(Surplus) on disposal of properties	(1,059)	(1,059)	(247)	(247)
(Surplus) on disposal of other assets	(22)	(22)		
Operating lease payments:				
Land and buildings	556	556	190	190
Other assets	217	217	24	24
Exceptional item : pension credit relating to change in assumptions from RPI to CPI	(3,845)	(3,845)	-	-

<b>4. Directors' Emoluments</b>	<b>2011</b>	<b>2010</b>
<b>(Group &amp; Association)</b>	<b>£'000</b>	<b>£'000</b>

The aggregate emoluments paid to or receivable by Directors and other members of the Group's Management Team

<u>770</u>	<u>238</u>
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The emoluments paid to the highest paid Director of the Group including employers national Insurance but excluding employers pension contributions

<u>161</u>	<u>50</u>
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The Chief Executive is a member of the Local Government Pension Scheme. No enhanced or special terms apply and there are no additional pension arrangements in place. Pension contributions of £27,220 were made by the Association during the period on behalf of the Group Chief Executive. None of the Board Members receives remuneration in respect of their services.



**Plymouth Community Homes Ltd**  
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**5. Employee Information** 2011 2010  
**(Group & Association)** No. No.

The average number of persons employed during the period (full time equivalents of 37 hours) was:

	530	504
--	-----	-----

**Staff costs** 2011 2010  
£'000 £'000

Wages and salaries	13,702	4,573
Social security costs	1,061	323
Other pension costs	2,344	774
Past service cost adjustment (note 15)	(3,845)	-
	13,262	5,670

	2011 No.	2010 No.
<b>Full Time Equivalents at 31 March</b>		
Development	10	9
Corporate and Finance	83	60
Housing and Neighbourhoods	133	131
Property Services	326	320
	552	520

**6. Sale of Properties not Developed for Outright Sale**

	Group	Association	Group	Association
	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Right to buy sales	1,411	1,411	473	473
Open Market Sales	347	347	-	-
Cost of Sales	(13)	(13)	-	-
Depreciation eliminated on Disposal - RTB	(6)	(6)	-	-
PCC Share under the clawback arrangement	(680)	(680)	(226)	(226)
<b>Surplus on sale of properties</b>	1,059	1,059	247	247

**Plymouth Community Homes Ltd**  
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<b>7. Interest Receivable</b>	<b>Group</b>	<b>Association</b>	<b>Group</b>	<b>Association</b>
	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank interest receivable	<u>5</u>	<u>5</u>	<u>3</u>	<u>3</u>

<b>8. Interest Payable and Similar Charges</b>	<b>Group</b>	<b>Association</b>	<b>Group</b>	<b>Association</b>
	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
On bank and other loans				
- interest	212	212	41	41
- non utilisation fee	730	730	266	266
Amortisation of arrangement fees	154	154	51	51
Interest Capitalised on NP Development	(20)	(20)	-	-
FRS 17 Interest Charge (note 15)	419	419	18	18
Interest charge for the period	<u>1,495</u>	<u>1,495</u>	<u>376</u>	<u>376</u>

**Plymouth Community Homes Ltd**  
**Consolidated Financial Statements for the Year Ended 31 March 2011**

	Group	Association	Group	Association
9. Tax on Deficit on Ordinary Activities for the Period	2011	2011	2010	2010
	£'000	£'000	£'000	£'000

**(a) Analysis of the Charge in the Period**

The tax charge on the surplus on ordinary activities for the period was as follows:

**Current Tax**

UK Corporation Tax charge for the period

Total current tax

-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Deferred Tax**

Origination and reversal of timing differences

Pension cost relief in excess of pension charge

Changes in tax rates or laws

Tax on surplus on ordinary activities

-	-	-	-
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**(b) Factors Affecting Tax Charge for the Period**

Surplus on ordinary activities before tax

Surplus on ordinary activities at 28%

Effects of:

Surplus from charitable activities

<u>30,258</u>	<u>30,156</u>	<u>7,044</u>	<u>7,016</u>
8,472	8,444	1,972	1,964
(8,472)	(8,444)	(1,972)	(1,964)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Plymouth Community Homes Ltd**  
**Consolidated Financial Statements for the Year Ended 31 March 2011**  
**Notes to the Accounts**

<b>10. Housing Fixed Assets: Group</b>	<b>Housing Property (Eligible for GAP Funding)</b>	<b>Housing Property (Not Eligible for GAP Funding)</b>	<b>Asset under Construction</b>	<b>Total Housing Properties</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>				
At 1 April 2010	2,764	-	-	2,764
Additions	15,654	1,571	4,502	21,727
Disposals	(6)	-	-	(6)
<b>At 31 March 2011</b>	<b>18,412</b>	<b>1,571</b>	<b>4,502</b>	<b>24,485</b>
<b>Grant Funding</b>				
At 1 April 2010	(2,756)	-	-	(2,756)
Social Housing Grant receivable during period	-	(692)	(1,980)	(2,672)
Gap Funding receivable during period	(15,649)	-	-	(15,649)
Released to Income & Expenditure	210	-	-	210
<b>At 31 March 2011</b>	<b>(18,195)</b>	<b>(692)</b>	<b>(1,980)</b>	<b>(20,867)</b>
<b>Depreciation</b>				
At 1 April 2010	(8)	-	-	(8)
Charge for period	(210)	(4)	-	(214)
Disposals	1	-	-	1
<b>At 31 March 2011</b>	<b>(217)</b>	<b>(4)</b>	<b>-</b>	<b>(221)</b>
<b>Net book value at 31 March 2011</b>	<b>-</b>	<b>875</b>	<b>2,522</b>	<b>3,397</b>
<b>Net Book Value at 1 April 2010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Plymouth Community Homes Ltd**  
**Consolidated Financial Statements for the Year Ended 31 March 2011**

**10. Tangible Fixed Assets – All Fixed Assets: Group**

	<b>Total Housing Properties</b>	<b>Vehicles</b>	<b>Equipment &amp; Furniture</b>	<b>Computers &amp; Software</b>	<b>Total Assets</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>					
At 1 April 2010	2,764	488	136	378	3,766
Additions	21,727	334	206	1,682	23,949
Disposals	(6)	-	-	-	(6)
<b>At 31 March 2011</b>	<b>24,485</b>	<b>822</b>	<b>342</b>	<b>2,060</b>	<b>27,709</b>
<b>Grant Funding</b>					
At 1 April 2010	(2,756)	-	-	-	(2,756)
Social Housing Grant receivable during period	(2,672)	-	-	-	(2,672)
Gap Funding receivable during period	(15,649)	-	-	-	(15,649)
Released to Income & Expenditure	210	-	-	-	210
<b>At 31 March 2011</b>	<b>(20,867)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20,867)</b>
<b>Depreciation</b>					
At 1 April 2010	(8)	(53)	(5)	(12)	(78)
Charge for period	(214)	(154)	(42)	(159)	(569)
Disposals	1	-	-	-	1
<b>At 31 March 2011</b>	<b>(221)</b>	<b>(207)</b>	<b>(47)</b>	<b>(171)</b>	<b>(646)</b>
<b>Net book value at 31 March 2011</b>	<b>3,397</b>	<b>615</b>	<b>295</b>	<b>1,889</b>	<b>6,196</b>
<b>Net Book Value at 1 April 2010</b>	<b>-</b>	<b>435</b>	<b>131</b>	<b>366</b>	<b>932</b>

**Plymouth Community Homes Ltd**  
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**Notes to the Accounts**

<b>10. Housing Fixed Assets: Association</b>	<b>Housing Property Components (Eligible for GAP Funding)</b>	<b>Housing Property Components (Not Eligible for GAP Funding)</b>	<b>North Prospect Asset under Construction</b>	<b>Total Housing Properties</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>				
At 1 April 2010	2,764	-	-	2,764
Additions	15,654	1,571	4,513	21,738
Disposals	(6)	-	-	(6)
<b>At 31 March 2011</b>	<b>18,412</b>	<b>1,571</b>	<b>4,513</b>	<b>24,496</b>
<b>Grant Funding</b>				
At 1 April 2010	(2,756)	-	-	(2,756)
Social Housing Grant receivable during period	-	(692)	(1,980)	(2,672)
Gap Funding receivable during period	(15,649)	-	-	(15,649)
Released to Income & Expenditure	210	-	-	210
<b>At 31 March 2011</b>	<b>(18,195)</b>	<b>(692)</b>	<b>(1,980)</b>	<b>(20,867)</b>
<b>Depreciation</b>				
At 1 April 2010	(8)	-	-	(8)
Charge for period	(210)	(4)	-	(214)
Disposals	1	-	-	1
<b>At 31 March 2011</b>	<b>(217)</b>	<b>(4)</b>	<b>-</b>	<b>(221)</b>
<b>Net book value at 31 March 2011</b>	<b>-</b>	<b>875</b>	<b>2,533</b>	<b>3,408</b>
<b>Net Book Value at 1 April 2010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Plymouth Community Homes Ltd**  
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**10. Tangible Fixed Assets – All Fixed Assets: Association**

	<b>Total Housing Properties</b>	<b>Vehicles</b>	<b>Equipment &amp; Furniture</b>	<b>Computers &amp; Software</b>	<b>Total Assets</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>					
At 1 April 2010	2,764	488	136	378	3,766
Additions	21,738	334	206	1,682	23,960
Disposals	(6)	-	-	-	(6)
<b>At 31 March 2011</b>	<b>24,496</b>	<b>822</b>	<b>342</b>	<b>2,060</b>	<b>27,720</b>
<b>Grant Funding</b>					
At 1 April 2010	(2,756)	-	-	-	(2,756)
Social Housing Grant receivable during period	(2,672)	-	-	-	(2,672)
Gap Funding receivable during period	(15,649)	-	-	-	(15,649)
Released to Income & Expenditure	210	-	-	-	210
<b>At 31 March 2011</b>	<b>(20,867)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20,867)</b>
<b>Depreciation</b>					
At 1 April 2010	(8)	(53)	(5)	(12)	(78)
Charge for period	(214)	(154)	(42)	(159)	(569)
Disposals	1	-	-	-	1
<b>At 31 March 2011</b>	<b>(221)</b>	<b>(207)</b>	<b>(47)</b>	<b>(171)</b>	<b>(646)</b>
<b>Net book value at 31 March 2011</b>	<b>3,408</b>	<b>615</b>	<b>295</b>	<b>1,889</b>	<b>6,207</b>
<b>Net Book Value at 1 April 2010</b>	<b>-</b>	<b>435</b>	<b>131</b>	<b>366</b>	<b>932</b>

The total expenditure on works to existing properties during the year to 31 March 2011 for both the Group and Association was as follows :

- capitalised : £17,225,000
- charged to Income and Expenditure : £29,589,000

Interest of £20,099 was capitalised (both Group and Association), based on an average interest rate of 1.36%. This was incurred on the North Prospect development.

**Plymouth Community Homes Ltd**  
**Consolidated Financial Statements for the Year Ended 31 March 2011**

**10. Fixed Assets (continued)**

**Net book value of property assets by tenure:**

All property assets are freehold. The properties were transferred at nil value on 20<sup>th</sup> November 2009.

**Valuation as at 31<sup>st</sup> March 2011 for security purposes:**

Completed housing properties were valued as at 31 March 2011 by Savills (L and P) Limited, Chartered Surveyors, on Basis 1 the Existing Use Value – Social Housing ('EUV-SH') and under the loan agreement Basis 2 which is a valuation calculated on Existing Use Value for Social Housing (EV-SH, Voids sold) assuming an element of void properties being sold on the open market. . The valuations were carried out in accordance with the RICS Appraisal and Valuation Manual effective from 1 January 1996 (as amended). The valuation of PCH properties as at 31 March 2011 on the basis of these independent professional valuations:

Valuation –Basis 1 Assuming Guaranteed Gap Funding of £77.147m (2009/10 £70m), the Existing Use Value – Social Housing of the housing stock for loan security, as at 31 March 2011 is: £53,466,000 (2009/10 £21,597,500). If the receipt assumed is for Maximum Gap Funding of £112.147m (2009/10 £117m) the Existing Use Value – Social Housing of the housing stock for loan security, as at 31 March 2011 is: £82,460,500 (2009/10 £58,679,500).

Valuation Basis 2 - Assuming that a number of voids would be sold on the open market with vacant possession as they arise. The resultant figures for the housing stock are: Guaranteed Gap Funding - £202,497,000 (2009/10 £199,812,500). If the Maximum Gap Funding is received the valuation is £230,918,500 (2009/10 £235,981,500).

Properties are held in the Balance sheet at nil value transferred plus the cost of components to date, less depreciation and grants receivable.

11. Stock	Group	Association	Group	Association
	2011	2011	2010	2010
	£'000	£'000	£'000	£'000
Raw materials	724	724	694	694
Work in progress	44	44	62	62
	<b>768</b>	<b>768</b>	<b>756</b>	<b>756</b>



**Plymouth Community Homes Ltd**  
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<b>12. Debtors</b>	<b>Group 2011 £'000</b>	<b>Association 2011 £'000</b>	<b>Group 2010 £'000</b>	<b>Association 2010 £'000</b>
Amounts falling due after one year :				
Development debtor	73,693	73,693	76,564	76,564
GAP Funding receivable after 1 year	7,001	7,001	3,713	3,713
	<b>80,694</b>	<b>80,694</b>	<b>80,277</b>	<b>80,277</b>
Amounts falling due within one year:				
GAP Funding receivable within 1 year	38,147	38,147	6,000	6,000
HCA Grant receivable	1,980	1,980	-	-
Trade debtors	635	404	341	100
Rent arrears	2,746	2,746	2,998	2,998
Rent receipts in transit at year end	1,972	1,972	2,327	2,327
Less: provision for bad debts	(1,700)	(1,700)	(1,574)	(1,574)
Prepayments and accrued income	840	840	687	687
Inter-company debtors (Gift Aid)				
- Plymouth Community Homes Services Ltd		103	-	28
- Plymouth Community Homes Regeneration Company Ltd		12	-	-
Inter-company debtor : Plymouth Community Homes Services Ltd (trading account)	-	132	-	316
VAT	745	745	237	237
Other debtors	89	89	204	204
Development Debtor	2,240	2,240	1,852	1,852
	<b>47,694</b>	<b>47,710</b>	<b>13,072</b>	<b>13,175</b>
<b>Total debtors</b>	<b>128,388</b>	<b>128,404</b>	<b>93,349</b>	<b>93,452</b>

**Plymouth Community Homes Ltd**  
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	<b>Group</b>	<b>Association</b>	<b>Group</b>	<b>Association</b>
<b>13. Creditors</b>	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:				
Trade creditors	<b>1,714</b>	<b>1,483</b>	<b>166</b>	<b>166</b>
Plymouth City Council – Transfer of Assets	<b>-</b>	<b>-</b>	<b>470</b>	<b>470</b>
Taxation and social security payable	<b>373</b>	<b>373</b>	<b>317</b>	<b>317</b>
Pension contributions	<b>264</b>	<b>264</b>	<b>239</b>	<b>239</b>
VAT	<b>31</b>	<b>-</b>	<b>38</b>	<b>-</b>
Rent received in advance	<b>644</b>	<b>644</b>	<b>772</b>	<b>772</b>
Accruals and deferred income-revenue	<b>8,861</b>	<b>8,854</b>	<b>6,193</b>	<b>6,122</b>
Loan interest and charges	<b>88</b>	<b>88</b>	<b>83</b>	<b>83</b>
Development creditor	<b>2,240</b>	<b>2,240</b>	<b>1,852</b>	<b>1,852</b>
Inter-company creditor: Plymouth Community Homes Regeneration Company Ltd	<b>-</b>	<b>249</b>	<b>-</b>	<b>-</b>
Other creditors	<b>193</b>	<b>191</b>	<b>128</b>	<b>128</b>
	<b>14,408</b>	<b>14,386</b>	<b>10,258</b>	<b>10,149</b>

**Plymouth Community Homes Ltd**  
**Consolidated Financial Statements for the Year Ended 31 March 2011**

	<b>Group</b>	<b>Association</b>	<b>Group</b>	<b>Association</b>
<b>14. Creditors</b>	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amounts falling due after more than one year:				
Loans not repayable by instalments:-				
In five years or more::	<b>14,500</b>	<b>14,500</b>	<b>4,000</b>	<b>4,000</b>
Deferred loan costs	<b>(1,335)</b>	<b>(1,335)</b>	<b>(1,489)</b>	<b>(1,489)</b>
	<b>13,165</b>	<b>13,165</b>	<b>2,511</b>	<b>2,511</b>
Development Creditor	<b>73,693</b>	<b>73,693</b>	<b>76,564</b>	<b>76,564</b>
Total	<b>86,858</b>	<b>86,858</b>	<b>79,075</b>	<b>79,075</b>

Deferred loan costs of £1,335,000 are included within loans not repayable within 5 years.

Housing loans from Royal Bank of Scotland are secured by fixed charges on the housing properties and bear interest rates at between 2.25% and 2.32%. Non utilisation fees are charged at 0.7%. Under current forecasts, loan repayments will start in 2020 and end in 2040.

At 31 March 2011, the Group had undrawn loan facilities of £95.5m plus an additional £0.5m overdraft facility to finance future operating cash flows and investments.

**Plymouth Community Homes Ltd**  
**Consolidated Financial Statements for the Year Ended 31 March 2011**

**15. Pension Obligations**

**Group Pension Schemes**

Devon County Council, are the Administering Authority to the Devon County Council Pension Fund ("the Fund"). The Local Government Pension Scheme ("the LGPS") provides pension benefits to employees of Plymouth Community Homes Ltd ("the employer"). The staff working for Plymouth Community Homes Services Ltd and Plymouth Community Homes Regeneration Company Ltd are employed by Plymouth Community Homes Ltd and their costs of employment are recharged to those companies. All pension costs are therefore included in these notes.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2007/08, as amended. It is contracted out of the State Second Pension.

**Devon County Council Pension Fund - Consolidated**

<b>Assumptions as at:</b>	<b>31 March 2011</b>	<b>31 March 2010</b>
	<b>% p.a.</b>	<b>% p.a.</b>
RPI increases	<b>3.5</b>	<b>3.9</b>
CPI increases	<b>2.7</b>	<b>n/a</b>
Salary increases	<b>5.0</b>	<b>5.4</b>
Pension increases	<b>2.7</b>	<b>3.9</b>
Discount rate	<b>5.5</b>	<b>5.5</b>

<b>Assets (Employer Share):</b>	<b>Expected Return at 31 March 2011</b>	<b>Assets at 31 March 2011</b>	<b>Expected Return at 31 March 2010</b>	<b>Assets at 31 March 2010</b>
	<b>% p.a.</b>	<b>£'000</b>	<b>% p.a.</b>	<b>£'000</b>
Equities	<b>7.4</b>	<b>26,566</b>	<b>7.5</b>	<b>29,893</b>
Gilts	<b>4.4</b>	<b>6,452</b>	<b>4.5</b>	<b>7,365</b>
Other Bonds	<b>5.5</b>	<b>0</b>	<b>5.5</b>	<b>433</b>
Property	<b>5.4</b>	<b>1,898</b>	<b>5.5</b>	<b>2,599</b>
Cash	<b>3.0</b>	<b>2,657</b>	<b>3.0</b>	<b>3,033</b>
Target Return Portfolio	<b>5.0</b>	<b>380</b>	<b>5.0</b>	<b>-</b>
<b>Total</b>	<b>6.5</b>	<b>37,953</b>	<b>6.5</b>	<b>43,323</b>

**Plymouth Community Homes Ltd**  
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	31 March 2011	31 March 2010
	£'000	£'000
<b>Estimated employer assets</b>	<b>37,953</b>	<b>43,323</b>
Present value of scheme liabilities	(40,819)	(44,906)
Present value of unfunded liabilities	-	-
<b>Total value of liabilities</b>	<b>(40,819)</b>	<b>(44,906)</b>
<b>Net pension liability</b>	<b>(2,866)</b>	<b>(1,583)</b>
<b>Devon County Council Pension Fund – Consolidated</b>		
<b>Analysis of Amount Charged to Operating Profit</b>		
	Year to 31 March 2011	Period to 31 March 2010
	£'000	£'000
<b>Analysis of total amount charged to operating surplus</b>		
Current service cost	(2,552)	(807)
Interest on obligation	(2,654)	(1,035)
Expected return on Scheme assets	2,235	1,017
Past service cost	3,845	-
(Loss)/gain on curtailments and settlements	(72)	-
<b>Total operating gain/(charge)</b>	<b>802</b>	<b>(825)</b>

	Year to 31 March 2011	Period to 31 March 2010
	£'000	£'000
<b>Analysis of Amount Charged to Interest Payable</b>		
Expected return on scheme assets	2,235	1,017
Interest on pension scheme liabilities	(2,654)	(1,035)
<b>Net return</b>	<b>(419)</b>	<b>(18)</b>

<b>Statement of total recognised surpluses &amp; deficits (STRSD)</b>	Year to 31 March 2011	Period to 31 March 2010
	£'000	£'000
Actual return less expected return on pension scheme assets	291	4,495
Experience (losses)/gains arising on the scheme liabilities	(17,859)	-
Changes in financial assumptions underlying the present value of the scheme liabilities	13,126	(4,184)
<b>Actuarial (deficit)/gain in pension plan</b>	<b>(4,442)</b>	<b>311</b>
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	-	-
Changes in financial assumptions underlying the present value of scheme liabilities at 20 November 2009	-	(1,779)
<b>Total actuarial deficit recognised in STRSD</b>	<b>(4,442)</b>	<b>(1,468)</b>

**Plymouth Community Homes Ltd**  
**Consolidated Financial Statements for the Year Ended 31 March 2011**

<b>Reconciliation of opening &amp; closing deficit</b>	<b>Year to 31 March 2011</b>	<b>Period to 31 March 2010</b>
	<b>£'000</b>	<b>£'000</b>
<b>Deficit at start of year/period</b>	<b>(1,583)</b>	<b>(1,779)</b>
Current service cost	<b>(2,552)</b>	<b>(807)</b>
Employer contributions	<b>2,357</b>	<b>710</b>
Unfunded pension payments	-	-
Past service gains	<b>3,845</b>	-
Other finance income	<b>(419)</b>	<b>(18)</b>
Settlements or curtailments	<b>(72)</b>	-
Actuarial (losses)/gains	<b>(4,442)</b>	<b>311</b>
<b>Deficit at end of period</b>	<b>(2,866)</b>	<b>(1,583)</b>

<b>History of Experience Gains and Losses</b>	<b>Year to 31 March 2011</b>	<b>Period to 31 March 2010</b>
	<b>£'000</b>	<b>£'000</b>
Difference between the expected and actual return on assets	<b>(9,968)</b>	<b>4,495</b>
Value of assets	<b>37,953</b>	<b>43,323</b>
<b>Percentage of assets</b>	<b>-26.3%</b>	<b>10.4%</b>
Experience gains/(losses) on liabilities	<b>13,126</b>	<b>(4,184)</b>
Total present value of liabilities	<b>(40,819)</b>	<b>(44,906)</b>
<b>Percentage of the total present value of liabilities</b>	<b>-32.2%</b>	<b>9.3%</b>
Actuarial (losses)/gains recognised in STRGL	<b>(4,442)</b>	<b>311</b>
Total present value of liabilities	<b>(2,866)</b>	<b>(1,583)</b>
<b>Percentage of the total present value of liabilities</b>	<b>155.0%</b>	<b>19.6%</b>

<b>Group Asset Share</b>	<b>Year to 31 March 2011</b>	<b>Period to 31 March 2010</b>
	<b>£'000</b>	<b>£'000</b>
Equities	<b>26,566</b>	<b>29,893</b>
Gilts	<b>6,452</b>	<b>7,365</b>
Other bonds	<b>0</b>	<b>433</b>
Property	<b>1,898</b>	<b>2,599</b>
Cash	<b>2,657</b>	<b>3,033</b>
Target Return Portfolio	<b>380</b>	<b>0</b>
<b>Total value of assets</b>	<b>37,953</b>	<b>43,323</b>

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<b>Group Liability Share</b>	<b>Year to 31 March 2011</b>	<b>Period to 31 March 2010</b>
	<b>£'000</b>	<b>£'000</b>
Opening Defined Benefit Obligation	<b>44,906</b>	<b>38,649</b>
Service cost	<b>2,552</b>	<b>807</b>
Interest cost	<b>2,654</b>	<b>1,035</b>
Actuarial (gain)/loss	<b>(5,526)</b>	<b>4,184</b>
Losses on curtailments	<b>72</b>	<b>-</b>
Estimated benefits paid (net of transfers in)	<b>(707)</b>	<b>(2)</b>
Past service cost	<b>(3,845)</b>	<b>-</b>
Contributions by Scheme participants	<b>713</b>	<b>233</b>
<b>Total present value of liabilities</b>	<b>40,819</b>	<b>44,906</b>

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing Plymouth Community Homes' liabilities in the Devon County Council Pension Fund by £3,845,000 and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement.

### **Social Housing Pension Scheme**

Plymouth Community Homes Ltd participates in SHPS (the Scheme). The Scheme is funded and is contracted-out of the State Pension 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 until 31 March 2007. From April 2007 three defined benefit structures have been available, namely:

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

From April 2010 a further two defined benefit structures have been available, namely:

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

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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 defined benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Plymouth Community Homes Ltd has elected to operate the final salary with a 1/60<sup>th</sup> benefit structure and the defined contribution structure for active members and new entrants.

The Trustee commissions an actuarial valuation of the Scheme every three 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.

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 discount rate calculated by reference to the expected future investment returns.

During the accounting period Plymouth Community Homes Ltd paid contributions at the rate of 11.3% plus member contributions of 6.5%

As at the balance sheet date there were 30 active members of the Scheme employed by Plymouth Community Homes Ltd. The annual pensionable payroll in respect of these members was £851,491.03. Plymouth Community Homes Ltd continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Scheme is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of total Scheme assets. Accordingly, due to the nature of the Scheme, 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%.



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

<b>Valuation Discount Rates:</b>	<b>% p.a.</b>
Pre-Retirement	7.8
Non Pensioner Post Retirement	6.2
Pensioner Post Retirement	5.6
Pensionable Earnings Growth	4.7
Price Inflation	3.2
<b>Pension Increases:</b>	
Pre 88 GMP	0.0
Post 88 GMP	2.8
Excess Over GMP	3.0

Expenses for death-in-service insurance, administration and Pension Protection Fund (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% p.a.

Mortality post retirement – 90% S1PA Year of Birth, long cohort projection, minimum improvement 1% p.a.

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

<b>Benefit Structure</b>	<b>Long-term Joint Contribution Rate (% of pensionable salaries)</b>
Final salary with a 1/60th accrual rate	17.8
Final salary with a 1/70th accrual rate	15.4
Career average revalued earnings (CARE) with a 1/60th accrual rate	14.9
Final salary with a 1/80th accrual rate	13.5
Career average revalued earnings (CARE) with a 1/80th 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.

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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 each year in-line with 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 defined benefit section of the Scheme to new entrants are required to pay an additional employer contribution loading of 3.0% 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 SHPS.

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 SHPS in respect of the September 2008 actuarial valuation has been submitted to the Regulator.

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%.

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<b>16. Share Capital</b>	<b>Association</b>	
	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<i>Ordinary shares of £1 each. Allotted, called up and fully paid.</i>		
At 1 April 2010	9	9
Issued during the year	12	-
<b>At 31 March 2011</b>	<b>21</b>	<b>9</b>

<b>17. Association Reserves</b>	<b>Restricted Reserve</b>	<b>Revenue Reserve</b>	<b>Pension Reserve</b>	<b>Total Reserves</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2010	900	6,259	(1,583)	5,576
Surplus on ordinary activities for the period	-	26,997	3,159	30,156
Actuarial loss recognised in Statement of Total Recognised Surpluses and Deficits	-	-	(4,442)	(4,442)
Gift Aid Receivable		115	-	115
Transfers between reserves	(297)	297	-	-
<b>At 31 March 2011</b>	<b>603</b>	<b>33,668</b>	<b>(2,866)</b>	<b>31,405</b>

The Restricted Reserve of £0.6m relates to the agreement with Plymouth City Council to clear the flats within Devonport for handover to Devon and Cornwall Housing Association for development. The fund will reduce as eligible expenditure is incurred on the redevelopment and there will be a corresponding transfer to the revenue reserve.

<b>17. Group Reserves</b>	<b>Restricted Reserve</b>	<b>Revenue Reserve</b>	<b>Pension Reserve</b>	<b>Total Reserves</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2010	900	6,259	(1,582)	5,577
Surplus on ordinary activities for the period	-	27,100	3,158	30,258
Actuarial loss recognised in Statement of Total Recognised Surpluses and Deficits	-	-	(4,442)	(4,442)
Transfers between reserves	(297)	297	-	-
<b>At 31 March 2011</b>	<b>603</b>	<b>33,656</b>	<b>(2,866)</b>	<b>31,393</b>

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**18. Group Cash Flow**

<b>Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities</b>	<b>2011 £'000</b>	<b>2010 £'000</b>
Operating surplus	30,667	7,170
Add back FRS17 adjustments	(3,159)	115
Add back depreciation charge	569	78
Add back GAP funding released against depreciation	(210)	(8)
Decrease / (increase) in debtors > 1 year	2,871	(80,277)
Increase in stock	(12)	(756)
Increase in debtors < 1 year	(28,260)	(10,308)
Increase in creditors < 1 year	969	8,363
(Decrease) / increase in creditors > 1 year	(2,871)	76,564
<b>Net cash inflow from operating activities</b>	<b>564</b>	<b>941</b>

**Reconciliation of Net Cash Flow to Movement in Net Debt**

(Decrease) / increase in cash in the period	(1,282)	1,455
Increase in loans	(10,500)	(2,460)
Non cash movements	(154)	(51)
<b>Change in net debt</b>	<b>(11,936)</b>	<b>(1,056)</b>
<b>Net debt at 1 April</b>	<b>(1,056)</b>	<b>-</b>
<b>Net debt at 31 March</b>	<b>(12,992)</b>	<b>(1,056)</b>

**Returns on Investments and Servicing of Finance**

Interest received	5	3
Interest paid	(1,336)	(242)
	<b>(1,331)</b>	<b>(239)</b>

**Financing**

Loans received	10,500	4,000
Arrangement fee released / (paid in advance)	154	(1,540)
	<b>10,654</b>	<b>2,460</b>

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<b>19. Analysis of Changes in Net Debt – Group</b>	<b>At 1 April 2010</b>	<b>Cashflow</b>	<b>Non Cash Movements</b>	<b>At 31 March 2011</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash in hand and at bank	1,455	(1,282)	-	173
Debt due after one year	(2,511)	(10,500)	(154)	(13,165)
	<u>(1,056)</u>	<u>(11,782)</u>	<u>(154)</u>	<u>(12,992)</u>

<b>20. GAP Funding receivable</b>	<b>Group 2011</b>	<b>Association 2011</b>	<b>Group 2010</b>	<b>Association 2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
The total accumulated amount of GAP Funding:				
Capital	16,925	16,925	2,764	2,764
Revenue	28,443	28,443	6,949	6,949
Total	<u>45,368</u>	<u>45,368</u>	<u>9,713</u>	<u>9,713</u>

<b>21. Capital Commitments</b>	<b>Group 2011</b>	<b>Association 2011</b>	<b>Group 2010</b>	<b>Association 2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Capital expenditure that has been contracted for but has not been provided for in the financial statements	8,649	8,649	55	55
Capital expenditure that has been authorised by the Board but has not yet been contracted for	27,157	27,157	26,933	26,933
	<u>35,806</u>	<u>35,806</u>	<u>26,988</u>	<u>26,988</u>

These commitments will be financed by GAP funding and loan finance.

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**22. Operating Leases**

Annual commitments under non-cancellable operating leases are as follows:

	At 31 March 2011		At 31 March 2010	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	38	93	28
In the second to fifth years inclusive	549	247	363	24
Over five years	-	-	54	-
	<u>549</u>	<u>285</u>	<u>510</u>	<u>52</u>

**23. Contingent Liabilities**

On transfer, Plymouth Community Homes agreed to meet additional costs incurred, over and above that originally budgeted for by the Council in respect of the properties transferring to Plymouth Community Homes. At the time of publishing the accounts the potential obligations remain as the Council is still awaiting final confirmation of their results for the relevant period. There is a potential liability of between nil and £0.95m depending on the level of subsidy received by the Council in respect of the Housing Revenue Account.

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	<b>Group</b>	<b>Association</b>	<b>Group</b>	<b>Association</b>
<b>24. Units of Accommodation</b>	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
Under development at end of period:				
Housing accommodation	-	-	-	-
Shared ownership	-	-	-	-
Under management at end of period:				
Housing accommodation	<b>14,187</b>	<b>14,187</b>	<b>14,334</b>	<b>14,334</b>
Supported housing	<b>416</b>	<b>416</b>	<b>418</b>	<b>418</b>
Shared ownership	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>
Managed for other bodies	-	-	-	-
Market Rented	-	-	-	-
Long leaseholders	<b>1,469</b>	<b>1,469</b>	<b>1,465</b>	<b>1,465</b>
Unavailable for letting	<b>160</b>	<b>160</b>	<b>11</b>	<b>11</b>
	<b>16,240</b>	<b>16,240</b>	<b>16,236</b>	<b>16,236</b>
Managed but not owned				
Housing accommodation	-	-	-	-
Supported housing (Brock Trust)	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>
	<b>16,248</b>	<b>16,248</b>	<b>16,244</b>	<b>16,244</b>

All owned properties are freehold.

**25. Related Party Transactions**

The Board members who served during the period that are also tenants have a standard tenancy agreement and are required to fulfil the same obligations and receive the same benefit as other tenants.

- Four Board members are also Councillors of Plymouth City Council (PCC). All transactions with PCC during the Period were conducted at arm's length and on normal commercial terms.

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**26. Post Balance Sheet Events**

There were no post balance sheet events to report.

**27. Status**

The Plymouth Community Homes Group comprises: Plymouth Community Homes Limited ('the Association'), a Registered Provider, and its wholly owned subsidiaries, Plymouth Community Homes Services Limited and Plymouth Community Homes Regeneration Company Limited. Plymouth Community Homes Services Limited sells manufactured goods to third parties. Plymouth Community Homes Regeneration Company Limited oversees the design and build work for the redevelopment of the North Prospect area of Plymouth. Each company has an issued share capital of £1.