

Plymouth Community Homes



Financial Statements
For the Period Ended 31 March 2010

Work

Strengthen

Improve

for

each

our

Plymouth

Community

Homes

Plymouth
Community Homes



**Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Legal and Administrative Details**

Plymouth Community Homes Ltd

**Financial Statements
For the Period 20 November 2009 to 31 March 2010**

Contents	Page
• Legal and Administrative Details	1-3
• Report of the Board	4-13
• Report of the Independent Auditors on the Financial Statements	14-15
• Income and Expenditure Account	16
• Statement of Total Recognised Surpluses and Deficits	17
• Balance Sheet	18
• Cash Flow Statement	20
• Notes to the Financial Statements	21-53

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Legal and Administrative Details

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 was registered with the Financial Services Authority on 3rd March 2009 (number: 30637R) . The Association registered with the Tenant Services Authority on 3rd September 2009 (registration number L4543).

Its trading subsidiary Plymouth Community Homes Services is incorporated under the Companies Act 2006 (number 07001677).

Plymouth Community Homes and its subsidiary company commenced operations on 20 November 2009.

Members of the Board: Peter Ebsworth – Chair (Appointed 3rd March 2009)
Zilpah Walton - Vice Chair (Appointed 3rd March 2009)
William Lean – Chair Audit and Risk Committee (Appointed 3rd March 2009)
Alan Clifford – Chair PCH Services Board (Appointed 30th June 2009)
Elaine Pellow –Chair Customer Focus Committee (Appointed 3rd March 2009)
Nigel Warn – Chair Governance Committee (Appointed 3rd March 2009)
Ken Foster (Appointed 3rd March 2009, Resigned 15th May 2009)
Joan Watkins (Appointed 15th May 2009, Resigned 21st May 2010)
Sue McDonald (Appointed 3rd March 2009)
Christine Watts (Appointed 3rd March 2009)
Jack Thompson (Appointed 3rd March 2009)
Eddie Rennie (Appointed 3rd March 2009)
Sue Dann (Appointed 25th June 2009)
Jim Webster (Appointed 30th June 2009, Resigned 27th April 2010)
Linda Macbeth (Appointed 3rd March 2009, Resigned 2nd June 2009)
Andy Fox (Appointed 5th July 2010)

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

Alan Clifford – Chair (Appointed 26th August 2009)
Elaine Pellow (Appointed 26th August 2009)
Clive Turner (Appointed 26th August 2009)
Martin Snell (Appointed 26th August 2009)

Audit and Risk Committee William Lean, Chair
Sue McDonald
Jack Thompson
Christine Watts
Alan Clifford

**Customer Focus
Committee** Elaine Pellow, Chair
Zilpah Walton
Nigel Warn

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Legal and Administrative Details

Customer Focus

Committee (continued)

Christine Watts
Joan Watkins

Governance Committee

Nigel Warn, Chair
Peter Ebsworth
Sue Dann
Alan Clifford

Organisation Management

Team:

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

Company Secretary:

Belinda Pascoe

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Legal and Administrative Details

External Auditors KPMG LLP
3 Longbridge Road
Plymouth PL6 8LT

Internal Auditors PricewaterhouseCoopers LLP
Princess Court
23 Princess Street
Plymouth PL1 2EX

Tax Advisors KPMG LLP
100 Temple Street
Bristol BS1 6AG

Principal Bankers: National Westminster Bank Plc
14 Old Town Street
Plymouth PL1 1DG

Funders The Royal Bank of Scotland plc
Housing Finance
7th Floor
135 Bishopsgate
London EC2M 4UR

Security Trustees: Prudential Trustees
Governors House
Laurence Pountney Hill
London EC4R 0HH

Solicitors: Trowers & Hamblins LLP Devonshires Cobbetts
The Senate 30 Finsbury Circus One Colmore Square
Southernhay Gardens London EC2M 7DT Birmingham B4 6AJ
Exeter EX1 1UG

Financial Advisers: Savills (L&P) Ltd J.C. Rathbone Associates Ltd
20 Grosvenor Hill 12 St James' Square
London London SW1Y 4LB
W1K 3HQ

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Report of the Board

The Board presents its report and the audited financial statements for the period ended 31 March 2010. The Association was registered with the Financial Services Authority on 3rd March 2009 and commenced trading on 20 November 2009. Accordingly, these financial statements are for the period to 31 March 2010.

A Profile of Plymouth Community Homes Ltd

Plymouth Community Homes is a newly established Housing Association entrusted with the ownership and management of approximately 15,000 homes which transferred from Plymouth City Council on the 20th November 2009, and provides a range of key customer services across Plymouth.

Our vision is to Work for Plymouth, Strengthen our 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 a separate subsidiary, Plymouth Community Homes Services Limited, providing manufacturing services to external customers. Significant funding has been secured from the Homes and Communities Agency (HCA) and private funding from the Royal Bank of Scotland.

We are now firmly up and running. Our commitment is to meet the promises we made to tenants which covered a range of areas from repairing and improving homes to tackling anti-social behaviour; from improving local services to strengthening our communities. These promises can be found in Plymouth City Council's 'offer document' prior to transfer.

Overall, there are 125 promises and the Business Plan (2010-2014) incorporates all of these. We have already delivered our 100 day pledge following transfer.

We understand why there are high expectations of Plymouth Community Homes. Tenants voted for the transfer, Plymouth City Council supported the transfer and a wide variety of stakeholders welcomed the transfer.

We are determined to meet these expectations and for Plymouth Community Homes to become a key supporter of regeneration and quality of life agendas in the city.

We are aware of the challenges facing new stock transfer housing associations. We want to do things in the right way to avoid the pitfalls, and to make sustainable progress to becoming an organisation that has local and regional credibility with our customers and stakeholders. We want Plymouth to be proud of us.

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.

**Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Report of the Board**

Plymouth Community Homes Services Ltd (continued)

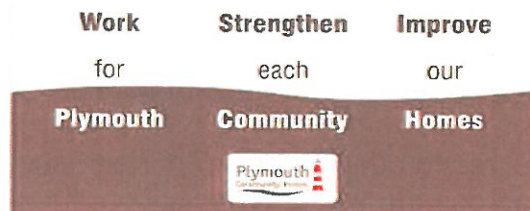
Whilst the Manufacturing Unit operates as a single unit, its trading activities with Plymouth Community Homes are accounted for within Plymouth Community Homes. Its trading activities with external parties, which include Plymouth City Council, are channelled through a non-charitable subsidiary called 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. To achieve this, Plymouth Community Homes Services and the Manufacturing Unit as a whole will develop a strong focus on risk management.

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

Business Objectives 2010 - 2014

We have published our Business Plan 2010-2014 '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
- Our People
- Governance
- Money and Resources
- Homes
- The Environment

Customers and Communities

We are committed to creating high quality customer focussed services. We will involve tenants and leaseholders in designing, monitoring and improving these services. We will engage with customers, consult in new ways that broaden inclusion, and start 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 places to live.

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Report of the Board

Our People

We depend on the professional skills, dedication and motivation of our employees to ensure that we function properly. Our commitment to valuing and supporting people in their work and their individual wellbeing is reflected in objectives designed to promote individual and team development and to reward outstanding performance.

Governance

Governance is the way 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.

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.

We are committed to the active promotion of equality, diversity and community cohesion, alongside excellent communications.

Money and Resources

We are 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.

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 2014.

In addition to this huge investment programme, we are committed to tackling the challenge of regenerating North Prospect and Devonport and also want to continue the progress made by the Direct Labour Organisation in improving customer satisfaction with repairs, void management and adaptations

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 take pride in their local area and we want our homes and estates to look good and feel like good places to live.

Work on the external environment will be underpinned by resident consultation and involvement, and will be funded primarily through our 'Money Tree' fund.

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Report of the Board

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

As 2009/10 was a relatively short accounting period, 2010/11 targets have been used for comparative purposes.	Outturn 2009/10	2010/11 Target
% of Rent Collected as a % rent achievable (excl arrears brought forward)	99.46%	97.50%
% of Rent void rent loss	1.22%	1%
Average number of days taken to relet properties	39.17	35
Percentage non-decent homes	58.50%	60.00%
Number of complaints made per 1,000 stock	1.29	1.2
Number of evictions for anti-social behaviour cumulative (This indicator has now changed see below)	4	4

Financial Position

As a new association and with this report covering only a part year we have no previous trends or meaningful outturn comparisons available. 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 period 20th November to 31st March 2010, shown in the Income and Expenditure Account is a surplus of £7.044m. The main reason for this is the gap funding grant of £6.949m. This, with £2.764m of gap funding for capital purposes, partly explains the high level of debtors of £93.349m within the Balance Sheet. We received £6m of this funding in July 2010 the remainder being due for receipt in 2011. A substantial element of the creditors balance is accruals and deferred income totalling £6.193m. At the end of the financial period there was a backlog of invoices to be processed.

Properties are held in the Balance Sheet at the nil value transferred cost from Plymouth City Council plus the cost of the improvement programme reflected in the components to date of net £2.756m before gap funding.

Plymouth Community Homes Services Ltd achieved a surplus of £0.028m which it Gift Aided to Plymouth Community Homes Ltd.

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Report of the Board

Our Business Plan

Although it is only a short time after 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. We have now profiled our asset management spend over the next 5 years and secured contracts for kitchens and bathrooms for 5 years with a benefit of approximately £26m. We have secured a bid to the Homes and Communities Agency for 10 new properties with a further 40 to be approved and we have identified properties for potential disposal. We have implemented a treasury risk strategy to protect against the potential for rising interest rates and completed a business plan framework for the North Prospect development.

Over the next 5 years annual income will rise from £47m to £53m and annual costs from £49m to £62m. Deficits will be made year on year and the cumulative deficit after 5 years is projected to be £52m. The main source of income for us is rents. These are 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. Plymouth City Council had an exemption to reach target rents by 2016 and we will continue to comply with this policy as promised at transfer. 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. Unlike many housing associations, we are not making use of the allowed tolerances of an additional plus 5% on rents for general needs housing and plus 10% on sheltered / supported housing. Currently 67% of our properties are at their target rent. This leaves us in a sound position in respect of target rent.

We also receive income from service charges to leaseholders and to tenants. We are currently providing a range of services for which we are not charging the full amount. We will be reviewing this in time so that we seek to recover the full costs of services provided to tenants. It is important we do this to ensure we reach the targets laid out in the business plan of a 37% increase in service charges (£0.825m) by 2015.

Value for money is critically important to our focus on customers. We will ensure that tenants and leaseholders are consulted as we move forward, so that 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. We are looking to generate additional income from commercial services which will generate approximately £4m by the end of year 5. This will include both income from shops but also the trading arm – Plymouth Community Homes Services Ltd.

We have set ourselves challenging efficiency targets with 11% savings in management by year 5. 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 8% higher over this period. Costs include investment in our staff and in new Information Technology, infrastructure and systems.

In Tenancy and Neighbourhood Services we are maintaining the inherited investment of £0.365m in resident involvement. However, we will look to increase this over the 5 years as we seek to engage a wider range of tenants in consultation set local performance standards and support tenant activities. We also intend to make a significant investment to improve the quality of the housing service in all our communities across Plymouth. After an initial

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Report of the Board

Our Business Plan (continued)

investment of £0.26m, further investment will need to be financed from savings across the Group.

In Property Services the next 5 years should see investment of approximately £137m being spent to deliver on the fundamental reason for the transfer, to modernise the properties, bringing individual homes up to a decent home standard. This investment of £137m represents a saving of more than £28m compared with the plans at transfer.

Regeneration and Development, as well as modernisation of the existing housing stock and the improvement in housing services we are also looking to undertake one of the biggest housing redevelopments in the South West of England. This is the regeneration of the North Prospect estate. We have carried out some detailed planning and by the end of year 5 we expect to have completed phases 1 to 5 with a total of 893 houses which will be a mix of rental and privately owned properties. The overall investment over the period is £100m with anticipated sales proceeds of £75m and grant funding of £33m.

As part of our wider asset management strategy, we are looking to work in partnership with the Homes and Communities Agency to acquire 200 new properties across the City over the next 5 years. These properties will help with the temporary move of tenants out of North Prospect but also increase our general provision of homes. We anticipate that we will need support of £13m from grant funding but also a potential internal subsidy. This subsidy will be found by selling properties as they become void where the demand is low and the investment costs outweigh the return from the rental income.

Capital Structure and Treasury Policy

Plymouth Community Homes Ltd is registered as an Industrial and Provident Society with a total of 9 £1 shares. Plymouth Community Homes holds the £1 share of its subsidiary, a Company limited by guarantee; Plymouth Community Homes Services Ltd. Neither of these companies is 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 £0.9m 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 for the period is £5.58m.

The core funding comes from Government Gap Funding of £117m over 4 years.

As part of the transfer Plymouth Community Homes negotiated loan facilities totalling £110m, of which £4m had been drawn as at 31st March 2010. The undrawn balance of £106m will be required to meet future development programme requirements as laid out in the Business Plan.

Over the next 5 years, the current plan requires us to borrow £83m with the peak borrowing coming in 2020 of £94m. 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, but Royal Bank of

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Report of the Board

Capital Structure and Treasury Policy (continued)

Scotland will have to approve these plans and review these conditions. A key measure is the security of the stock against these loans. The security valuation is £199.8m as long as we continue to receive the guaranteed Gap Funding.

As part of the Treasury Management Strategy a hedging strategy was taken out at Transfer, to protect against the potential of rising interest rates. This included a forward starting fixed rate loan taken out for the period 20th May 2011-20th February 2039, a Swaption with a strike date of 20th November 2011 and a forward fix equivalent to £50m from 20th November 2029 to 20th February 2039.

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 2010 the percentage of borrowings on variable rate was 100%. The forward fixed rate loan is based on a 50% profile of the anticipated debt to be borrowed and the SWAPtion on a 25% profile. 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 £0.941m which, after net interest payments of £0.239m left a cash surplus of £0.702m in the period.

The capital programme for delivering on decent homes has commenced. During the period £1.954m was spent on improving such developments which after the receipts of sales from Right to Buy amounted to a net capital expenditure of £1.707m. This was largely financed by drawings under the Loan Agreement and from the operating cash surplus.

In 2009/10 the HCA gave grant of £9.7m (£6.9m for operational and £2.8m for capital) of which £6m was received in July 2010 with the remaining £3.7m as part of the next stage payment of £37m in 2011. This forms part of the overall funding from the Homes and Communities Agency of £117m. The Royal Bank of Scotland lent £4m (including set up fees).

The Board

At 31st March 2010 the Board comprised twelve members, with the various skills necessary to ensure the effective management of the Group. Membership of the Board is detailed on page 1.

Share Capital

PCH 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. No further shares were issued during 2009/2010, making a total of £9 share capital issued to date.

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Report of the Board

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 Act 1996 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'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

Continuous Improvement Groups (CIGs) have been established to support the Customer Focus Committee in its role of ensuring that Plymouth Community Homes provide excellent customer services to all its customers.

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.

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Report of the Board

The Board's Report on Internal Controls Assurance (continued)

Whilst it is in its early stages, 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 £70m. 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 completely jeopardise the viability of the Group, which is why we would act to protect it. We already have robust financial planning and monitoring systems but over the next year we will be setting up a financial framework to ensure that we clearly 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 a fraud 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 since transfer took place on 20th November 2009 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.

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Report of the Board

The Board's Report on Internal Controls Assurance (continued)

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.

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 five month period ended 31 March 2010 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 that, whilst isolated to the following specific systems and processes, when taken in aggregate have a significant impact upon the system of internal control.'

'The Company is in its infancy, the governance and risk management framework and internal controls and procedures are still being developed and will take some time to become fully embedded. Consequently, as these systems and the specific control points highlighted are key to an organisation's governance and control framework, we can only give limited assurance on the design, adequacy and effectiveness of the Company's system of internal control.'

The Board and Management are taking action to address the control weaknesses identified, including engaging external support in designing the risk management framework and transferring IT services from Plymouth City Council.

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 Company'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 Company's auditors are aware of that information.

Auditors

KPMG LLP were appointed as the Association's auditors during the year. 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



Peter Ebsworth, Chair

10 August 2010

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Report of the Independent Auditors, KPMG LLP, to the members of Plymouth
Community Homes Limited

We have audited the financial statements of Plymouth Community Homes Limited for the period ended 31 March 2010 which comprise the consolidated and association Income and Expenditure Account, the Statement of Consolidated Total Recognised Surpluses and Deficits the consolidated and association Balance Sheet and the consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Association's members, as a body, in accordance with Schedule 1 paragraph 16 to the Housing Act 1996 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 Auditors

As described on page 11, the Group's Members of the Board are responsible for the preparation of the Report of the Board and financial statements in accordance with applicable United Kingdom law and UK accounting standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003, the Industrial and Provident Societies (Group Accounts) Regulation 1969, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you if, in our opinion, the Report of the Board is not consistent with the financial statements, if the Group has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Members of the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the association's circumstances, consistently applied and adequately disclosed.

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Report of the Independent Auditors, KPMG LLP, to the members of Plymouth
Community Homes Limited

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

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 Association and the Group as at 31st March 2010 and of its surplus for the period then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003, the Industrial and Provident Societies (Group Accounts) Regulation 1969, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.



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

12 August 2010

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Income and Expenditure Account

		Group	Association
		2010	2010
	<i>Note</i>	£'000	£'000
Turnover	<i>2a</i>	25,704	25,372
Cost of sales	<i>2a</i>	(203)	-
Operating costs	<i>2a</i>	(18,331)	(18,230)
Operating surplus		7,170	7,142
Surplus on sale of properties not developed for outright sale	<i>6</i>	247	247
Surplus on sale of other fixed assets		-	-
Interest receivable	<i>7</i>	3	3
Interest payable and similar charges	<i>8</i>	(376)	(376)
Surplus on ordinary activities for the period before taxation		7,044	7,016
Gift Aid Receivable		-	28
Tax on surplus on ordinary activities	<i>9</i>	-	-
Surplus on ordinary activities for the period after taxation		7,044	7,044

Activities commenced on 20 November 2009 and all amounts relate to continuing activities.

The above results are based on historic costs.

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Statement of Total Recognised Surpluses and Deficits

	Group	Association
	2010	2010
	£'000	£'000
Surplus for the period	7,044	7,044
Actuarial loss on pension scheme	(1,468)	(1,468)
Total surplus recognised for the period	<u>5,576</u>	<u>5,576</u>

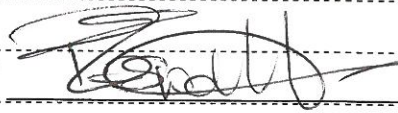
Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Balance Sheet at 31 March 2010

	<i>Note</i>	Group 2010 £'000	Association 2010 £'000
Fixed Assets			
Tangible assets - Housing	10	2,756	2,756
Less: GAP Funding	10	<u>(2,756)</u>	<u>(2,756)</u>
		-	-
Tangible assets - Other	10	<u>932</u>	<u>932</u>
		<u>932</u>	<u>932</u>
Assets : amounts receivable after more than one year			
Development debtor		76,564	76,564
GAP Funding		<u>3,713</u>	<u>3,713</u>
	12	<u>80,277</u>	<u>80,277</u>
Current Assets			
Stock	11	756	756
Debtors	12	13,072	13,175
Properties held for resale		-	-
Cash at bank and short term deposits		<u>1,455</u>	<u>1,243</u>
		<u>15,283</u>	<u>15,174</u>
Creditors: amounts falling due within one year			
	13	<u>(10,258)</u>	<u>(10,149)</u>
Net current assets		<u>5,025</u>	<u>5,025</u>
Total assets less current liabilities		<u>86,234</u>	<u>86,234</u>
Creditors: amounts falling due after more than one year			
Development creditor	14	2,511	2,511
		76,564	76,564
Pension liability	15	1,583	1,583
Capital and Reserves			
Restricted reserve	16	900	900
Revenue reserve	16	6,259	6,259
Pension fund reserve	16	<u>(1,583)</u>	<u>(1,583)</u>
		<u>86,234</u>	<u>86,234</u>

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Notes to the Accounts

The financial statements on pages 16 to 52 were approved by the Board on 10 August 2010 and were signed on its behalf by:

Chair:



Peter Ebsworth

10 August 2010

Vice Chair:



Zilpah Walton

10 August 2010

Secretary:



Belinda Pascoe

10 August 2010

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Notes to the Accounts
Group Cash Flow Statement

	Note	2009/10 £'000	2009/10 £'000
Net cash inflow from operating activities	17		941
Returns on investments and servicing of finance			
Interest received		3	
Interest paid		<u>(242)</u>	
Net cash outflow from returns on investment and servicing of finance	17		(239)
			<u>702</u>
Capital Expenditure and Financial Investment			
Components added to housing properties		(953)	
Proceeds from sale of housing properties		247	
Purchase of other fixed assets		(1,001)	
Net cash outflow from capital expenditure			(1,707)
Net cash outflow before management of liquid resources and financing			<u>(1,005)</u>
Management of liquid resources			-
Financing	17		2,460
Increase in net cash	18		<u><u>1,455</u></u>

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Notes to the Accounts

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 published by the National Housing Federation in 2008 (SORP2008). 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 undertaking, Plymouth Community Homes Services Ltd, made up to 31st March 2010.

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:

Category	Years
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
Financial Statements for the Period Ended 31 March 2010
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 in accordance with the SORP 2008.

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:

Category	Years
Kitchens	20
Bathrooms	30
Heating Systems	15
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.

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 the Communities 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.

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.

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 company is 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'.

1. Principal Accounting Policies (continued)

Value Added Tax ('VAT')

PCH and its subsidiary 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.

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 to the local authorities is shown as long term debtors and the obligation to contactors 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.

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.

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Notes to the Accounts

2a. Turnover, Operating Costs and Surplus: Group

	Turnover	Cost of Sales	2010 Operating Costs	Operating Surplus/ (Deficit)
	£'000	£'000	£'000	£'000
Income and Expenditure from Social Housing Lettings				
Housing accommodation	<u>23,504</u>	<u>-</u>	<u>(17,207)</u>	<u>6,297</u>
Other Social Housing Income and Expenditure				
Supporting People	152	-	(172)	(20)
Development not capitalised	900	-	(451)	449
Management Services	-	-	-	-
Residential Involvement	-	-	(201)	(201)
Garage Lettings	<u>434</u>	<u>-</u>	<u>(47)</u>	<u>387</u>
	<u>1,486</u>	<u>-</u>	<u>(871)</u>	<u>615</u>
Non-Social Housing Activities				
Commercial Properties managed by agents	374	-	(51)	323
Other	8	-	(101)	(93)
External Sales	<u>332</u>	<u>(203)</u>	<u>(101)</u>	<u>28</u>
	<u>714</u>	<u>(203)</u>	<u>(253)</u>	<u>258</u>
Total	<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
Financial Statements for the Period Ended 31 March 2010
Notes to the Accounts

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

	Turnover	Cost of Sales	2010 Operating Costs	Operating Surplus/ (Deficit)
	£'000	£'000	£'000	£'000
Income and Expenditure from Social Housing Lettings				
Housing accommodation	<u>23,504</u>	<u>-</u>	<u>(17,207)</u>	<u>6,297</u>
Other Social Housing Income and Expenditure				
Supporting People	152	-	(172)	(20)
Development not capitalised	900	-	(451)	449
Management Services	-	-	-	-
Residential Involvement	-	-	(201)	(201)
Garage Lettings	<u>434</u>	<u>-</u>	<u>(47)</u>	<u>387</u>
	<u>1,486</u>	<u>-</u>	<u>(871)</u>	<u>615</u>
Non-Social Housing Activities				
Commercial Properties managed by agents	374	-	(51)	323
Other	<u>8</u>	<u>-</u>	<u>(101)</u>	<u>(93)</u>
	<u>382</u>	<u>-</u>	<u>(152)</u>	<u>230</u>
Total	<u><u>25,372</u></u>	<u><u>-</u></u>	<u><u>(18,230)</u></u>	<u><u>7,142</u></u>

Plymouth Community Homes Ltd
 Financial Statements for the Period Ended 31 March 2010
 Notes to the Accounts

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

	General Needs Housing	Supported Housing	Shared Ownership	Total
	£'000	£'000	£'000	£'000
Income				
Rents	15,181	409	-	15,590
Service charges	857	100	-	957
Gap Funding Revenue Receipt	6,949	-	-	6,949
Gap Funding Capital Release	8	-	-	8
Total Net Rents Receivable	22,995	509	-	23,504
Expenditure				
Management	(4,308)	(182)	-	(4,490)
Services	(1,190)	(125)	-	(1,315)
Cyclical & Planned Maintenance	(2,401)	(21)	-	(2,422)
Response Repairs	(4,028)	(73)	-	(4,101)
Major Repairs Less VAT Partial Exemption	(2,722) 148	(12) -	- -	(2,734) 148
Bad Debts	(416)	(12)	-	(428)
FRS17 Pension Charges	(96)	-	-	(96)
Set Up Costs	(1,691)	-	-	(1,691)
Depreciation	(78)	-	-	(78)
Operating costs on housing lettings	(16,782)	(425)	-	(17,207)
Operating surplus on social housing letting activities	6,213	84	-	6,297
Void losses from rents	(140)	-	-	(140)

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Notes to the Accounts

2c. Particulars of Turnover from Non-Social Housing Activities:

	2010 £'000
Shops	374
External Sales	332
Other	8
	<u>714</u>

3. Surplus on Ordinary Activities for the Period before Taxation

	Group 2010 £'000	Association 2010 £'000
Surplus on Ordinary Activities for the Period before Taxation		
is stated after charging/(crediting):		
Auditors' remuneration (including VAT):		
In their capacity as auditors	23	23
In respect of other services	33	33
Depreciation:		
Housing properties	70	70
Other assets	8	8
(Surplus) on disposal of properties	(247)	(247)
Operating lease payments:		
Land and buildings	190	190
Other assets	24	24
	<u>214</u>	<u>214</u>

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Notes to the Accounts

	Group	Association
4. Directors' Emoluments	2010	2010
	£'000	£'000

The aggregate emoluments paid to or receivable by Directors and other members of the Group's Management Team (including employment costs)

238	238
------------	------------

The emoluments paid to the highest paid Director of the Group excluding pension contributions

50	50
-----------	-----------

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 £19,035 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
Financial Statements for the Period Ended 31 March 2010
Notes to the Accounts

	Group	Association
5. Employee Information	2010	2010
	No.	No.
The average number of persons employed during the period (full time equivalents of 37 hours) was:	504	504

Staff costs	2010	2010
	£'000	£'000
Wages and salaries	4,573	4,573
Social security costs	323	323
Other pension costs	774	774
	5,670	5,670

Full Time Equivalents at 31 March 2010

	No.
Development	9
Corporate and Finance	60
Housing and Neighbourhoods	131
Property Services	320
	520

6. Sale of Properties not Developed for Outright Sale

	Group	Association
	2010	2010
	£'000	£'000
Right to buy sales	473	473
Cost of Sales	-	-
Depreciation eliminated on Disposal - RTB	-	-
PCC Share under the clawback arrangement	(226)	(226)
Total	247	247

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Notes to the Accounts

7. Interest Receivable	Group 2010 £'000	Association 2010 £'000
Bank interest receivable	<u>3</u>	<u>3</u>

8. Interest Payable and Similar Charges	Group 2010 £'000	Association 2010 £'000
On bank and other loans	307	307
Amortisation of arrangement fees	51	51
FRS 17 Interest Charge	18	18
Interest charge for the period	<u>376</u>	<u>376</u>

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Notes to the Accounts

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

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>

(b) Factors Affecting Tax Charge for the Period

Surplus on ordinary activities before tax	<u>7,044</u>	<u>7,016</u>
Surplus on ordinary activities at 28%	1,972	1,964
Effects of:		
Surplus from charitable activities	(1,972)	(1,964)
	<u>-</u>	<u>-</u>

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Notes to the Accounts

10. Housing Fixed Assets: Group and Association	Housing Property Components	Shared Ownership Properties	Total Housing Properties
	£'000	£'000	£'000
Cost			
At beginning of period	-	-	-
Additions	2,764	-	2,764
Disposals	-	-	-
Completions	-	-	-
Transfer to current assets	-	-	-
At 31 March 2010	2,764	-	2,764
GAP Funding			
At beginning of period	-	-	-
Receivable during period	(2,764)	-	(2,764)
Disposals	-	-	-
Completions	-	-	-
Released to Income & Expenditure	8	-	8
At 31 March 2010	(2,756)	-	(2,756)
Depreciation			
At beginning of period	-	-	-
Charge for period	(8)	-	(8)
Disposals	-	-	-
At 31 March 2010	(8)	-	(8)
Net book value at 31 March 2010	-	-	-
Net Book Value at beginning of period	-	-	-

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Notes to the Accounts

10. Tangible Fixed Assets – All Fixed Assets: Group and Association

	Total Housing Properties	Vehicles	Equipment & Furniture	Computers & Software	Total Assets
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At beginning of period	-	-	-	-	-
Additions	2,764	488	136	378	3,766
Disposals	-	-	-	-	-
Completions	-	-	-	-	-
Transfer to current assets	-	-	-	-	-
At 31 March 2010	2,764	488	136	378	3,766
GAP Funding					
At beginning of period	-	-	-	-	-
Received during period	(2,764)	-	-	-	(2,764)
Disposals	-	-	-	-	-
Completions	-	-	-	-	-
Released to Income & Expenditure	8	-	-	-	8
At 31 March 2010	(2,756)	-	-	-	(2,756)
Depreciation					
At beginning of period	-	-	-	-	-
Charge for period	8	53	5	12	78
Disposals	-	-	-	-	-
At 31 March 2010	8	53	5	12	78
Net book value at 31 March 2010	-	435	131	366	932
Net Book Value at beginning of period	-	-	-	-	-

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Notes to the Accounts

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 20th November 2009.

Valuation as at 31st March 2010 for security purposes:

Completed housing properties were valued as at 31 March 2010 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 revaluation of PCH properties as at 31 March 2010 on the basis of these independent professional valuations:

Valuation –Basis 1 Assuming Guaranteed Gap Funding of £70m, the Existing Use Value – Social Housing of the housing stock for loan security, as at 31 March 2010 is: £21,597,500. If the receipt assumed is for Maximum Gap Funding of £117m the Existing Use Value – Social Housing of the housing stock for loan security, as at 31 March 2010 is: £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 - £199,812,500. If the Maximum Gap Funding is received the valuation is £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.

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Notes to the Accounts

11. Stock	Group	Association
	2010	2010
	£'000	£'000
Raw materials	694	694
Work in progress	62	62
	<u>756</u>	<u>756</u>

12. Debtors	Group	Association
	2010	2010
	£'000	£'000

Amounts falling due after one year :

Development debtor	76,564	76,564
GAP Funding receivable after 1 year	3,713	3,713
	<u>80,277</u>	<u>80,277</u>

Amounts falling due within one year:

GAP Funding receivable within 1 year	6,000	6,000
Trade debtors	341	100
Rent arrears	2,998	2,998
Rent receipts in transit at year end	2,327	2,327
Less: provision for bad debts	(1,574)	(1,574)
Prepayments and accrued income	687	687
Inter-company debtors:	-	28
Plymouth Community Homes Services Limited	-	316
VAT	237	237
Other debtors	204	204
Development Debtor	1,852	1,852
	<u>13,072</u>	<u>13,175</u>
Total debtors	<u>93,349</u>	<u>93,452</u>

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Notes to the Accounts

	Group	Association
13. Creditors	2010	2010
	£'000	£'000
Amounts falling due within one year:		
Trade creditors	166	166
Plymouth City Council	470	470
Taxation and social security payable	317	317
Pension contributions	239	239
VAT	38	-
Rent received in advance	772	772
Accruals and deferred income- revenue	6,193	6,122
Loan interest and charges	83	83
Development creditor	1,852	1,852
Other creditors	128	128
	<u>10,258</u>	<u>10,149</u>

	Group	Association
14. Creditors	2010	2010
	£'000	£'000
Amounts falling due after more than one year:		
Loans not repayable by instalments:-		
In five years or more::	4,000	4,000
Deferred loan costs	(1,489)	(1,489)
	<u>2,511</u>	<u>2,511</u>

Deferred loan costs of £1,489,000 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 2.24% and 2.32%. Non utilisation fees are charged at 0.7%. Under current forecasts, loan repayments will start in 2015 and end in 2039.

At 31 March 2010, the Group had undrawn loan facilities of £106m plus an additional £1m overdraft facility to finance future operating cash flows and investments.

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Notes to the Accounts

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 Limited ("the employer"). Plymouth Community Homes Services Limited staff are employed by Plymouth Community Homes Limited and their costs of employment are recharged to Plymouth Community Homes Services Limited. Plymouth Community Homes Services Limited 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

Assumptions as at:	31 March 2010
	% p.a.
Price increases	3.9
Salary increases	5.4
Pension increases	3.9
Discount rate	5.5

Assets (Employer Share):	Expected Return at 31 March 2010	Assets at 31 March 2010
	% p.a.	£'000
Equities	7.5	29,893
Gilts	4.5	7,365
Other Bonds	5.5	433
Property	5.5	2,599
Cash	3.0	3,033
		43,323

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Notes to the Accounts

15. Pension Obligations (continued)

	31 March 2010
	£'000
Estimated employer assets	43,323
Present value of scheme liabilities	(44,906)
Present value of unfunded liabilities	-
Total value of liabilities	(44,906)
Net pension liability	(1,583)
Devon County Council Pension Fund – Consolidated	
Analysis of Amount Charged to Operating Profit	
	Period to
	31 March 2010
	£'000
Analysis of total amount charged to operating surplus	£'000
Current service cost	(807)
Interest on obligation	(1,035)
Expected return on Scheme assets	1,017
Past service cost	-
Loss (gain) on curtailments and settlements	-
Total operating charge	(825)

	Period to
	31 March 2010
	£'000
Analysis of Amount Charged to Interest Payable	£'000
Expected return on employer assets	1,017
Interest on pension scheme liabilities	(1,035)
Net return	(18)

Statement of total recognised surpluses & deficits (STRSD)	Period to 31
	March
	2010
	£'000
Actual return less expected return on pension scheme assets	4,495
Experience (losses)/gains arising on the scheme liabilities	-
Changes in financial assumptions underlying the present value of the scheme liabilities	(4,184)
Actuarial gain in pension plan	311
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)
Total actuarial deficit recognised in STRSD	1,468

Plymouth Community Homes Ltd
 Financial Statements for the Period Ended 31 March 2010
 Notes to the Accounts

15. Pension Obligations (continued)

Reconciliation of opening & closing deficit	Period to 31 March 2010
	£'000
Deficit on actuarial valuation at 20 November 2009	(1,779)
Current service cost	(807)
Employer contributions	710
Unfunded pension payments	-
Past service costs	-
Other finance costs	(18)
Settlements or curtailments	-
Actuarial gains	311
Deficit at end of period	(1,583)

History of Experience Gains and Losses	Period to 31 March 2010
	£'000
Difference between the expected and actual return on assets	4,495
Value of assets	43,323
Percentage of assets	10.4%
Experience (losses)/gains on liabilities	(4,184)
Total present value of liabilities	(44,906)
Percentage of the total present value of liabilities	9.3%
Actuarial gains recognised in STRGL	311
Total present value of liabilities	(1,583)
Percentage of the total present value of liabilities	19.6%

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Notes to the Accounts

15. Pension Obligations (continued)

Group Asset Share	Period to 31 March 2010
	£'000
Equities	30,326
Gilts	7,365
Other bonds	-
Property	2,599
Cash	3,033
Total value of assets	43,323

Group Liability Share	Period to 31 March 2010
	£'000
Transferred from Plymouth City Council	38,649
Service cost	807
Interest cost	1,035
Actuarial loss	4,184
Estimated benefits paid (net of transfers in)	(2)
Contributions by Scheme participants	233
Total present value of liabilities	44,906

15. Pension Obligations (continued)

Social Housing Pension Scheme

Plymouth Community Homes Ltd participates in the Social Housing Pension Scheme (SHPS). 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 there are three benefit structures available, namely:

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

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

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

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

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

Plymouth Community Homes Ltd has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members and new entrants.

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

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Notes to the Accounts

15. Pension Obligations (continued)

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer Scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from 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 £1,527m. The valuation revealed a shortfall of assets compared with the value of liabilities of £663m, equivalent to a past service funding level of 69.7%.

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

Valuation Discount Rates	% pa
Pre retirement	7.8
Non Pensioner Post Retirement	6.2
Pensioner Post Retirement	5.6
Pensionable Earnings Growth	4.7
Price Inflation	3.2
Pension Increases	
Pre 88 GMP	0
Post 88 GMP	2.8
Excess Over GMP	3

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.

15. Pension Obligations (continued)

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

Benefit Structure	Long term joint contribution rate (% of Pensionable Salaries)
Final salary with a 1/60 th accrual rate	17.8
Final salary with a 1/70 th accrual rate	15.4
Career average revalued earnings (CARE) with a 1/60 th accrual rate	14.9
Final salary with a 1/80 th accrual rate	13.5
Career average revalued earnings (CARE) with a 1/80 th accrual rate	11.9
Final salary with a 1/60 th accrual rate	17.8
Final salary with a 1/70 th accrual rate	15.4
Career average revalued earnings (CARE) with a 1/60 th accrual rate	3

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

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £663m 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 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.

15. Pension Obligations (continued)

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 Regulator is currently in the process of reviewing the Recovery Plan for SHPS in respect of the September 2008 actuarial valuation. A response from the Regulator is expected in due course.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2009. 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 £1.723m and indicated an increase in the shortfall of assets compared to liabilities to approximately £738m, equivalent to a past service funding level of 70.0%.

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Plymouth Community Homes is exempt from contributing to any deficit until 2013.

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Notes to the Accounts

16. Association Reserves	Restricted Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000	Total Reserves £'000
Surplus on ordinary activities for the period	-	7,131	(115)	7,016
Actuarial loss recognised in Statement of Total Recognised Surpluses and Deficits	-	-	(1,468)	(1,468)
Gift Aid Receivable		28		28
Transfers between reserves	900	(900)	-	-
At 31 March 2010	900	6,259	(1,583)	5,576

The Restricted Reserve of £0.9m 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.

16. Group Reserves	Restricted Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000	Total Reserves £'000
Surplus / (deficit) on ordinary activities for the period	-	7,159	(115)	7,044
Actuarial loss recognised in Statement of Total Recognised Surpluses and Deficits	-	-	(1,468)	(1,468)
Transfers between reserves	900	(900)	-	-
At 31 March 2010	900	6,259	(1,583)	5,576

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Notes to the Accounts

17. Group Cash Flow

Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities	2010 £'000
Operating surplus	7,170
Add back FRS17 adjustments	115
Add back depreciation charge	78
Deduct GAP funding released to income	(8)
Increase in debtors > 1 year	(80,277)
Increase in stock	(756)
Increase in debtors	(10,308)
Increase in creditors < 1 year	8,363
Increase in creditors > 1 year	76,564
 Net cash inflow from operating activities	 <u>941</u>
 Reconciliation of Net Cash Flow to Movement in Net Debt	
Increase in cash in the period	1,455
Increase in loans	(2,460)
Change in liquid resources	-
Non cash movements	(51)
Change in net debt	<u>(1,056)</u>
 Net debt at beginning of period	 -
 Net debt at 31 March 2010	 <u><u>(1,056)</u></u>
 Returns on Investments and Servicing of Finance	
Interest received	3
Interest paid	(242)
	<u>(239)</u>
 Financing	
Loans received	4,000
Arrangement fee paid in advance	(1,540)
	<u>2,460</u>

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Notes to the Accounts

18. Analysis of Changes in Net Debt – Group	At 20 November 2009	Cashflow	Other Non Cash Movement	At 31 March 2010
	£'000	£'000	£'000	£'000
Cash in hand and at bank	-	1,455	-	1,455
Overdrafts	-	-	-	-
Short term deposits	-	-	-	-
Debt due after one year	-	(2,460)	(51)	(2,511)
	-	-	-	-
	-	(1,005)	(51)	(1,056)

19. GAP Funding receivable	Group 2010	Association 2010
	£'000	£'000
The total accumulated amount of GAP Funding:		
Capital	2,764	2,764
Revenue	6,949	6,949
Total	9,713	9,713

20. Capital Commitments	Group 2010	Association 2010
	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	55	55
Capital expenditure that has been authorised by the Board but has not yet been contracted for	20,933	20,933
	20,988	20,988

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

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Notes to the Accounts

21. Operating Leases

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

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

22. 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.

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Notes to the Accounts

23. Units of Accommodation	Group 2010 No.	Association 2010 No.
Under development at end of period:		
Housing accommodation	-	-
Shared ownership	-	-
Under management at end of period:		
Housing accommodation	14,334	14,334
Supported housing	418	418
Shared ownership	8	8
Managed for other bodies	-	-
Market Rented	-	-
Long leaseholders	1,465	1,465
Unavailable for letting	11	11
	16,236	16,236
Managed but not owned		
Housing accommodation	-	-
Supported housing	8	8
	16,244	16,244

All owned properties are freehold.

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Notes to the Accounts

24. Transfers From Plymouth City Council

Plymouth Community Homes Limited acquired the housing stock and associated trade and assets from Plymouth City Council on 20 November 2009. The net assets acquired and consideration paid is set out below.

	Book Value	Fair Value Adjustments	Fair Value
	£'000	£'000	£'000
Fixed Assets			
Tangible	794	-	794
Current Assets			
Debtors	553	-	553
Stock	500	-	500
At 31 March 2010	<u>1,847</u>	<u>-</u>	<u>1,847</u>
Creditors	(96)	-	(96)
Disposals	-	-	-
Net assets	<u>1,751</u>	<u>-</u>	<u>1,751</u>
Goodwill	<u>-</u>	<u>-</u>	<u>-</u>
Purchase consideration and costs of acquisition	<u>1,751</u>	<u>-</u>	<u>1,751</u>

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

4 Board members are also Councillors of Plymouth City Council (PCC). All transactions with PCC during the Period were conducted at arm's length. The value of transactions with PCC was as follows :

- Net value of assets and liabilities transferred from PCC : £1,751,000
- Other purchases from PCC : £981,000
- Sales to PCC : £36,000

Plymouth Community Homes Ltd
Financial Statements for the Period Ended 31 March 2010
Notes to the Accounts

26. Post Balance Sheet Events

Plymouth Community Homes Regeneration Ltd (company number 7272688) was incorporated on 3rd June 2010 and is a wholly owned subsidiary of Plymouth Community Homes Ltd. The Company will undertake regeneration work on behalf of the Group.

27. Status

The Plymouth Community Homes Group comprises:
Plymouth Community Homes Limited ('the Association'), a Registered Provider, and its wholly owned subsidiary, Plymouth Community Homes Services Limited.
Plymouth Community Homes Services Ltd sells manufactured goods to third parties.

