



# Plymouth Community Homes Ltd

Consolidated Financial Statements  
For The Year Ended 31 March 2013

**Plymouth Community Homes Ltd**  
**Consolidated Financial Statements for the Year Ended 31 March 2013**

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**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 is registered with the Financial Conduct Authority (registration 30637R) and the Homes and Communities Agency (registration L4543).

At the time of signing these financial statements Plymouth Community Homes has three wholly owned subsidiaries, Plymouth Community Homes Manufacturing Services Ltd (formerly Plymouth Community Homes Services Ltd) (company number 07001677), Plymouth Community Homes Regeneration Company Limited (company number 7272688) and Plymouth Community Homes Energy Limited (company number 8028170). All three subsidiaries are incorporated under the Companies Act 2006.

**Members of the Board**

Name	Appointment Dates		
Elaine Pellow	10 Mar 2009	Tenant	Chair of Plymouth Community Homes
Sue Dann	Re-appointed 18 May 2012	Council nominee	Vice Chair of Plymouth Community Homes
Alan Clifford	Re-appointed 20 Sep 2012	Independent	Chair Audit and Risk Committee
Jack Thompson	Re-appointed 18 May 2012	Council nominee	Chair Plymouth Community Homes Regeneration Company Board
Nicky Williams	Re-appointed 18 May 2012	Council nominee	Chair of Customer Focus Committee
Maureen Alderson	10 Oct 2011	Independent	Chair of Governance Committee from 8 April 2013
Sheila Cooper	29 Sep 2011	Leaseholder	
Mike Hanrahan	20 Sep 2012	Independent	Chair of Plymouth Community Homes Manufacturing Services Board from 20 November 2012
Katie Pratt	29 Sep 2011	Independent	Leave of absence 1 January 2013 to 31 December 2013
Nigel Warn	Re-appointed 29 Sep 2011, resigned 8 Apr 2013	Tenant	Chair Governance Committee to 8 April 2013.
Thomas Browne	18 May 2012, resigned 12 Feb 2013	Council nominee	
Brian Roberts	20 May 2011, resigned 18 May 2012	Council nominee	

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Roger Pipe	31 Aug 2010 resigned 20 Sep 2012	Independent	Chair of Plymouth Community Homes Energy Board from 23 April 2012
Peter Ebsworth	Re-appointed 29 Sep 2011, to 6 Aug 2012, when appointment terminated, deceased	Tenant	Chair of Plymouth Community Homes Manufacturing Services Board to 6 August 2012

**Directors of Plymouth Community Homes Manufacturing Services Ltd:**

Mike Hanrahan - appointed 20 November 2012 and Chair from that date  
 Elaine Pellow - appointed 20 November 2012  
 Nicholas Jackson - appointed 20 November 2012  
 Sue Shaw - appointed 20 November 2012  
 Peter Ebsworth - Chair to 6 August 2012, when appointment ended (deceased)  
 Brian Roberts - resigned 18 May 2012  
 Clive Turner - resigned 20 November 2012  
 Martin Snell - resigned 20 November 2012

**Directors of Plymouth Community Homes Regeneration Company Ltd:**

Jack Thompson - Chair  
 Clive Turner  
 Nigel Pitt (Independent)  
 Sue Dann - appointed 20 November 2012  
 Mike Knowles - appointed 20 November 2012  
 Sue Shaw - resigned 20 November 2012  
 Peter Ebsworth - to 6 August 2012 when appointment ended (deceased)

**Directors of Plymouth Community Homes Energy Ltd**

Roger Pipe - appointed 12 April 2012 and Chair from that date. Independent from 20  
 September 2012  
 Sheila Cooper - appointed 12 April 2012  
 Clive Turner - appointed 12 April 2012  
 Gill Martin - appointed 12 April 2012  
 Tom Browne - appointed 20 November 2012, resigned 12 February 2013

**Audit and Risk Committee**

Alan Clifford - Chair  
 Katie Pratt  
 Maureen Alderson

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Jack Thompson - appointed 20 November 2012  
Sue Dann to 20 November 2012  
Brian Roberts - resigned 18 May 2012  
Tom Browne - appointed 18 May 2012, resigned 12 February 2013

**Customer Focus Committee:**

Nicky Williams - Chair  
Mike Hanrahan - appointed 20 November 2012  
Nigel Warn - resigned 8 April 2013  
Sheila Cooper  
Elaine Pellow to 20 November 2012  
Maureen Alderson to 20 November 2012

**Governance Committee:**

Nigel Warn - Chair resigned April 2013  
Maureen Alderson - appointed 20 November 2012, Chair from 8 April 2013  
Elaine Pellow  
Nicky Williams  
Sue Dann - appointed 20 November 2012  
Alan Clifford to 20 November 2012  
Roger Pipe - resigned 20 September 2012

**Customer Assurance Panel**

Malcolm Clancy - Chair  
Diana Hill - Vice Chair from 19 March 2013  
Glynis Leaton  
Patricia Turner  
Keith Shepherd  
Derek Wheatley  
Pat Gillespie - appointed 9 August 2012  
Eleanor Whitehead - appointed 9 August 2012  
Denise Favager - appointed 9 August 2012  
Christine Hall - resigned 7 November 2012  
Dennis Lewarne - appointed 9 August 2012, resigned 18 March 2013  
Gaynor Southerton - appointed 9 August 2012 resigned 8 October 2012  
David Luckham - appointed 1 January 2012, resigned 26 April 2012

**Executive Management Team:**

Clive Turner - Chief Executive  
Nicholas Jackson - Director of Business Services and Manufacturing from October 2012)  
(previously Director of Finance)  
Gill Martin - Director of Corporate and Strategic Services from October 2012 (previously  
Director of Corporate Services)  
Sue Shaw - Director of Homes and Neighbourhoods from October 2012 (previously Director  
of Housing and Neighbourhoods)

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Mike Knowles - Director of Regeneration and Development from 1 October 2012  
Martin Snell - Director of Property Services to 31 December 2012

**Company Secretary**

Belinda Pascoe

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External Auditors:	<b>KPMG LLP</b> 3 Longbridge Road, Plymouth PL6 8LT	
Internal Auditors	<b>PricewaterhouseCoopers LLP<sup>1</sup></b> Princess Court 23 Princess Street, Plymouth PL1 2EX	
	<b>Mazars LLP<sup>2</sup></b> Tower Bridge House St Katharine's Way London E1W 1DD	
Tax Advisors:	<b>KPMG LLP</b> 100 Temple Street, Bristol BS1 6AG	
Principal Bankers:	<b>National Westminster Bank Plc</b> 14 Old Town Street, Plymouth PL1 1DG	
Funders:	<b>The Royal Bank of Scotland Plc</b> Housing Finance 7th Floor 135 Bishopsgate, London EC2M 4UR	
	<b>The Housing Finance Corporation Ltd</b> 4th Floor 107 Cannon Street London EC4N 5AF	
Security Trustees:	<b>Prudential Trustees</b> Governors House Laurence Pountney Hill, London EC4R 0HH	
Solicitors:	<b>Trowers &amp; Hamlins LLP</b> The Senate Southernhay Gardens Exeter EX1 1UG	<b>Devonshires</b> 30 Finsbury Circus London EC2M 7DT
	<b>Cobbetts</b> One Colmore Square Birmingham B4 6AJ	<b>Ashfords LLP</b> Princess Court 23 Princess Street Plymouth PL1 2EX
	<b>Foot Anstey</b> Salt Quay House 4 North East Quay Sutton Harbour Plymouth PL4 0BN	<b>Bond Dickinson</b> Ballard House West Hoe Road Plymouth PL1 3AE

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<sup>1</sup> To 31 March 2013

<sup>2</sup> From 01 April 2013

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Financial Advisors: **Cannacord Genuity**  
88 Wood Street  
London EC2V 7QR

Development  
Advisors **Savills (L&P) Ltd**  
20 Grosvenor Hill  
London W1K 3HQ



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**Report of the Board**

The Board presents its report and the audited financial statements for the year ended 31 March 2013.

**A Profile of Plymouth Community Homes Ltd**

Plymouth Community Homes (the 'Association') 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 owns and manages approximately 15,000 homes and provides a range of key customer services across Plymouth.

Plymouth Community Homes is a Registered Provider (RP) with the Homes and Communities Agency (HCA) and is a charitable Industrial and Provident Society. In addition, the Association has established three separate subsidiaries : Plymouth Community Homes Manufacturing Services (formerly Plymouth Community Homes Services), providing manufacturing services to external customers, Plymouth Community Homes Regeneration Company, which oversees the regeneration of the North Prospect estate and Plymouth Community Homes Energy which oversees the installation, monitoring and maintenance of photovoltaic cells for a number of the Association's properties. Significant funding has been secured from the HCA and private funding from the Royal Bank of Scotland (RBS) and The Housing Finance Corporation Ltd (THFC).

We have had a successful year and this is recognised in our latest viability review from the regulator, dated January 2013 which said that "The provider meets the requirements on viability set out in the Governance and Financial Viability standard but needs to manage material financial exposures to support continued compliance. This judgement (grade V2) is unchanged from the grading of the previous Viability Report published in February 2012.

Our second regulatory Judgement, was published by the HCA with a Governance grade of G1 "the provider meets the requirements on governance set out in the Governance and Financial Viability standard". This is an improved grading from the previous judgement.

We continue to be committed to meeting our transfer promises to residents which cover a whole range of issues. Overall, there are 125 promises and at the end of March 2013 we had delivered 115 of them.

**Plymouth Community Homes Manufacturing Services Ltd (formerly Plymouth Community Homes Services Ltd)**

The principal activity of Plymouth Community Homes Manufacturing Services Ltd is the production and sale of windows, doors, joinery, signs and metalwork to customers outside the Plymouth Community Homes Group.

The key objective of the company is 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 company supports the work and objectives of its parent company, Plymouth Community Homes Ltd, by paying over its profits under gift aid. Its name was changed and registered with Companies House on 1 July 2013.

## **Plymouth Community Homes Ltd Consolidated Financial Statements for the Year Ended 31 March 2013**

### **Plymouth Community Homes Regeneration Company Ltd**

Plymouth Community Homes Regeneration Company Ltd was created to oversee the design and build work for the regeneration of North Prospect. The company was set up to channel financial contracts and cash flows for the development on North Prospect with the aim of reducing tax and commercial risks to Plymouth Community Homes.

The company has successfully overseen work on phase 1 of the redevelopment of North Prospect. Work recently commenced on the next phase of the planned work.

### **Plymouth Community Homes Energy Ltd**

Plymouth Community Homes Energy Ltd was incorporated on 12 April 2012, as a company limited by shares, and owns photovoltaic cells on a number of Plymouth Community Homes' properties. The company will receive the Feed in Tariff and Export Tariff from these cells. Tenants in these properties benefit from free electricity produced by these cells during the day. A second phase of this pilot commenced in April 2013.

The company has overseen a pilot scheme, which is currently being evaluated with a view to potentially extending the scheme to include more properties.

### **Business Objectives 2013 - 2018**

The 'Looking ahead', Business Plan 2013/18 (2013/14 edition) approved by the Board in March 2013 develops and redefines Plymouth Community Homes' approach to the next five years, reflecting the transition from the previous focus on our promises to support a wider agenda, very much about:

- Transforming our customer experience
- Building new affordable homes for Plymouth
- Improving the energy efficiency of our housing stock
- Working with partners to improve the general health and well-being of our residents
- Ensuring we have the strong financial base to achieve our ambitions

We have nine high level objectives and the following extracts summarise the Association's strategies for delivering the Plan

#### **We will make our homes and our business environmentally sustainable**

Fuel bills are on the rise and inefficient homes are difficult to heat, as well as having a negative impact on the environment. That is why we are going to continue to improve the energy efficiency of our homes and help more residents reduce their gas and electricity bills. We will also be installing more solar panels on our homes to generate environmentally-friendly electricity which also helps to keep energy costs down for our residents.

It is important that we protect our homes for the coming generations so we will consider how to make the best use of our existing homes to ensure they are sustainable for the future and meet both current and future residents' needs. Our Asset Management Strategy

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incorporates option appraisal and investment planning to enhance the energy rating of our homes, and mitigate against rising energy costs.

We are also going to reduce the impact our business has on the environment through improvements in how we manage waste and our use of non-renewable resources whilst not compromising customer service.

**We will develop more homes and improve our existing stock**

The demand for housing is increasing so we will secure sites to develop more homes for people with different housing needs within the Plymouth travel-to-work area, improve the value of our homes and increase the amount of money we can borrow to enable continued investment in our communities.

We will continue with our regeneration programmes in North Prospect and Devonport, with 297 homes undergoing major refurbishment and 223 new build homes for rental or shared ownership. We aim to build up to 750 additional new affordable homes across Plymouth. Our new homes will be built to Level 4 of the Code for Sustainable Homes and Lifetime Standard that reduce energy costs for residents.

We will complete the decent homes improvement programme to the rest of our homes to make them better places to live, develop our own standard over and above the Decent Homes Standard and continue to invest in maintaining high quality, safe and energy efficient homes further supporting the wellbeing of residents.

We will also continue to adapt our homes as our residents' needs change.

**We will improve the appearance and safety of our neighbourhoods**

We value the green spaces and communal areas within our ownership and will invest in environmental priorities jointly agreed with residents. Through our Money Tree Fund programme, we will continue to invest in improved and more accessible community facilities, including the provision of safe places for children to play.

Our neighbourhoods will benefit from improved safety measures, including the designing out of crime. We will improve existing green spaces and, with the support of our tree specialist, develop our approach to improvements that increase the quality of the natural environment in our communities.

Our existing green spaces add up to just under 100 football pitches.

**We will transform our customer experience**

We value the choice people make to become one of our residents and when we move into our own premises at Plumer House in 2013 we will open a new customer service centre to further improve the way we deliver services and listen to the views of customers to inform future service provision.

We will maximise the benefits of new technologies to support improved service delivery through, for example, increased mobile working to get our people out and about in neighbourhoods, and reviewing our repairs management system to make the process more streamlined.

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We will increase opportunities for resident involvement, developing more mechanisms for residents to advise us on a range of satisfaction indicators, including how well we listen to and act upon views, and how to become a landlord that residents would recommend to a friend.

**We will work with residents and other agencies to help our communities thrive**

Welfare reform is likely to have a significant impact upon the social structure of the city with the scope and scale of the effects yet to be established. What is clear is that we will work with our residents in a range of ways to help manage changes for individuals, families and our business as a whole by supporting residents to ensure they live in the right type of home, providing access to financial advice and by helping people into paid employment through training opportunities.

We will become a strong community voice that advocates on behalf of residents on matters relating to housing and use our position as a leading housing provider in the South West to influence regional agencies by working with the National Housing Federation and other key housing organisations. This will allow us to have our say on matters that are important to our residents.

We will continue to support and develop partnership working arrangements, encouraging strong, diverse and sustainable communities that work well together. We will also help residents access other community-based services to enhance our neighbourhoods as places in which people choose to live.

**We will work in partnership with other organisations to reduce worklessness and contribute to the city's growth agenda**

Our role as a major business in the city means that we're about ensuring goods and services are procured for the benefit of our communities. This entails using local suppliers, including the third sector and social enterprises, where possible so we can invest in our own communities and support the local economy.

We will engage with our partners to contribute to the city's growth agenda by ensuring that we invest in the right housing and deliver the right services for a prosperous city.

We want to help our residents to maximise their income so we are offering training opportunities to increase prospects in the workplace and to assist our residents with managing household budgets.

We're also investing in our own future by offering apprenticeships in addition to work placements for local students.

**We will ensure our business is strong and financially secure and our governance arrangements provide the highest levels of assurance**

We set ourselves high standards and by providing high quality services to residents, we will comply with the Regulatory Framework. We have implemented and will continue to fully embrace the principles of co-regulation and will seek accreditation of our approach to co-regulation.

## **Plymouth Community Homes Ltd Consolidated Financial Statements for the Year Ended 31 March 2013**

We will ensure our business remains strong and financially secure whilst obtaining external funding from a variety of sources to assist in achieving our outcomes and objectives. We will continue to compare our performance with other housing organisations so we can understand not only what we do well but also what we could improve. Knowing how we compare with others will inform where we spend our money and shape future service delivery to improve business effectiveness.

### **We will become more enterprising and invest surpluses in our communities**

As we improve the quality of our homes, we will continually review our business ensuring the amount customers pay continues to be great value. As the value of our housing stock increases we will be able to secure more borrowing against our assets for building more homes and to further enhance our services.

Our subsidiary company Plymouth Community Homes Manufacturing Services will seek to secure contracts that establish a strong foothold within the region with a reputation for delivering high quality products. Surpluses will be put back into services for our residents. We will identify other ways of expanding our commercial portfolio by considering the provision of workspaces, letting office space at Plumer House and opening The Beacon in North Prospect. We will offer homes for people with different housing needs to reflect the communities in which we work including, for example, expanding our range of shared ownership units and letting homes at market rent levels.

### **We will be creative in using opportunities to enhance the wellbeing of our residents and staff**

We recognise that housing has a key role to play in contributing to the health and wellbeing of residents so we will prioritise linking with our partners to support healthier living for our residents.

We will also undertake evidence-based research to better understand how we can support our older residents as Plymouth's population ages. Our staff are the people who make it all happen for our residents. We're proud to be an employer of choice in Plymouth with an engaged, motivated workforce who have a wide ranging set of skills – whether that's a Housing Officer supporting residents to manage their tenancies or a tradesperson carrying out repairs in our homes.

We are the only Housing Association to have our own manufacturing services delivering specialist artisan trades such as metalworking and traditional joinery as well as having modern signwriting and PVCu window and door fabrication workshops.

## **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 overleaf summarises the key performance indicators

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	<b>Group</b>	<b>Group</b>	<b>Group</b>
	<b>March</b>	<b>March</b>	<b>March</b>
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	£'000	£'000	£'000
<b>INCOME &amp; EXPENDITURE</b>			
Turnover before GAP funding	54,866	49,935	48,325
GAP funding	19,234	32,129	25,992
Total turnover	74,100	82,064	74,317
Costs	(65,411)	(54,839)	(43,650)
Operating Surplus	8,689	27,225	30,667
Surplus on sales of fixed assets	727	762	1,081
Net Interest Payable	(5,377)	(850)	(1,490)
Surplus for the year	4,039	27,137	30,258
Actuarial gain/(loss) on pension scheme	2,983	(10,209)	(4,442)
Total surplus after actuarial adjustments	£7,022	£16,928	£25,816
<b>BALANCE SHEET</b>			
Fixed assets - Housing	92,650	54,217	24,264
Less: Grants	(47,919)	(46,844)	(20,867)
Housing assets less grant	44,731	7,373	3,397
Tangible assets - Other	7,403	6,593	2,799
Total fixed assets	£52,134	£13,966	£6,196
Current Assets	50,801	43,015	48,635
Current Liabilities	(16,794)	(20,363)	(14,408)
Net current assets	£34,007	£22,652	£34,227
Loans (outstanding) / prepaid	£(19,473)	£1,181	£(13,165)
Reserves	£55,341	£48,321	£31,393
Homes in management	14,627	14,644	14,779
Valuation of housing stock EUVSH Basis 1 (voids relet)	£151,876	£92,297	£82,460
Ave Staff employed (full time equivalent)	605	569	530

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	<b>March 2013</b>	<b>March 2012</b>	<b>March 2011</b>
<b>Key ratios</b>			
Growth in turnover	10%	3%	-
Operating surplus / total turnover	12%	33%	41%
Current ratio -current assets / current liabilities	3	2.1	3.4
Loans / fixed assets before grant	0.2	-	0.5
Loans / fixed assets net	0.4	-	2.1
Loans / Reserves	0.4	-	0.4
Growth in reserves	15%	54%	-
Growth in property valuation	65%	12%	-
<b>Other relevant Performance Indicators</b>			
Current arrears as a % of annual debit	3%	3%	3%
% of rent void rent loss	1%	1%	1%
Avg number of days taken to re-let void properties	37	29	37
% decent homes	79%	60%	40%
% repairs completed within timeframe (overall)	99%	99%	93%
% of tenants satisfied with services overall	88%		82%
% of tenants satisfied with repairs	85%		81%
% of tenants think we provide good value for money	89%		83%
% residents satisfied with repairs service	85%		81%

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**Financial Position**

Sound financial planning continues to be crucial for Plymouth Community Homes. Our financial plans are designed so we can meet our promises to residents, fulfil our regulatory requirements and demonstrate long term viability.

We regularly review our financial planning and each year our lenders approve our plans and refresh their commitment to lending us the money we need. Over the last year we have again met our performance targets and exceeded our financial targets.

For the financial year ended 31 March 2013 we made a surplus on ordinary activities of £4m compared with last year's surplus of £27m. However, when these amounts are adjusted for revenue gap funding income then we have an underlying deficit of £13m (deficit of £4m in 2011/12).

The final instalment of £37m from gap funding is due in July 2013, making a total of £124m receivable since 2010 which has been used to finance some of the Decent Homes work and to meet existing costs.

We will still have to spend £60m on improving properties by December 2014.

We are close to completing our promises to tenants, having spent £151m of the £260m needed to improve our homes supported by the government gap funding of £124m and from borrowings of £20m from the £140m available to us.

The regeneration of North Prospect is happening and to date we have invested over £21m in building high quality new homes. We have secured around £7m of grant for North Prospect, and are awaiting the outcome of the current bidding round, which we had applied for a further £2.5m. To complete all of North Prospect would require £19m total grant funding. Refurbishment work also started in North Prospect in April 2012 and will finish in 2017 with 302 of our homes being refurbished and more energy efficient.

We now have much improved quality and value of homes, other assets and new offices from which we will continue to improve the quality of our services to residents and find efficiencies.

When asked, our residents said they wanted us to build more homes and to continue our work on Decent Homes.

We have signed a major deal with British Gas to help tenants enjoy lower energy bills. This deal will insulate around 10,000 homes – nearly 70 per cent of our stock – over the next eight years. The work has been made possible as part of the Energy Companies' Obligation (ECO) Deal, a government obligation on all energy companies to help residents of low income communities reduce heating bills through reducing carbon emissions.

By the end of 2018/19 our annual turnover is projected to rise from £56m to over £70m, with costs remaining at around £56m (excluding capitalised major works).

At least until 2015, social rents will continue to be governed by the Government's policy on rent restructuring which applies to all social housing providers. This policy sets a target rent based on relative 1999 valuations and earnings and the number of bedrooms our properties have. Rents will increase annually by Retail Price Index +/- ½% plus a move to the target



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rent plus 5% of a maximum of £2 per week. The rents for 2013/14 will increase on average by 6% which is as a result of revaluing our properties. The majority of rents are not yet at target. Under the recent government spending review the rent increase formula will change to CPI + 1% from 2015.

Linked to the above we have a programme of converting around 800 homes to affordable rent (i.e. 80% of market rent) by 2015 and also letting 75% of new build homes at this rent. This along with charging tenants at target plus 5% will allow us to carry on with the regeneration of North Prospect and look for some modest development of new homes in other parts of the city.

This rental increase has been built into our Business Plan and creates more income to strengthen our financial position and to improve the value of our properties so we can better secure long term investment into our homes and communities.

Closely linked with rents are the service charges to leaseholders and tenants. We now have a system where over time residents will pay for the full cost of services. 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.

The economic climate is still tough for many of our customers and there is a very high local demand for housing. Welfare Reform and more spending cuts will put a strain on local authorities and our current and future residents and we have allowed for this in our income assumptions for the future.

Hence value for money continues to be critically important to Plymouth Community Homes. The Board approved a revised Value for Money Strategy on 26<sup>th</sup> March 2013 which states that value for money at Plymouth Community Homes is about delivering our strategic objectives, whilst making best use of our assets, in a cost effective, customer focused and efficient way.

This approach to VFM complies with the Homes and Communities Agency (HCA) regulatory standard on Value for Money and is supported by the Housemark / National Housing Federation document 'Social hearts, business heads, new thinking on value for money for housing associations'. The Annual Report provides detail on the Value for Money self-assessment, by referencing the Business Plan and the Business Effectiveness model, shown overleaf that Plymouth Community Homes has adopted.

**Business Effectiveness Model**



Examples within the Annual Report include:

- the 2012/13 financial results and the improvement in our assets and in their values;
- the impact of the change in rents – moving towards the mid-market social rents in Plymouth;
- the continued success of North Prospect;
- the improvement in the percentage of properties meeting the decent homes standard in the year from 60% to 80%;
- the environmental improvements which are reducing fuel poverty, including cladding at Efford, solar panels on a selection of our homes - including a measure of carbon saved on solar panels;
- the benchmarking of our outward facing and support services, comparing our costs with others; and
- consulting with our tenants and leaseholders about the services we provide plus the STAR survey results showing a high level indicator of customer satisfaction. Achieving improved social impact and outcomes which is why Plymouth Community Homes exists.

## **Plymouth Community Homes Ltd**

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We will be making changes to the types of homes that we provide so that we can house people with different housing needs. This will be the next stage in our progress and move us from the position of 2009 of low rents and low quality homes to a position of good value rents with high quality homes and services and a growth strategy to meet the very high local need for affordable housing. In financial terms this should mean that we will make annual surpluses and increase the value of our homes so that we can borrow more to finance up to 750 new affordable homes in the city.

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

The core funding comes from Government Gap Funding of £124m over 4 years, with the final payment in July 2013.

Plymouth Community Homes has loan facilities with RBS totalling £110m, of which £20.5m was drawn at 31<sup>st</sup> March 2013. The undrawn balance of £89.5m will be required to meet future major works and development programme requirements as laid out in the Business Plan. Since the year end, we have also negotiated a loan of £30m with the Housing Finance Corporation Ltd (THFC) which will fund an element of the North Prospect development.

Based on the current 2013 Business Plan, borrowings will reach £124m at the end of 5 years (March 2018) and will peak at £132.1m in 2020. The Plan demonstrates that we can pay back all loans by 2039/40, which is the end of the RBS term, as well as meeting the 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 2013 was £262.3m compared with £214.4m in March 2012.

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. As part of the treasury management strategy, Plymouth Community Homes has implemented a hedging strategy to protect a proportion of the loan against the potential of rising interest rates.

The hedge was taken out at transfer, and restructured in September 2010 into a fixed rate loan, from 20 May 2012 to 20 February 2039, and a 10-year interest rate SWAPtion starting 20 August 2014. In both May 2012 and March 2013 the early years fixed rate interest costs were bought out, so that the fixed loan now commences in May 2015. Based on current market rates the SWAPtion would not be exercised, with the forward fix rate loan starting at £62m representing 50-75% of the anticipated debt to be borrowed.

We have the flexibility to maintain 100% of our borrowings on a variable rate until May 2015, as we can draw the £30m loan from THFC on a floating or fixed rate, with the option to switch from floating to fixed rates after 3 years.

Surplus cash is invested according to policies approved by the Board, with the preservation of capital value as the primary objective. During 2013 we have increased our target cash holding from £0.5m to £2m to protect short term liquidity. Funds are deposited with a limited list of approved banks, whose ratings are monitored continually, and may also be invested in approved Money Market Funds.

We have secured grants from the Homes and Communities Agency under the new rules to regenerate North Prospect. The money to meet the reduced grant comes from charging

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higher rents at 80% of market rents to some of our residents. These rents are known as affordable rents since they remain cheaper than rents in the open market.

### **Cash Flows**

The operating activities of Plymouth Community Homes generated a cash inflow of £8.6m which, after allowing for capital expenditure and financing movements, led to a net overall decrease in the cash balance of £2.9m.

During the period, £41m was spent on improving homes towards the decent homes standards and on developing North Prospect. After the receipt of Gap Funding and the proceeds of Right to Buy sales, the net capital expenditure was £27m.

At 31 March 2013 there was a GAP funding debtor of £37m (within 1 year). This forms part of the overall funding from the Homes and Communities Agency of £124m. £20.5m of the Royal Bank of Scotland loan was drawn as at 31 March.

### **Valuation of Property Assets**

Completed housing properties were valued as at 31 March 2013 by Savills (L&P) Limited. Valuation Basis 2 assumes 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 were: £262,272,722 (2012 : £214,414,125).

### **The Board**

Membership of the Board, including subsidiaries, is detailed on pages 2 and 3.

### **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 35 shares have since been issued, making a total share capital of £44.

### **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:

## **Plymouth Community Homes Ltd**

### **Consolidated Financial Statements for the Year Ended 31 March 2013**

- 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 Direction for Private Registered Providers of Social Housing 2012. 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 directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 has been established to support the Board, through the Customer Focus Committee, in its role of ensuring that Plymouth Community Homes provides excellent customer services to all its customers. The panel plays a key role in our approach to co-regulation, through the scrutiny of our performance, particularly the delivery of transfer promises, the completion of agreed action plans and how we meet regulatory standards.

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. This is continually being developed and is regularly reviewed by both the Audit and Risk Committee and the Board.

We have robust financial planning and monitoring systems and have now enhanced these by establishing financial indicators which we can use as a means to evaluate the risk to our

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business as we change the way we work. This will help us to make good investment decisions and keep within our financial covenants with the lenders as the business moves forward.

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. We have registered with the Office of Fair Trading under the Anti-Money Laundering regulations 2007.

The Board has reviewed the Fraud Register and can advise that there were no material incidents of fraud recorded during the year to 31st March 2013 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 and policy
- Assurance framework
- Compliance with quality management systems
- The Executive's management assurance and Members' review
- Internal audit
- External audit
- Health and Safety audits
- 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.

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**

PricewaterhouseCoopers LLP (PWC) completed 10 planned internal audit reviews. This resulted in the identification of 3 high, 3 medium and 17 low risk findings to improve weaknesses in the design of controls and / or operating effectiveness.

In their report PWC stated that "The direction of travel .. highlights the significant progress made by the Company in embedding an effective control environment since the transfer of the housing stock in November 2009.

During the course of our work we did not identify any control weaknesses that we consider should be reported in your Statement of Internal Control."

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PWC also noted good progress has been made in implementing the recommendations from previous audit reviews, and identified a number of areas where few weaknesses were identified and / or areas of good practice.

**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.

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

A handwritten signature in black ink, appearing to read 'Elaine Pellow', written in a cursive style.

**Elaine Pellow, Chair**

**Date : 6 August 2013**

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

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**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 2013 on pages 25 - 66.

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 pages 19-20, 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 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 financial reporting council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

**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 2013 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 Direction for Private Registered Providers of Social Housing 2012.

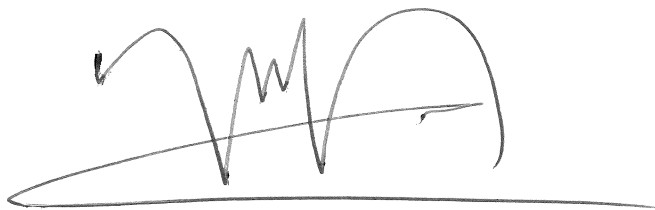


**Plymouth Community Homes Ltd**  
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**Matters on which we are required to report by exception**

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*

*15 August 2013*

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**Income and Expenditure Account**

	Note	Year To 31st March 2013		Year To 31st March 2012	
		Group £000's	Association £000's	Group £000's	Association £000's
Turnover	2a	74,100	72,728	82,064	81,452
Cost of Sales	2a	(2,038)	(1,123)	(399)	-
Operating Costs	2a	(63,373)	(62,968)	(54,440)	(54,283)
<b>Operating Surplus</b>		<b>8,689</b>	<b>8,637</b>	<b>27,225</b>	<b>27,169</b>
<b>Surplus on Sale of properties not developed for outright sale</b>	6	<b>598</b>	<b>598</b>	<b>740</b>	<b>740</b>
<b>Surplus on Sales of other fixed assets</b>		<b>129</b>	<b>129</b>	<b>22</b>	<b>22</b>
Interest Receivable	7	33	31	266	266
Interest Payable and similar charges	8	(5,410)	(5,410)	(1,116)	(1,116)
<b>Surplus on ordinary activities before taxation</b>	3	<b>4,039</b>	<b>3,985</b>	<b>27,137</b>	<b>27,081</b>
Gift Aid Receivable		-	401	-	284
Tax	9	-	-	-	-
<b>Surplus on ordinary activities for the period after taxation</b>	17	<b>4,039</b>	<b>4,386</b>	<b>27,137</b>	<b>27,365</b>

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

**Plymouth Community Homes Ltd**  
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**Statement of Total Recognised Surpluses and Deficits**

		<b>Group</b>	<b>Association</b>	<b>Group</b>	<b>Association</b>
		<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2012</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Surplus for the period	17	<b>4,039</b>	<b>4,386</b>	<b>27,137</b>	<b>27,365</b>
Actuarial gain/(loss) on pension scheme	15	<b>2,983</b>	<b>2,983</b>	<b>(10,209)</b>	<b>(10,209)</b>
<b>Total surplus recognised for the year</b>		<b>7,022</b>	<b>7,369</b>	<b>16,928</b>	<b>17,156</b>

**Plymouth Community Homes Ltd**  
**Consolidated Financial Statements for the Year Ended 31 March 2013**

**Balance Sheet at 31 March 2013**

		Group 2013 £'000	Association 2013 £'000	Group 2012 £'000	Association 2012 £'000
	<i>Note</i>				
<b>Fixed Assets</b>					
Tangible assets - Housing	10	92,650	92,362	54,217	54,457
Less: Social Housing Grant		(6,453)	(6,453)	(3,801)	(3,801)
Less: GAP Funding	10	(40,152)	(40,152)	(42,161)	(42,161)
Less: Other Grant		(1,314)	(1,314)	(882)	(882)
		<u>44,731</u>	<u>44,443</u>	<u>7,373</u>	<u>7,613</u>
Tangible assets - Other	10	7,403	7,403	6,593	6,593
Investments	10	-	900	-	-
		<u>52,134</u>	<u>52,746</u>	<u>13,966</u>	<u>14,206</u>
<b>Assets : amounts receivable after more than one year</b>					
Development debtor		37,412	37,412	36,797	36,797
GAP Funding		-	-	23,694	23,694
Deferred loan costs		-	-	1,181	1,181
	12	<u>37,412</u>	<u>37,412</u>	<u>61,672</u>	<u>61,672</u>
<b>Current Assets</b>					
Shared Ownership completed properties		931	931	1,762	1,762
Shared Ownership properties in progress		237	237	-	-
Stock	11	687	687	822	822
Debtors	12	47,965	48,304	36,555	36,725
Cash at bank and short term deposits		980	306	3,876	3,668
		<u>50,800</u>	<u>50,465</u>	<u>43,015</u>	<u>42,977</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(16,794)</u>	<u>(16,482)</u>	<u>(20,363)</u>	<u>(20,325)</u>
<b>Net current assets</b>		<u>34,006</u>	<u>33,983</u>	<u>22,652</u>	<u>22,652</u>
<b>Total assets less current liabilities</b>		<u>123,552</u>	<u>124,141</u>	<u>98,290</u>	<u>98,530</u>

**Plymouth Community Homes Ltd**  
**Consolidated Financial Statements for the Year Ended 31 March 2013**

	<i>Note</i>	<b>Group 2013 £'000</b>	<b>Association 2013 £'000</b>	<b>Group 2012 £'000</b>	<b>Association 2012 £'000</b>
<b>Creditors:</b> amounts falling due after more than one year					
Development creditor	14	19,473	19,473	-	-
		37,412	37,412	36,797	36,797
<b>Pension liability</b>	15	11,326	11,326	13,172	13,172
<b>Capital and Reserves</b>					
Share Capital	16	-	-	-	-
Restricted reserves	17	197	197	467	467
Designated reserve	17	197	197	106	106
Revenue reserve	17	66,273	66,862	60,920	61,160
Pension fund reserve	17	(11,326)	(11,326)	(13,172)	(13,172)
		<u>123,552</u>	<u>124,141</u>	<u>98,290</u>	<u>98,530</u>

The financial statements and related notes on pages 25 to 66 were approved by the Board on 6 August 2013 and were signed on its behalf by:

**Chair:**



Elaine Pellow

6 August 2013

**Vice-Chair:**



Sue Dann

6 August 2013

**Secretary:**



Belinda Pascoe

6 August 2013

**Plymouth Community Homes Ltd**  
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**Group Cash Flow Statement**

		2012/13	2011/12
	Note	£'000	£'000
<b>Net cash inflow from operating activities</b>	18	8,597	28,876
<b>Returns on investments and servicing of finance</b>			
Interest received		33	59
Interest paid		(5,299)	(969)
<b>Net cash outflow from returns on investment and servicing of finance</b>	18	<u>(5,266)</u>	<u>(910)</u>
		3,331	27,966
<b>Capital Expenditure and Financial Investment</b>			
Acquisition and construction of housing properties		(41,333)	(31,089)
Social Housing Grant Receivable		2,652	1,129
Proceeds from sale of land		432	882
GAP Funding Received		12,517	23,124
Proceeds from sale of housing properties		820	740
Proceeds from sale of other assets		146	47
Purchase of other fixed assets		<u>(1,961)</u>	<u>(4,596)</u>
<b>Net cash outflow from capital expenditure</b>		<u>(26,727)</u>	<u>(9,763)</u>
<b>Net cash inflow/(outflow) before management of liquid resources and financing</b>		(23,396)	18,203
<b>Management of liquid resources</b>		-	-
<b>Financing (decrease)/ Increase in net cash</b>	18	<u>20,500</u>	<u>(14,500)</u>
	19	<u>(2,896)</u>	<u>3,703</u>

**Notes to Financial Statements**

**1. Principal Accounting Policies**

**Basis of Accounting**

The Group is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Homes and Communities Agency 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 Direction for Private Registered Providers of Social Housing 2012 and the Statement of Recommended Practice (SORP) published by the National Housing Federation in 2010 (SORP 2010). The financial statements are prepared on the historical cost accounting rules.

**Basis of Consolidation**

These consolidated financial statements include the financial statements of the Association and its subsidiary undertakings, Plymouth Community Homes Manufacturing Services Ltd, Plymouth Community Homes Regeneration Company Ltd and Plymouth Community Homes Energy Ltd (the Group).

**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 these 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
Freehold Office Properties	50

**Plymouth Community Homes Ltd**  
**Consolidated Financial Statements for the Year Ended 31 March 2013**

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

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.

**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	80
Kitchens	20
Bathrooms	30
Heating Systems	15
Windows	30
Roofs:	15-80
Flat roofs - felt	15
Pitched roofs - Concrete	55
Pitched roofs - Slate	80
Lifts	25
Photovoltaic Panels	20-25

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.



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

### **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.

Shared ownership properties are included in housing properties at cost related to the % equity retained, less any provisions needed for impairment or depreciation. Costs relating to the 1st tranche element of the property are held in current assets until such time as the property is complete and 1st tranche sold. Proceeds from 1st tranche sales are recorded within turnover, any subsequent disposals of further equity or 'staircasing' are recorded as disposals of fixed assets.

### **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. The associated grant is amortised over the economic useful life of the asset to which it relates. 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 debtors or creditors: amounts falling due after more than one year, as appropriate.

### **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.

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

### **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. Any surplus relating to such properties is 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.

### **Pension Costs**

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

The Association participates in two externally administered defined benefit pension schemes.

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.

The Association is unable to identify its share of the underlying assets and liabilities of the Social Housing Pension Scheme (SHPS) on a consistent basis and therefore accounts for the scheme as if it were a defined contribution scheme.

### **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.

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

### **Designated Reserves**

Where funds are provided which are to be used for a specific project balance of any unspent funds is held in a designated 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 Manufacturing Services Ltd are registered as a VAT Group but the majority 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 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. Plymouth Community Homes Energy Ltd was incorporated on 12<sup>th</sup> April 2012 to manage the fitting of photovoltaic panels and associated income. These companies are not part of the above VAT group.

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

### **Interest Payable and Capitalisation of Interest Costs**

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.

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.

### **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.

### **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, it is shown as 'Services' costs.

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

<u>Group</u>	Turnover	Cost of Sales	2013 Operating Costs	Operating Surplus/ (Deficit)	2012 Operating Surplus/ (Deficit)
	£'000	£'000	£'000	£'000	£'000
<b>Income and Expenditure from Social Housing Lettings</b>					
Rents	46,602	-	(54,387)	(7,785)	(2,826)
Service Charges	3,128	-	(4,371)	(1,243)	(2,154)
GAP funding Revenue Receipt	17,224	-	-	17,224	31,003
GAP funding Capital Release	2,010	-	-	2,010	1,126
	<b>68,964</b>	<b>-</b>	<b>(58,758)</b>	<b>10,206</b>	<b>27,150</b>
<b>Other Social Housing Income and Expenditure</b>					
Supporting People	418	-	(745)	(327)	(250)
Development not capitalised	-	-	(1,429)	(1,429)	(714)
Resident Involvement	-	-	(617)	(617)	(564)
Garage Lettings	1,213	-	(1,146)	67	626
Shared ownership	1,018	(1,123)	-	(105)	-
	<b>2,649</b>	<b>(1,123)</b>	<b>(3,937)</b>	<b>(2,411)</b>	<b>(902)</b>
<b>Non-Social Housing Activities</b>					
Commercial Properties	1,076	-	(220)	856	883
Other	39	-	(53)	(14)	38
External Sales	1,372	(915)	(405)	52	56
	<b>2,487</b>	<b>(915)</b>	<b>(678)</b>	<b>894</b>	<b>977</b>
<b>Total Year ended 31 March 2013</b>	<b>74,100</b>	<b>(2,038)</b>	<b>(63,373)</b>	<b>8,689</b>	<b>27,225</b>
<b>Total Year ended 31 March 2012</b>	<b>82,064</b>	<b>(399)</b>	<b>(54,440)</b>	<b>27,225</b>	

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<b>Association</b>	<b>Turnover £'000</b>	<b>Cost of Sales £'000</b>	<b>2013</b>		<b>2012</b>	
			<b>Operating Costs £'000</b>	<b>Operating Surplus/ (Deficit) £'000</b>	<b>Operating Surplus/ (Deficit) £'000</b>	<b>Operating Surplus/ (Deficit) £'000</b>
<b>Income and Expenditure from Social Housing Lettings</b>						
Rents	46,602	-	(54,387)	(7,785)	(2,826)	(2,826)
Service Charges	3,128	-	(4,371)	(1,243)	(2,154)	(2,154)
GAP funding Revenue	17,224	-	-	17,224	31,003	31,003
Receipt	2,010	-	-	2,010	1,126	1,126
GAP funding Capital Release						
	<b>68,964</b>	<b>-</b>	<b>(58,758)</b>	<b>10,206</b>	<b>27,150</b>	<b>27,150</b>
<b>Other Social Housing Income and Expenditure</b>						
Supporting People	418	-	(745)	(327)	(250)	(250)
Development not capitalised	-	-	(1,429)	(1,429)	(714)	(714)
Resident Involvement	-	-	(617)	(617)	(564)	(564)
Garage Lettings	1,213	-	(1,146)	67	626	626
Shared ownership	1,018	(1,123)	-	(105)	-	-
	<b>2,649</b>	<b>(1,123)</b>	<b>(3,937)</b>	<b>(2,411)</b>	<b>(902)</b>	<b>(902)</b>
<b>Non-Social Housing Activities</b>						
Commercial Properties	1,076	-	(220)	856	883	883
Other	39	-	(53)	(14)	38	38
	<b>1,115</b>	<b>-</b>	<b>(273)</b>	<b>842</b>	<b>921</b>	<b>921</b>
<b>Total Year ended 31 March 2013</b>	<b>72,728</b>	<b>(1,123)</b>	<b>(62,968)</b>	<b>8,637</b>	<b>27,169</b>	<b>27,169</b>
<b>Total Year ended 31 March 2012</b>	<b>81,452</b>	<b>-</b>	<b>54,283</b>	<b>27,169</b>	<b>27,169</b>	<b>27,169</b>

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**2.b 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 2013</b>	<b>Total 2012</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income</b>					
Rents	45,325	1,265	12	46,602	44,085
Service Charges	2,830	298	-	3,128	2,464
Gap Funding Revenue Receipt	16,711	513	-	17,224	31,003
Gap Funding Capital Release	1,950	60	-	2,010	1,126
<b>Total Income</b>	<b>66,816</b>	<b>2,136</b>	<b>12</b>	<b>68,964</b>	<b>78,678</b>
<b>Expenditure</b>					
Management	(7,481)	(275)	-	(7,756)	(7,788)
Services	(3,988)	(383)	-	(4,371)	(4,618)
Cyclical & Planned Maintenance	(8,164)	(67)	-	(8,231)	(8,011)
Response Repairs	(9,791)	(175)	-	(9,966)	(10,047)
Major Repairs	(23,403)	(90)	-	(23,493)	(18,676)
Vat Recovered	351	11	-	362	249
Bad debts	(307)	-	-	(307)	(379)
Pension charges	(913)	-	-	(913)	(304)
Office move costs	(395)	-	-	(395)	(40)
Depreciation	(3,688)	-	-	(3,688)	(1,913)
<b>Total</b>	<b>(57,779)</b>	<b>(979)</b>	<b>-</b>	<b>(58,758)</b>	<b>(51,529)</b>
<b>Operating Surplus</b>	<b>9,037</b>	<b>1,157</b>	<b>12</b>	<b>10,206</b>	<b>27,150</b>
<b>Void loss</b>	<b>(526)</b>	<b>-</b>	<b>-</b>	<b>(526)</b>	<b>(547)</b>

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3. Surplus on Ordinary Activities for the Year before Taxation is stated after charging/  
(crediting):

	2013		2012	
	Group	Association	Group	Association
	£'000	£'000	£'000	£'000
External Auditor's Remuneration (exclusive of VAT)				
In their capacity as auditors	36	25	33	24
In respect of other services	25	23	31	29
Internal Audit Fees	47	47	62	62
Depreciation				
Housing properties	2,580	2,554	1,136	1,136
Other Assets	1,133	1,133	777	777
(Surplus) on disposal of properties	-598	-598	-740	-740
(Surplus) on disposal of other assets	-129	-129	-22	-22
Operating lease payments:				
Land and buildings	503	503	493	493
Other assets	353	353	267	267
<b>TOTAL</b>	<b>3,950</b>	<b>3,911</b>	<b>2,037</b>	<b>2,026</b>

**4. Executive Directors' Emoluments**  
(Group & Association)

**2013**  
**£'000**

**2012**  
**£'000**

The aggregate emoluments paid to or  
receivable by Executive Directors:

Basic Salary	660	554
Employers Pension	86	76
Total	<u>746</u>	<u>630</u>

The Non-Executive Board Members did not receive remuneration in respect of their  
services.

**2013**  
**£'000**

**2012**  
**£'000**

The emoluments paid to the highest paid  
Director of the Group excluding national  
insurance and employers pension  
contributions

156

145



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The full time equivalent number of staff who received emolument of £60,000 and above:

	<b>2013</b>	<b>2012</b>
	<b>No.</b>	<b>No.</b>
£60,001 to £70,000	7	3
£70,001 to £80,000	1	1
£80,001 to £90,000	1	1
£90,001 to £100,000	-	2
£100,001 to £110,000	2	-
£110,001 to £120,000	-	1
£120,001 to £130,000	1	-
£140,001 to £150,000	-	1
£150,001 to £160,000	1	-

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 £25,352 (2012: £23,667) were made by the Association during the period on behalf of the Group Chief Executive.

<b>5. Employee Information</b>	<b>2013</b>	<b>2012</b>
(Group & Association)	<b>No.</b>	<b>No.</b>

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

<b>605</b>	<b>569</b>
------------	------------

**Staff Costs**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	16,258	15,422
Social security costs	1,321	1,216
Other pension costs	2,180	2,144
<b>TOTAL</b>	<b>19,759</b>	<b>18,782</b>

	<b>2013</b>	<b>2012</b>
	<b>No.</b>	<b>No.</b>
<b>Full Time Equivalents at 31 March</b>		
Regeneration & Development	53	48
Corporate & Strategic Services	66	65
Homes & Neighbourhoods	361	316

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Business Services & Manufacturing	144	135
	<u>624</u>	<u>564</u>

**6. Surplus on disposal of properties**

	<b>2013</b>		<b>2012</b>	
	<b>Group</b>	<b>Association</b>	<b>Group</b>	<b>Association</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Right to Buy sales	1,065	1,065	1,087	1,087
Open Market sales	196	196	218	218
Cost of Sales	(31)	(31)	(19)	(19)
Depreciation eliminated on Disposal - RTB	(58)	(58)	(39)	(39)
PCC Share under the clawback	(456)	(456)	(507)	(507)
Components written out on demolished properties	(118)	(118)	-	-
<b>TOTAL</b>	<u><b>598</b></u>	<u><b>598</b></u>	<u><b>740</b></u>	<u><b>740</b></u>

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**7. Interest Receivable**

	2013		2012	
	Group	Association	Group	Association
	£'000	£'000	£'000	£'000
Bank interest receivable	33	31	59	59
FRS 17 Interest credit note (note 15)	-	-	207	207
	<b>33</b>	<b>31</b>	<b>266</b>	<b>266</b>

**8. Interest Payable and Similar Charges**

	2013		2012	
	Group	Association	Group	Association
	£'000	£'000	£'000	£'000
Interest	4,350	4,350	255	255
Non utilisation fee	707	707	722	722
Amortisation of arrangement fees	154	154	154	154
Interest capitalised on North Prospect Development	(25)	(25)	(15)	(15)
FRS 17 interest charge (note 15)	224	224	-	-
<b>Interest charge for the period</b>	<b>5,410</b>	<b>5,410</b>	<b>1,116</b>	<b>1,116</b>

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	Group	Association	Group	Association
9. Tax on Surplus on Ordinary Activities for the Period	2013	2013	2012	2012
	£'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	-	-	-	-

**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	-	-	-	-

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

Surplus on ordinary activities before tax	<b>4,039</b>	<b>3,985</b>	<b>27,137</b>	<b>27,081</b>
Surplus on ordinary activities at 24% (2012 : 26%)	<b>969</b>	<b>956</b>	<b>7,056</b>	<b>7,041</b>
Effects of:				
Surplus from charitable activities	<b>(969)</b>	<b>(956)</b>	<b>(7,056)</b>	<b>(7,041)</b>
	-	-	-	-

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly. The deferred tax asset/liability at 31 March 2013 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset/liability accordingly.

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10. Housing Fixed Assets:		Housing Property Components		Housing Property Components (Not Eligible for GAP Funding)		North Prospect Property Completed		North Prospect Leasehold Shared Ownership Property under Construction		North Prospect Leasehold Shared Ownership Property under Construction		Community Hub Construction		Photovoltaic Panels		Total Housing Properties	
Group	(Eligible for GAP Funding)	(Eligible for GAP Funding)	(Not Eligible for GAP Funding)	Completed	Property under Construction	Completed	Property under Construction	Completed	Property under Construction	Completed	Property under Construction	Completed	Property under Construction	Completed	Property under Construction	Completed	Property under Construction
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>																	
At 1 April 2012	43,504	1,762	-	8,546	-	-	1,762	-	-	-	-	-	-	-	-	-	55,574
Additions	-	30,146	-	9,618	-	-	-	-	-	-	-	-	-	-	876	-	40,640
Reallocation of Costs	-	-	8,123	(10,265)	-	-	1,799	(1,487)	-	-	-	1,830	-	-	-	-	0
Cost Shown in Current Assets	-	-	-	-	-	595	-	-	-	-	-	-	-	-	-	-	595
Disposals	-	(233)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(233)
<b>At 31 March 2013</b>	<b>43,504</b>	<b>31,675</b>	<b>8,123</b>	<b>7,899</b>	<b>8,123</b>	<b>2,394</b>	<b>275</b>	<b>1,830</b>	<b>876</b>	<b>1,830</b>	<b>275</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>876</b>	<b>0</b>	<b>96,576</b>
<b>Grant Funding</b>																	
At 1 April 2012	(42,161)	(765)	0	(3,185)	0	0	(733)	-	-	-	-	-	-	-	-	-	(46,844)
Social Housing Grant receivable during period	-	-	-	(2,652)	-	-	-	-	-	-	-	-	-	-	-	-	(2,652)
Reallocation of Grant	-	-	(3,594)	4,111	-	(1,098)	561	-	-	-	-	-	-	-	-	-	0
Gap Funding receivable during period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Proceeds from Sale of Land	-	-	-	(432)	-	-	-	-	-	-	-	-	-	-	-	-	(432)
Released to Income & Expenditure	2,009	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,009
<b>At 31 March 2013</b>	<b>(40,152)</b>	<b>(765)</b>	<b>(3,594)</b>	<b>(2,158)</b>	<b>(1,098)</b>	<b>(152)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(47,919)</b>
<b>Depreciation</b>																	
At 1 April 2012	(1,343)	(14)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,357)
Charge for period	(2,009)	(545)	-	-	-	-	-	-	(26)	-	-	-	-	-	-	-	(2,580)
Disposals	-	11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11
<b>At 31 March 2013</b>	<b>(3,352)</b>	<b>(548)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(26)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(26)</b>	<b>0</b>	<b>(3,926)</b>
<b>Net book value at 31 March 2013</b>																	
	0	30,362	4,529	5,741	1,296	1,830	850	1,830	850	1,830	123	850	1,830	850	1,830	123	44,731
<b>Net Book Value at 1 April 2012</b>																	
	0	983	0	5,361	0	1,029	0	0	0	0	1,029	0	0	0	0	0	7,373

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

	Total Housing Properties £'000	Freehold Offices £'000	Vehicles £'000	Equipment & Furniture £'000	Computers & Software £'000	Total Assets £'000
<b>Cost</b>						
At 1 April 2012	55,574	3,052	1,733	503	2,474	63,336
Additions	40,640	75	818	485	583	42,601
Reallocation of Costs	0	-	-	-	-	0
Cost Show n in Current Assets	595	-	-	-	-	595
Disposals	(233)	-	(166)	-	-	(399)
<b>At 31 March 2013</b>	<b>96,576</b>	<b>3,127</b>	<b>2,385</b>	<b>988</b>	<b>3,057</b>	<b>106,133</b>
<b>Grant Funding</b>						
At 1 April 2012	(46,844)	-	-	-	-	(46,844)
Social Housing Grant receivable during period	(2,652)	-	-	-	-	(2,652)
Reallocation of Grant	0	-	-	-	-	0
Gap Funding receivable during period	0	-	-	-	-	0
Proceeds from Sale of Land	(432)	-	-	-	-	(432)
Released to Income & Expenditure	2,009	-	-	-	-	2,009
<b>At 31 March 2013</b>	<b>(47,919)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(47,919)</b>
<b>Depreciation</b>						
At 1 April 2012	(1,357)	-	(461)	(119)	(589)	(2,526)
Charge for period	(2,580)	(25)	(431)	(141)	(536)	(3,713)
Disposals	11	-	148	-	-	159
<b>At 31 March 2013</b>	<b>(3,926)</b>	<b>(25)</b>	<b>(744)</b>	<b>(260)</b>	<b>(1,125)</b>	<b>(6,080)</b>
<b>Net book value at 31 March 2013</b>	<b>44,731</b>	<b>3,102</b>	<b>1,641</b>	<b>728</b>	<b>1,932</b>	<b>52,134</b>
<b>Net Book Value at 1 April 2012</b>	<b>7,373</b>	<b>3,052</b>	<b>1,272</b>	<b>384</b>	<b>1,885</b>	<b>13,966</b>

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**10. Housing Fixed Assets:  
Association**

	Housing Property Components (Eligible for GAP Funding)	Housing Property Components (Not Eligible for GAP Funding)	North Prospect Property Completed	North Prospect Leasehold Shared Ownership Property Completed	North Prospect Leasehold Shared Ownership Property under Construction	Community Hub under Construction	Total Housing Properties
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>							
At 1 April 2012	43,504	1,762	-	8,786	-	1,762	55,814
Additions	-	30,146	-	9,940	-	-	40,086
Reallocation of Costs	-	-	8,123	(10,265)	-	(1,487)	0
Cost Show n in Current Assets	-	-	-	-	-	-	595
Disposals	-	(233)	-	-	-	-	(233)
<b>At 31 March 2013</b>	<b>43,504</b>	<b>31,675</b>	<b>8,123</b>	<b>8,461</b>	<b>2,394</b>	<b>275</b>	<b>96,262</b>
<b>Grant Funding</b>							
At 1 April 2012	(42,161)	(765)	-	(3,185)	-	(733)	(46,844)
Social Housing Grant receivable during period	-	-	-	(2,652)	-	-	(2,652)
Reallocation of Grant	-	-	(3,594)	4,111	(1,098)	581	0
Gap Funding receivable during period	-	-	-	-	-	-	0
Proceeds from Sale of Land	-	-	-	(432)	-	-	(432)
Released to Income & Expenditure	2,009	-	-	-	-	-	2,009
<b>At 31 March 2013</b>	<b>(40,152)</b>	<b>(765)</b>	<b>(3,594)</b>	<b>(2,158)</b>	<b>(1,098)</b>	<b>(152)</b>	<b>(47,919)</b>
<b>Depreciation</b>							
At 1 April 2012	(1,343)	(14)	-	-	-	-	(1,357)
Charge for period	(2,009)	(545)	-	-	-	-	(2,554)
Disposals	-	11	-	-	-	-	11
<b>At 31 March 2013</b>	<b>(3,352)</b>	<b>(548)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,900)</b>
<b>Net book value at 31 March 2013</b>	<b>0</b>	<b>30,362</b>	<b>4,529</b>	<b>6,303</b>	<b>1,296</b>	<b>123</b>	<b>44,443</b>
<b>Net Book Value at 1 April 2012</b>	<b>0</b>	<b>983</b>	<b>0</b>	<b>5,601</b>	<b>0</b>	<b>1,029</b>	<b>7,613</b>

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

	Total Housing Properties	Freehold Offices	Vehicles	Equipment & Furniture	Computers & Software	Investment in Plymouth Community Homes Energy Ltd	Total Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>							
At 1 April 2012	55,814	3,052	1,733	503	2,474	-	63,576
Additions	40,086	75	818	485	583	900	42,947
Reallocation of Costs	0	-	-	-	-	-	0
Cost Show'n in Current Assets	595	-	-	-	-	-	595
Disposals	(233)	-	(166)	-	-	-	(399)
<b>At 31 March 2013</b>	<b>96,262</b>	<b>3,127</b>	<b>2,385</b>	<b>988</b>	<b>3,057</b>	<b>900</b>	<b>106,719</b>
<b>Grant Funding</b>							
At 1 April 2012	(46,844)	-	-	-	-	-	(46,844)
Social Housing Grant receivable during period	(2,652)	-	-	-	-	-	(2,652)
Reallocation of Grant	0	-	-	-	-	-	0
Gap Funding receivable during period	0	-	-	-	-	-	0
Proceeds from Sale of Land	(432)	-	-	-	-	-	(432)
Released to Income & Expenditure	2,009	-	-	-	-	-	2,009
<b>At 31 March 2013</b>	<b>(47,919)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(47,919)</b>
<b>Depreciation</b>							
At 1 April 2012	(1,357)	-	(461)	(119)	(589)	-	(2,526)
Charge for period	(2,554)	(25)	(431)	(141)	(536)	-	(3,687)
Disposals	11	-	148	-	-	-	159
<b>At 31 March 2013</b>	<b>(3,900)</b>	<b>(25)</b>	<b>(744)</b>	<b>(260)</b>	<b>(1,125)</b>	<b>0</b>	<b>(6,054)</b>
<b>Net book value at 31 March 2013</b>	<b>44,443</b>	<b>3,102</b>	<b>1,641</b>	<b>728</b>	<b>1,932</b>	<b>900</b>	<b>52,746</b>
<b>Net Book Value at 1 April 2012</b>	<b>7,613</b>	<b>3,052</b>	<b>1,272</b>	<b>384</b>	<b>1,885</b>	<b>0</b>	<b>14,206</b>



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**10. Fixed Assets (continued)**

The total expenditure on works to existing housing properties during the year to 31 March 2013 for the Group and Association was as follows : capitalised £30,146,000 (2012: £31,133,000); charged to Income and Expenditure : £23,493,000 (2012: £18,676,000).

Interest of £25,339 (2012 : £14,602) was capitalised (both Group and Association), based on an average interest rate of 0.81%. This was incurred on the North Prospect development.

**Investments**

During the year Plymouth Community Homes Ltd purchased £900,000 in shares in Plymouth Community Homes Energy Ltd, being 100% of that company's share capital.

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

All property assets are freehold. The housing and commercial properties were transferred at nil value on 20<sup>th</sup> November 2009. Office premises are included at cost.

**Valuation as at 31<sup>st</sup> March 2013 for security purposes:**

Completed housing properties were valued as at 31 March 2013 by Savills (L&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 2013 on the basis of these independent professional valuations was as follows:

Valuation Basis 1 -the Existing Use Value – Social Housing of the housing stock for loan security, as at 31 March 2013 is: £151,876,374 (2012 : £92,296,583)

Valuation Basis 2 - Assuming that a number of voids would be sold on the open market with vacant possession as they arise. The resultant figure for the housing stock is £262,272,722 (2012 : £214,414,125). Properties are held in the Balance sheet at nil value transferred plus the cost of components to date, less depreciation and grants receivable.

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<b>11. Stock</b>	<b>Group 2013 £'000</b>	<b>Association 2013 £'000</b>	<b>Group 2012 £'000</b>	<b>Association 2012 £'000</b>
Raw materials	610	610	741	741
Work in progress	77	77	81	81
	<b>687</b>	<b>687</b>	<b>822</b>	<b>822</b>

<b>12. Debtors</b>	<b>Group 2013 £'000</b>	<b>Association 2013 £'000</b>	<b>Group 2012 £'000</b>	<b>Association 2012 £'000</b>
<b>Amounts falling due after one year :</b>				
Development debtor	37,412	37,412	36,797	36,797
GAP Funding receivable after 1 year	-	-	23,694	23,694
Deferred Loan Costs	-	-	1,181	1,181
	<b>37,412</b>	<b>37,412</b>	<b>61,672</b>	<b>61,672</b>

**Amounts falling due within one year:**

GAP Funding receivable within 1 year	36,580	36,580	25,402	25,402
Trade debtors	623	462	459	338
Rent arrears	2,755	2,755	2,677	2,677
Less: provision for bad debts	(1,795)	(1,786)	(1,641)	(1,641)
Prepayments and accrued income	1,402	1,390	1,257	1,257
Inter-company debtors (Gift Aid)				
- Plymouth Community Homes Manufacturing Services Ltd	-	78	-	56
- Plymouth Community Homes Regeneration Company Ltd	-	322	-	228
Inter-company debtor : Plymouth Community Homes Manufacturing Services Ltd (trading account)	-	140	-	73
VAT	1,361	1,352	1,884	1,817
Other debtors	703	675	1	2
Development Debtor	6,336	6,336	6,516	6,516
	<b>47,965</b>	<b>48,304</b>	<b>36,555</b>	<b>36,725</b>
<b>Total debtors</b>	<b>85,377</b>	<b>85,716</b>	<b>98,227</b>	<b>98,397</b>

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13. Creditors	Group	Association	Group	Association
	2013 £'000	2013 £'000	2012 £'000	2012 £'000
<b>Amounts falling due within one year :</b>				
Bank Overdraft	-	-	-	-
Trade creditors	2,667	2,362	5,096	4,289
Taxation and social security payable	407	407	402	402
Pension contributions	233	233	243	243
VAT	10	-	12	-
Rent received in advance	934	934	721	721
Accruals and deferred income- revenue	6,109	6,109	7,122	7,122
Loan interest and charges	38	38	81	81
Development creditor	6,336	6,336	6,516	6,516
Inter-company creditors:				
- Plymouth Community Homes Regeneration Company Ltd	-	3	-	894
-Plymouth Community Homes Energy Ltd	-	1	-	-
Other creditors	60	59	170	57
<b>Total</b>	<b>16,794</b>	<b>16,482</b>	<b>20,363</b>	<b>20,325</b>
14. Creditors	Group	Association	Group	Association
	2013 £'000	2013 £'000	2012 £'000	2012 £'000
<b>Amounts falling due after one year :</b>				
Loans not repayable by instalments:				
In five years or more	20,500	20,500	-	-
Deferred loan costs	(1,027)	(1,027)	-	-
	19,473	19,473	-	-
Development Creditor	37,412	37,412	36,797	36,797
<b>Total</b>	<b>56,885</b>	<b>56,885</b>	<b>36,797</b>	<b>36,797</b>

Housing loans from Royal Bank of Scotland are secured by fixed charges on the housing properties and bear interest rates at LIBOR + 1.7%. Non utilisation fees are charged at 0.7%. Under current forecasts, loan repayments will start in 2020 and end in 2040.

At 31 March 2013, the Group had undrawn loan facilities of £89.5m (2012: £110m) plus an additional £0.5m (2012: £0.5m) overdraft facility to finance future operating cash flows and investments.

Since the year end, Plymouth Community Homes has negotiated a loan of £30m with the Housing Finance Corporation Ltd which will fund an element of the North Prospect development.

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**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 Manufacturing Services Ltd, Plymouth Community Homes Regeneration Company Ltd and Plymouth Community Homes Energy 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.

	<b>31 March 2013</b>	<b>31 March 2012</b>
	<b>£'000</b>	<b>£'000</b>
Present value of funded defined benefit obligations	(59,186)	(54,304)
Fair value of plan assets	47,860	41,132
Deficit	(11,326)	(13,172)
Related deferred tax asset	-	-
Net liability	(11,326)	(13,172)

*Movements in present value of defined benefit obligation*

	<b>31 March 2013</b>	<b>31 March 2012</b>
	<b>£'000</b>	<b>£'000</b>
Defined benefit obligation at 1 April 2012	54,304	40,819
Current service cost	2,544	2,150
Interest cost	2,495	2,306
Actuarial losses	12	8,938
Losses on curtailment	352	51
Estimated benefits paid net of transfers in	(1,172)	(669)
Past service cost	-	-
Contributions by scheme participants	651	709
Defined benefit obligation at 31 March 2013	59,186	54,304

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*Movements in fair value of plan assets*

	<b>31 March 2013</b>	<b>31 March 2012</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of scheme assets at 1 April 2012	41,132	37,953
Expected return on scheme assets	2,271	2,513
Actuarial gains/(losses)	2,995	(1,271)
Contributions by employer including unfunded	1,983	1,897
Contributions by scheme participants	651	709
Estimated benefits paid net of transfers in and including unfunded	(1,172)	(669)
<b>Fair value of scheme assets at 31 March 2013</b>	<b>47,860</b>	<b>41,132</b>

*Expense recognised in the profit and loss account*

	<b>31 March 2013</b>	<b>31 March 2012</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	2,544	2,150
Employer Contributions	(1,983)	(1,897)
Interest on obligation	2,495	2,306
Expected return on scheme assets	(2,271)	(2,513)
Past service cost	-	-
Losses on curtailments and settlements	352	51
<b>Total</b>	<b>1,137</b>	<b>97</b>

*The expense is recognised in the following line items in the profit and loss account*

	<b>31 March 2013</b>	<b>31 March 2012</b>
	<b>£'000</b>	<b>£'000</b>
Cost of sales	-	-
Distribution expenses	-	-
Administrative expenses	913	304
Other interest receivable and similar income	-	-
Interest payable / (income) and similar charges	224	(207)
<b>Net credit / (charge)</b>	<b>1,137</b>	<b>97</b>

The total gain recognised in the consolidated statement of total recognised gains and losses in respect of actuarial gains and losses is £ 2,983,000 (2012 : loss of £10,209,000).

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The fair value of the plan assets and the return on those assets were as follows:

	Assets at	Assets at
<b>Employer Asset</b>	31 March 2013	31 March 2012
<b>Share - Bid Value</b>	£'000	£'000
Equities	29,194	28,381
Gilts	6,222	7,404
Other Bonds	-	-
Property	3,829	2,468
Cash	1,436	2,468
Target Return Portfolio	7,179	411
Other	-	-
<b>Total</b>	<b>47,860</b>	<b>41,132</b>

Actual return on plan assets

The expected return on assets for accounting years after 1 January 2013 are replaced by a single net interest cost, which effectively sets the expected return equal to the IAS19 discount rate. Due to this change there is no disclosure for the expected return assumptions.

The financial assumptions used for the purposes of the FRS17 calculations are as follows:

<b>Assumptions as at</b>	31 March 2013	31 March 2013	31 March 2012	31 March 2012
	% p.a	Real	% p.a.	Real
RPI Increases	3.4%	-	3.3%	-
CPI Increases	2.6%	-0.8%	2.5%	-0.8%
Salary Increases	4.8%	1.4%	4.7%	1.4%
Pension Increases	2.6%	-0.8%	2.5%	-0.8%
Discount rate	4.7%	1.3%	4.6%	1.3%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 20.6 years (male), 24.6 years (female).
- Future retiree upon reaching 65: 22.6 years (male), 26.5 years (female).]

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History of plans

The history of the plans for the current and prior periods is as follows:

<b>Balance sheet as at</b>	31 March 2013	31 March 2012	31 March 2011
	£'000	£'000	£'000
Present value of scheme liabilities	(59,186)	(54,304)	(40,819)
Fair value of scheme assets	47,860	41,132	37,953
Deficit	(11,326)	(13,172)	(2,866)
	31 March 2013	31 March 2012	31 March 2011
	£'000	£'000	£'000
Experience adjustments on scheme liabilities	-	-	(7,600)
Experience adjustments on scheme liabilities as a percentage of scheme liabilities	-	-	18.6%
Experience adjustments on scheme assets	2,995	(1,271)	(9,968)
Experience adjustments on scheme assets as a percentage of scheme assets	6.3%	-3.1%	-26.3%
Cumulative actuarial gains/ losses	(11,357)	(14,340)	(4,131)

The Group expects to contribute approximately £2 million to the LGPS defined benefit plan in the next financial year.

**Social Housing Pension Scheme**

1. Plymouth Community Homes Ltd participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.
2. 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'.
3. 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:
  - 3.1. Final salary with a 1/60th accrual rate.
  - 3.2. Final salary with a 1/70th accrual rate.
  - 3.3. Career average revalued earnings (CARE) with a 1/60th accrual rate.

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

3.4. Final salary with a 1/80th accrual rate.

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

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

4. 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.
5. Plymouth Community Homes Ltd currently operates the final salary with 1/60<sup>th</sup> accrual rate and the defined benefit structures for active members and new entrants as at March 2013.
6. 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.
7. 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.
8. During the accounting period Plymouth Community Homes Ltd paid contributions at the rate of 11.3%. member contributions were 6.5%.
9. As at the balance sheet date there were 100 active members of the Scheme employed by Plymouth Community Homes Ltd. The annual pensionable payroll in respect of these members was £2,494,653. Plymouth Community Homes Ltd continues to offer membership of the Scheme to its employees.
10. 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.



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11. The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67.0%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2012. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2,327 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,241 million, equivalent to a past service funding level of 65%.

12. The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

<b>Valuation Discount Rates:</b>		<b>% p.a.</b>
Pre-Retirement		7.0
Non Pensioner Post Retirement		4.2
Pensioner Post Retirement		4.2
Pensionable Earnings Growth		2.5 per annum for 3 years, then 4.4
Price Inflation (RPI)		2.9
<b>Pension Increases:</b>		
Pre 88 GMP		0.0
Post 88 GMP		2.0
Excess Over GMP		2.4

Expenses for death-in-service insurance, administration and Pension Protection Fund (PPF) levy are included in the contribution rate.

13. The valuation was carried out using the following demographic assumptions:

Mortality pre-retirement – 41% SAPS S1 Male / Female All Pensioners (amounts), Year of Birth, CMI\_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females.

Mortality post retirement – 97% SAPS S1 Male / Female All Pensioners (amounts), Year of Birth, CMI\_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females.

14. The long-term joint contribution rates required from April 2013 from employers and members to meet the cost of future benefit accrual were assessed at:

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<b>Benefit Structure</b>	<b>Long-term Joint Contribution Rate (% of pensionable salaries)</b>
Final salary with a 1/60th accrual rate	19.4
Final salary with a 1/70th accrual rate	16.9
Career average revalued earnings (CARE) with a 1/60th accrual rate	18.1
Final salary with a 1/80th accrual rate	14.8
Career average revalued earnings (CARE) with a 1/80th accrual rate	14.0
Career average revalued earnings (CARE) with a 1/120th accrual rate	9.7

15. 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.

16. Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £1,035 million would be dealt with by the payment of deficit contributions as shown in the table below:

From 1 April 2013 to 30 September 2020	A cash amount(*) equivalent to 7.5% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 October 2020 to 30 September 2023	A cash amount(*) equivalent to 3.1% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 April 2013 to 30 September 2026	£30,640,000 per annum (payable monthly and increasing by 3% per annum each 1 April; first increase on 1 April 2014)

(\*) The contributions of 7.5% will be expressed in nominal pound terms (for each Employer), increasing each year in line with the Earnings growth assumption used in the 30 September 2008 valuation (i.e. 4.7% per annum). The contributions of 3.1% will be calculated by proportioning the nominal pound payment at the time of the change. Earnings at 30 September 2008 (for each Employer) will be used as the reference point for calculating these contributions.

These deficit contributions are in addition to the long-term joint contribution rates as set out in paragraph 14 above.

17. The Scheme Actuary will provide an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The results of this approximate update will be available in Spring 2014 and will be included in next year's Disclosure Note.

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18. Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).
19. Employers that have closed the defined benefit section of the Scheme to new entrants are required to pay an additional employer contribution loading of 2.5% to reflect the higher costs of a closed arrangement.
20. 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.
21. New employers 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 new employers joining the Scheme between valuations up until 1 April 2010 do not contribute towards the deficit until two valuations have been completed after their date of joining. New employers joining the Scheme after 1 April 2010 will be liable for past service deficit contributions from the valuation following joining. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.
22. 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). A response regarding the 30 September 2011 valuation is awaited.
23. 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.
24. 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.
25. 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.

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	2013	2012
	£	£
<b>16. Share Capital - association</b>		
<i>Ordinary shares of £1 each. Allotted, called up and fully paid.</i>		
At 1 April 2012	38	21
Issued during the year	6	17
At 31 March 2013	<u>44</u>	<u>38</u>

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	Restricted Reserve (Devonport) £'000	Restricted Reserve (Development & Community Subsidy) £'000	Designated Reserve £'000	Revenue Reserve excluding pension deficit £'000	Pension Deficit £'000	Total Reserves including pension deficit £'000
At 1 April 2012	361	106	106	61,160	(13,172)	48,561
Surplus on ordinary activities for the period	-	-	-	5,122	(1,137)	3,985
Actuarial gain recognised in Statement of Total Recognised Surpluses and Deficits	-	-	-	-	2,983	2,983
Gift Aid Receivable	-	-	-	400	-	400
Transfers between reserves	-	91	91	(182)	-	-
Transfers between reserves	(361)	-	-	361	-	-
Rounding Adjustments	-	-	-	1	-	1
<b>At 31 March 2013</b>	<b>-</b>	<b>197</b>	<b>197</b>	<b>66,862</b>	<b>(11,326)</b>	<b>55,930</b>

For both the Association and the Group the Restricted Reserve brought forward of £361,000 related 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 reduced as eligible expenditure was incurred on the redevelopment, with a corresponding transfer to the revenue reserve.

For both the Association and the Group the Restricted Reserve (Development & Community Subsidy) and Designated Reserve arose from the sale of properties in Lipson Road, the proceeds from which will be used to fund regeneration and social housing developments.

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<b>17. Group Reserves</b>	<b>Restricted Reserve (Devonport)</b>	<b>Restricted Reserve (Development &amp; Community Subsidy)</b>	<b>Designated Reserve</b>	<b>Revenue Reserve excluding pension deficit</b>	<b>Pension Deficit</b>	<b>Total Reserves including pension deficit</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2012	361	106	106	60,920	(13,172)	48,321
Surplus on ordinary activities for the period	-	-	-	5,176	(1,137)	4,039
Actuarial loss recognised in Statement of Total Recognised Surpluses and Deficits	-	-	-	-	2,983	2,983
Transfers between reserves	-	91	91	(182)	-	-
Transfers between reserves	(361)	-	-	361	-	-
Rounding Adjustments	-	-	-	(2)	-	(2)
<b>At 31 March 2013</b>	<b>-</b>	<b>197</b>	<b>197</b>	<b>66,273</b>	<b>(11,326)</b>	<b>55,341</b>

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**18. Group Cash Flow**

<b>Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities</b>	<b>2013 £'000</b>	<b>2012 £'000</b>
Operating surplus	<b>8,689</b>	27,225
Add back FRS17 adjustments	<b>1,137</b>	304
Add back depreciation charge	<b>3,713</b>	1,913
Add back GAP funding released against depreciation	<b>(2,009)</b>	(1,126)
(Decrease)/Increase in debtors > 1 year	<b>(615)</b>	36,896
Increase/(Decrease) in leasehold shared ownership property	<b>594</b>	(1,762)
Increase/(Decrease) in stock	<b>135</b>	(54)
(Increase) in debtors < 1 year	<b>(233)</b>	(3,586)
Increase/(Decrease) in creditors < 1 year	<b>(3,429)</b>	5,962
Increase/(Decrease) in creditors > 1 year	<b>615</b>	(36,896)
<b>Net cash inflow from operating activities</b>	<b>8,597</b>	<b>28,876</b>
 <b>Reconciliation of Net Cash Flow to Movement in Net Debt</b>		
(Decrease)/Increase in cash in the period	<b>(2,896)</b>	3,703
(Increase)/Decrease in loans	<b>(20,500)</b>	14,500
Non cash movements	<b>(154)</b>	(154)
<b>Change in net debt</b>	<b>(23,550)</b>	<b>18,049</b>
 Net debt at 1 April	<b>5,057</b>	(12,992)
 <b>Net debt at 31 March</b>	<b>(18,493)</b>	<b>5,057</b>
 <b>Returns on Investments and Servicing of Finance</b>		
Interest received	<b>33</b>	59
Interest paid	<b>(5,299)</b>	(969)
	<b>(5,266)</b>	(910)
 <b>Financing</b>		
Loans received/(repaid)	<b>20,500</b>	(14,500)
Arrangement fee released	<b>154</b>	154
	<b>20,654</b>	(14,346)

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19. Analysis of Changes in Net Debt - Group	At 1 April 2012 £'000	Cashflow £'000	Non Cash Moveme nts £'000	At 31 March 2013 £'000
Cash in hand and at bank	3,876	(2,896)	-	980
Debt due after one year	1,181	(20,500)	(154)	(19,473)
	<u>5,057</u>	<u>(23,396)</u>	<u>(154)</u>	<u>(18,493)</u>

**20. GAP Funding Receivable**

	2013		2012	
	Group	Association	Group	Association
The total accumulated amount of GAP Funding receivable	£'000	£'000	£'000	£'000
Capital	-	-	18,093	18,093
Revenue	36,580	36,580	31,003	31,003
<b>Total</b>	<u>36,580</u>	<u>36,580</u>	<u>49,096</u>	<u>49,096</u>

**21. Capital Commitments**

	2013		2012	
	Group	Association	Group	Association
	£'000	£'000	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	16,733	16,232	20,004	20,004
Capital expenditure that has been authorised by the Board but has not yet been contracted for	50,210	50,210	30,032	30,032
<b>TOTAL</b>	<u>66,943</u>	<u>66,442</u>	<u>50,036</u>	<u>50,036</u>

These commitments will be financed by grant and loan finance.



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**22. Operating Leases**

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

	2013		2012	
	Land and Buildings	Other	Land and Buildings	Other
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	87	3	158	1
In the second year to fifth years inclusive	194	349	334	306
Over five years	154	-	-	-
<b>TOTAL</b>	<b>435</b>	<b>352</b>	<b>492</b>	<b>307</b>

**23. Contingent Liabilities**

On transfer, Plymouth Community Homes agreed to meet additional costs incurred, over and above those 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 confirmation of any liability. 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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**24. Units of Accommodation**

	<b>Group 2013 No.</b>	<b>Association 2013 No.</b>	<b>Group 2012 No.</b>	<b>Association 2012 No.</b>
Under development at end of period:				
Housing accommodation	57	57	52	52
Shared ownership	10	10	28	28
	<b>67</b>	<b>67</b>	<b>80</b>	<b>80</b>
Under management at end of period:				
Housing accommodation	13,857	13,857	13,979	13,979
Supported housing	415	415	417	417
Shared ownership	36	36	8	8
Long leaseholders	1,478	1,478	1,473	1,473
Unavailable for letting	311	311	232	232
	<b>16,097</b>	<b>16,097</b>	<b>16,109</b>	<b>16,109</b>
Managed but not owned				
Housing accommodation	-	-	-	-
Supported housing (Brock Trust)	8	8	8	8
	<b>16,105</b>	<b>16,105</b>	<b>16,117</b>	<b>16,117</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 nominees of Plymouth City Council (PCC). Two of these are serving councillors, and two are ex-councillors. All transactions with PCC during the year were conducted at arm's length and on normal commercial terms.

All trading transactions between PCH and its non regulated subsidiaries are charged at the cost of providing the service between the subsidiaries.

Recharges are determined by an appropriate allocation depending on the nature of the cost, such as headcount, floor space and services.

The value of transactions between PCH Ltd and its subsidiaries was as follows :

PCH Manufacturing Services Ltd : manufacturing costs recharged from PCH Ltd to PCH Manufacturing : £885,000 (2012: 399,000)

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PCH Regeneration Company Ltd : service charge from PCH Ltd to PCH Regeneration : £153,800 (2012: £108,000); cost of design & build work invoiced from PCH Regeneration to PCH Ltd : £6,756,000 (2012: £4,788,000)

PCH Energy Ltd : service charge from PCH Ltd to PCH Energy : £18,000 (2012: £nil); charge from PCH Ltd to PCH Energy for lease of roofs : £4,050 (2012: nil).

The intercompany debtor and creditor balances at 31 March are disclosed in notes 12 and 13

## **26. Post Balance Sheet Events**

Since the year end, Plymouth Community Homes has negotiated a loan of £30m with the Housing Finance Corporation Ltd which will fund an element of the North Prospect development.

## **27. Status**

### 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 Homes and Communities Agency (registration L4543).

### Plymouth Community Homes Group

At the time of signing these financial statements Plymouth Community Homes has three wholly owned subsidiaries, Plymouth Community Homes Manufacturing Services Ltd (formerly Plymouth Community Homes Services Ltd) (company number 07001677), Plymouth Community Homes Regeneration Company Limited (company number 7272688) and Plymouth Community Homes Energy Limited (company number 8028170). All three subsidiaries are incorporated under the Companies Act 2006.

Plymouth Community Homes Manufacturing Services Ltd sells manufactured goods to third parties. Plymouth Community Homes Regeneration Company Ltd oversees the design and build work for the redevelopment of the North Prospect area of Plymouth. Plymouth Community Homes Energy Ltd was incorporated on 12 April 2012 and oversees the installation of photovoltaic panels on properties owned by Plymouth Community Homes Ltd.

