



# Financial Statements Plus Dane Housing Group Limited

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**For the year ended 31 March 2011**

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

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## Association information

### Board members

Richard Kemp, Chairman (appointed 1 January 2011)  
John Pollard, Chairman (stepped down December 2010)  
Nigel Hodges, Deputy Chairman (appointed 1 January 2011)  
Roger Morris  
Catrina Hewitson  
Linda Minnis  
John Turner  
Glen Lewis  
Lilian Hazell  
Pol O'Gray (appointed 1 September 2010)

### Secretary and registered office

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

### Executive officers

Ken Perry (Group Chief Executive)  
Anne Ward (Chief Integration Officer) - to 9 July 2010  
Peter Shaw (Managing Director - Finance)  
Sasha Deepwell (Managing Director - Merseyside and Lancashire) - to 30 June 2010  
Jayne Phillips (Managing Director - Knowledge, Innovation and Performance)  
Mike Doran (Managing Director - Enterprising Neighbourhoods (Cheshire))  
Paul Patterson (Managing Director - Three60 Property Investors) - to 30 July 2010  
Gerard Murden (Managing Director - Enterprising Neighbourhoods (Merseyside))  
Clare Griffiths (Managing Director - Regeneration and Commercial Development)

### Auditors

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

### Bankers

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

### Solicitors

Devonshires  
Salisbury House  
London Wall  
London  
EC2M 5QY

## Chairman's statement

The 2010-11 financial year has represented another successful year as the group continues to consolidate the governance and operational arrangements whilst continuing to grow and develop the business.

One of the significant changes during the year involved a formal amalgamation of the three registered social landlords operating across Merseyside into a single entity that have combined as an Industrial and Provident Society company with charitable status. The three housing providers in Merseyside, CDS Housing Association, New Generation Housing Association and Greater Hornby homes were amalgamated on 26<sup>th</sup> July 2010 and will further streamline and strengthen the operations of the group for the benefit of existing and future customers.

This transaction involved a significant amount of work during the year and was undertaken with the full approval of the key stakeholders, tenants and partners that Plus Dane works with to deliver its services. The process also involved all the members of the three boards and was successfully implemented due, in no small part, to their contribution to and co-operation in the process.

The group has also expanded its role in the formation of key strategic partnership across the group's area of operation ranging from north Liverpool to Cheshire. Plus Dane adopts a variety of roles in the various partnerships from facilitating some of the partnerships, leading others and then just contributing to them to achieve shared outcomes.

The group has also continued to successfully provide new homes through the development partnership and has completed an additional 457 properties during the year offering a range of new homes. The group is also developing plans for the new funding regime for affordable homes in the future.

The group's excellent financial performance during the year was achieved in a difficult economic climate and was based on the strong financial strategy developed for the group and delivered by impressive teamwork across the Group in managing costs more effectively. In these uncertain times a strong financial base is imperative to provide financial stability for the future.

The other significant achievement during the year involved the expansion of the in-house direct labour force by successfully tendering for the repairs and maintenance function for the Merseyside properties. This expansion increased the number of employees by 41 and the vast majority of the new employees were transferred in to the group from previous providers. The most pleasing aspect of this monumental task was that the service to customers were maintained during the mobilisation process and indeed the performance measures demonstrate an improvement in service delivery and customer satisfaction since the process 'bedded in'.

The board has also experienced changes during the year following the retirement of John Pollard from the position of chairman of the Plus Dane parent entity. John was instrumental in establishing the new group and led the board to the successes of the past two years. I was fortunate to be chosen as the new chairman for the group following an extensive process and I am also fortunate to be supported by the appointment of Nigel Hodges as deputy Chairman. Together we are keen to ensure that Plus Dane builds on the successes in the recent years to ensure the group continues to grow from strength to strength to serve the people in the neighbourhoods where we work even more efficiently in the future and to take our Neighbourhood Investor (Ni) offer to other places it may be needed.

I am confident that the coming year will be as successful as the recent past and that the group will tackle to the challenges ahead in a positive and innovative way.

**Richard Kemp**  
Chairman Plus Dane Housing Group

Date 22.9.11



## Chief Executive's report

I am pleased with the continuing good financial performance of the Group during 2010-11 although as last year I continue to advocate caution in the face of the very challenging economic and social climate.

Maintaining a focus on the financial position of the Group continues to be a key theme whilst continuing an equal focus on achieving operational improvements that will create increased capacity for the Group to invest in the neighbourhoods we serve and work effectively with existing and new partners.

The amalgamation of the three Merseyside registered providers as well as the expansion of the repairs and maintenance workforce are great examples of how the Group has achieved operational as well as financial efficiencies that has contributed to the Group's capacity to deliver strong performance across the three key strands of the business of homes, enterprise and neighbourhoods and this is borne out by the strong financial results for the year.

Some key numbers from the accounts illuminate this point. This has seen that the:

- Surplus is up by £2m
- Operating costs have reduced by £2.5m
- Investment in Development totalled £47m
- The value of commercial assets rose by £650,000
- The Parent organisation was able to Gift Aid a payment to its Charitable Housing Association £615,000


In addition the group has reviewed the activities of the commercial and social enterprise companies within the group and the actions taken have also contributed to the financial performance in the year, notwithstanding the social returns that have been achieved from their activities that contribute to the overall performance of the Group.

The year has also seen further reductions to the senior executive team to achieve financial efficiencies and a final stable senior management team structure that meets the group needs and I have been especially pleased with the role that the Group has played in generating a number of key strategic alliances across Merseyside and Cheshire with the aim of improving the neighbourhoods in which the Group operates.

Clearly a key role for the Group is providing new homes and I am particularly pleased with the delivery results for the year and the willingness of our mainstream lenders to increase their lending to the Group for this purpose with a new offer of £50m to support future development.

Governance across the Group has continued to be excellent, with the balance of challenge and support being highly effective. This has been further enhanced by the increasing role that tenants are playing in scrutinising the work and future plans of the Group taking advantage of opportunities that have arisen during the year that would add to the operational and financial strength of the Group. The transition during the year of the role of Chairman and Deputy Chairman was handled well with the process of appointment further strengthening our links to our tenant involvement arrangements.

The accounts and our performance information in this report take us to the end of March 2011 and demonstrate that the Group's financial performance has significantly exceeded the predictions at the start of the year. The senior team and Board believe that it provides a strong platform on which to build an even stronger and more innovative future for Plus Dane and the people it serves.



Ken Perry  
Chief Executive

22.09.11

## Operating and Financial Review

### Overview of the business

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

For the year under review the Group comprised six members: Plus Dane (Merseyside) Housing Association Limited (formerly CDS Housing Association ("CDS")), Greater Hornby Housing Association ("Hornby"), New Generation Housing Association ("New Gen"), INclude Neighbourhood Regeneration ("INclude"), three60 Property Investors ("three 60"), Plus Dane (Cheshire) Housing Association Limited (formerly The Dane Housing Group ("Dane")), Dane Partnership Homes, and Plus Dane Housing Group itself.

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

On 26 July 2010 CDS Housing Association amalgamated with Greater Hornby Housing Association Limited and New Generation Housing Association Limited, all members of the Plus Dane Group. On this date the activities, assets and liabilities of these associations became vested in Plus Dane (Merseyside) Housing Association Limited ("Plus Dane Merseyside"). The activities of these associations will therefore continue within the amalgamated society. Plus Dane Merseyside is an Industrial and Provident Society with charitable rules, which was formed to effect the amalgamation.

Amalgamation will enable us to unite the strengths of the three Merseyside associations in the Plus Dane Group. The amalgamation is a great step forward for Plus Dane which enables us to further enhance the service we provide to our tenants, whilst ensuring that we continue to deliver on our commitment to spending less on running our business, and putting more investment back into our neighbourhoods. This will result in financial and time savings and greater management efficiency and will allow us to invest further in the services we provide to residents. It also simplifies our contracts and other legal relationships as there will just be one Merseyside stock-holding association in the group.

### Objectives and strategies

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

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

## Operating and Financial Review

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

- Increase investment in existing property
- Create great places to live
- Increase community safety measures
- Further support vulnerable customers
- Further support resident involvement
- Increase creation of local jobs
- Increase the supply and choice of homes

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

### Financial performance in the period

#### Income and expenditure account

The following table provides a summary of the Group's results:

For the year ended 31 March	2011	2010
	£m	£m
Turnover	55.2	52.4
Operating surplus	11.9	10.6
Surplus on sale of property	0.6	1.5
Net interest payable	9.1	9.1
Surplus for the year	3.7	1.7

Turnover increased in the year, predominantly due to an increase in rent and service charges of £1.6m, increase in Supporting People of £236k due the award of new contracts, increased development income of £147k and increased sales of property of £1.2m. Overheads were managed within budget and the Group delivered on efficiency targets set as part of the budget process. Low interest rates mean that despite borrowing more, the Group actually paid less interest this year. In addition, the amalgamation of the Merseyside Associations into an Association with charitable status has led to the release of a deferred tax liability of £631k and a further writeback of corporation tax of £430k contributing £1,061k in total to the surplus for the year.

The group also delivered efficiency savings of £600k in addition to those already set within the budget. In accordance with the financial strategy these savings were split three ways, between staff, the company and tenants. The tenants have come together to put together an investment plan to spend the £200k as they wish within their neighbourhoods.

## Operating and Financial Review

### Balance Sheet

As at 31 March	2011 £m	2010 £m
Tangible fixed assets	243.7	217.6
Net Current assets	3.4	6.6
Loans due after one year	234.9	216.1
Pension provision	6.7	15.7
Reserves:		
Income and expenditure	10.0	(2.2)
Other reserves	(4.3)	(6.0)
Total	247.2	224.2
Housing stock, owned and managed (units)	12,188	16,144

Gearing and interest cover covenants are funding covenant measures and the Group continues to operate within the covenant requirements.

The fall in the number of units in management is a result of the completion of the management contract for Liverpool Mutual Homes where we were managing 4,454 homes on their behalf. On 31 March 2011 the management of these properties reverted to Liverpool Mutual Homes. Excluding this stock, 457 new homes have been added during the year.

### Operating Performance in the period

#### Parent company performance

The Group has continued to improve performance overall and has implemented strategies to consolidate strong performance and drive performance up in areas where it is identified as being needed.

The performance reporting for the main subsidiaries covers 12 performance measures which are reported to board on a quarterly basis and which cover governance and financial viability, home, tenant involvement and empowerment and value for money. Of the 12 measures, 6 were green, demonstrating targets have been met in full, 4 were on amber reflecting improvements toward target with performance only just falling short of target and 2 were on red indicating a significant improvement requirement with corrective action already underway. Performance in all the red indicators has been investigated and the Board is satisfied with the explanations for the dip in performance recorded. The Board is confident that performance will continue.

Key indicators that warrant specific mention are as follows:

- retained surplus achieved of £3.74m against a target of -£527k (2010: 1.73m)
- Interest cover ratio 166% against a target of 110% (2010: 116%)
- Jobs created/safeguarded was 315 against a target of 200 (2010: new for 2011)
- Number of properties on site was 393 against a target of 334 (2010: 567)
- Number of properties handed over was 457 against a target of 334 (2010: 280)
- % of properties with a valid gas safety certificate only just fell short of the target of 100% at 99.68% (2010: 99.15%) with legal action in place against the outstanding properties
- In the current climate it is understandable that our target of creating 50 trainee and apprentice opportunities was not met with 28 such opportunities having been created. This is an area that we continue to target and further opportunities continue to be created in 2011/12.



## Operating and Financial Review

### Subsidiary companies performance

The performance reporting for the main subsidiaries covers 17 performance measures which are reported to board on a quarterly basis. Of the 17 measures for the main subsidiaries, 8 were green, demonstrating targets have been met in full, 3 were on amber reflecting improvements toward target and 6 were on red indicating improvement requirement with corrective action already underway. Performance in all the red indicators has been investigated and the Board is satisfied with the explanations for the dip in performance recorded. The Board is confident that performance will continue.

A new measure last year was the % of first time fixes on repairs. This stands at 88% against a target of 85% and a 2009/10 level of 83%. The repairs tendering exercise which resulted in the delivery of responsive repairs by our own workforce and trusted partners has had a beneficial impact on this indicator.

Customers satisfied with new tenancies stands at 86.52% against a target of 85% (2010: 88%). Combined with a fall in the number of tenancies failing within 12 months from 9.9% to 8.54% with a target of 10%, this demonstrates the success of our commitment to residents and giving the skills and support to successfully maintain their tenancy.

During the year customer satisfaction with repairs reduced from 98.1% to 89.8% against a target of 95%. The major factor behind this is the use of a different survey approach implemented in quarter 2 using Voluntas "Rated by Residents". Our results are still better than the top quartile despite this reported decrease. One of the key benefits of this change in measurement has been the increased ability to manage feedback from customers in real time through our customer liaison officers.

Particularly pleasing in these difficult times is the improvement in our arrears collection performance. Current arrears stand at 3.86% against a target of 4% and 2009/10 performance of 4.5%. This is still above the top quartile of 2.06% but represents an improving trend year on year.

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

### Risks

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

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

The Group has put actions in place as appropriate to mitigate these risks as part of the risk management process.

## Operating and Financial Review

### Investment for the future

The investment of this year's excellent financial results is detailed above. The investment of surpluses for investment in the Group's future financial stability is a key tenet of our financial strategy and is of paramount importance for all businesses. The investment will be in the form of development of new homes, extension and improvement of services, investment in existing stock and regeneration of our communities and neighbourhoods, investment in the people we serve as well as our properties. It also helps protect against unexpected event which is key in the current uncertain political and economic climate.

### Accounting policies

The principal accounting policies are set out on pages 22-26 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include: capitalisation of interest and development administration costs, deduction of capital grant from the cost of assets; treatment of shared ownership properties and the calculation of housing property depreciation.

### Housing properties

At 31 March 2011, the Group owned and managed 12,188 (2010: 16,144) completed units of accommodation. The properties were carried in the balance sheet at cost (after depreciation and capital grant) of £225.0 million (2010: £198.9 million). Further detail can be found in note 12.

Our investment in housing properties this year was funded through a mixture of social housing grant and loan finance. The Association's treasury management arrangements are considered below.

### Pension costs

The Group participates in two defined benefit pension schemes, the Social Housing Pension Scheme ("SHPS") and the Cheshire County Council Pension Fund ("CCCPS"). Both of these are final salary schemes, offering good benefits for our staff. The Group has contributed to the schemes in accordance with levels set by the actuaries of between 7% and 29.8%. In addition the Group offers a defined contribution pension scheme with contribution levels of 4.5% for both employees and employers.

### Capital structure and treasury policy

There is a robust treasury management strategy in place which addresses interest rate risk, covenant compliance, funding and liquidity risk and exposure to counterparties. The strategy is set annually and is approved by the Board. Management of the loan portfolio is the responsibility of the Managing Director-Finance and is managed in accordance with the treasury management strategy and policy. The Group borrows at both fixed and floating interest rates. Regular updates on treasury activity are given to the Group treasury panel.

The Group does not make use of hedging instruments other than to fix variable rate debt either at the time of drawdown or following a review of the loan portfolio and market conditions.

The Group's borrowings total £234.2 million (2010:£214.9million). The movement in loans drawn represents funds drawn for stock development and improvement. Cash balances at the end of the year stood at £3.9 million (2010: £10.9 million). New debt drawn totalled £21.6 million (2010:£17.1 million). Interest costs remained static at £9.1 million (2010:£9.1 million) reflecting the continued low interest rates. The average rate of interest paid in the year reduced from 4.3% to 3.9%. Gearing for those members of the group subject to gearing covenants stood at 52% (2010: 46%) while interest cover increased to 144%(2010:130%).

## Operating and Financial Review

The Group borrows principally from banks, at both fixed and floating rates of interest. There is no limit imposed on the level of fixed interest rate borrowings the Association is able to hold. At the year-end, 49.3% of the Group's borrowings were at fixed rates. Variable rate borrowings are those where the interest rate is fixed for less than 12 months from the balance sheet date, including any where the agreement is longer but the bank has the option to cancel in this period.

Bank borrowings in summary:

	2011 £'000	2010 £'000
Fixed	119,276	97,408
Variable	112,771	92,919
Total Drawn	242,047	220,327
Available facility	36,072	17,792

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

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

### Going Concern

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

### Statement of compliance

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



**Vivien Cross**  
Acting Managing Director- Finance

22.9.11

## Report of the Board

The Board has pleasure in presenting the report and financial statements for Plus Dane Housing Group Limited for the year ended 31 March 2011.

### Principal Activity

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

### Status

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

### Amalgamation

On 26 July 2010 CDS Housing Association, Greater Hornby Housing Association Limited and New Generation Housing Association Limited, all of which were members of the Plus Dane Group amalgamated. On this date the activities, assets and liabilities of these Associations became vested in Plus Dane (Merseyside) Housing Association Limited. The activities of the three associations have continued within the amalgamated Association.

The amalgamation is a great step forward for Plus Dane which enables us to further enhance the service we provide to our tenants, whilst ensuring that we continue to deliver on our commitment to spending less on running our business, and putting more investment back into our neighbourhoods. This has resulted in financial and time savings and greater management efficiency and will allow us to invest further in the services we provide to residents. It also simplifies our contracts and other legal relationships as there is now just one Merseyside stock-holding association in the group.

### Post Balance Sheet Events

The Board confirm that there have been no events since the financial year end that have had a material effect on the financial position of the Association.

### Role of the Board

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

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

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

## Report of the Board

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

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

### **Managing Director Team**

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

### **Corporate Governance**

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

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

### **Internal controls assurance**

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

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

The process for identifying, evaluating and managing the significant risks faced by the Association is ongoing, has been in place throughout the period commencing 1 April 2010 up to the date of approval of the annual report and financial statements.

Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for Chair's Committee, Group Audit and Scrutiny Committee and Group HR Committee
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks
- Robust strategic and business planning processes, with detailed financial budgets and forecast
- Formal recruitment, retention, training and development policies for all staff
- Established authorisation and appraisal procedures for significant new initiatives and commitments
- A sophisticated approach to treasury management which is subject to external review each year

## Report of the Board

- Regular reporting to the appropriate committee on key business objectives, targets and outcomes
- Board approved whistle-blowing and anti-theft and corruption policies
- Board approved fraud policies, covering prevention, detection and reporting of fraud, and the recovery of assets
- Regular monitoring of loan covenants and requirements for new loan facilities

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

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

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

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

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

Industrial and Provident Societies Acts and registered social landlord legislation requires the board to prepare financial statements for each financial year. Under that law the board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under the Industrial and Provident Society legislation the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Association for that period. In preparing these financial statements, the board are required to:

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

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

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

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

## Report of the Board

### Employees

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

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

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

### Tenant Engagement

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

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

### Disclosure of information to auditors

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

### Equality and Diversity

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

### Investment power

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

### Annual general Meeting

The Annual General Meeting will be held on 22 September 2011.

### Auditors

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

### Approval

Approved by the Board and signed on its behalf by:



Alison Carey  
Company Secretary

22.9.11

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

We have audited the financial statements of Plus Dane Housing Group Limited for the year ended 31 March 2011 which comprise the Consolidated and Association Income and Expenditure accounts, the Consolidated and Association Statements of Total Recognised Surpluses and Deficits, the Reconciliations of Movements in Group and Association funds, the Consolidated and Association Balance Sheets, the Consolidated Cash Flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with regulations made under Section 4 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the board and auditors**

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

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cftn](http://www.frc.org.uk/apb/scope/private.cftn).

### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the Association's and of the Group's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2002, the Housing and Regeneration Act 2008 and The Accounting Requirements for Registered Social Landlords General Determination 2006.

### **Matters on which we are required to report by exception**

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

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

  
Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Manchester

27 September 2011



## Consolidated and Association's Income and Expenditure Account

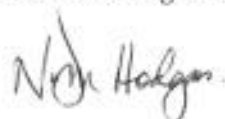
	Note	Group		Association	
		2011 £'000	2010 £'000	2011 £'000	2010 £'000
Turnover: group and share of joint venture		55,673	52,946	-	-
Less: share of joint venture turnover		(496)	(530)	-	-
<b>Group turnover</b>	3	55,177	52,416	8,467	8,148
Operating costs	3	(43,425)	(42,039)	(8,043)	(7,639)
<b>Group operating surplus before share of joint venture operating profit</b>	3,9	11,752	10,377	424	509
Share of joint venture operating profit		180	228	-	-
<b>Total operating surplus</b>		11,932	10,605	424	509
Surplus on sale of fixed assets	10	595	1,512	-	-
Gift Aid		-	-	(615)	-
Interest receivable	7	57	47	2	2
Interest payable and similar charges	8	(9,184)	(9,157)	-	-
Share of joint venture interest payable		(177)	(176)	-	-
Other finance costs	6	(466)	(647)	-	-
<b>Surplus/(deficit) on ordinary activities before tax</b>		2,757	2,184	(189)	511
Tax on surplus/(deficit) on ordinary activities	11	983	(459)	27	(178)
<b>Surplus/(deficit) for the year</b>	25	3,740	1,725	(162)	333

All amounts relate to continuing activities.

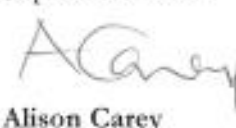
The financial statements were approved by the Board and signed on its behalf on 12 September 2011.



Board Member  
RICHARD KEMP



Board Member  
NICK HODGES



Alison Carey  
Secretary

The accompanying notes form part of these financial statements.

## Consolidated and Association Statements of Total Recognised Surpluses and Deficits

<b>Group</b>	<b>2011</b> <b>£'000</b>	<b>2010</b> <b>£'000</b>
Surplus for the year	3,740	1,725
Actuarial gain/(loss) on defined benefit pension scheme	9,382	(8,426)
Unrealised gain/(loss) on revaluation of investment properties	720	(1,877)
Share of joint venture unrealised gain/(loss) on revaluation of investment properties	75	(138)
Amortisation of acquisition reserve	(21)	(21)
	<hr/>	<hr/>
Total recognised surpluses and deficits for the year	13,896	(8,737)
	<hr/> <hr/>	<hr/> <hr/>

### Association

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

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

	<b>Group</b>		<b>Association</b>	
	<b>2011</b> <b>£'000</b>	<b>2010</b> <b>£'000</b>	<b>2011</b> <b>£'000</b>	<b>2010</b> <b>£'000</b>
Opening total funds/(deficit)	(8,208)	529	208	(125)
Total recognised surpluses/(deficits) relating to the year	13,896	(8,737)	(162)	333
	<hr/>	<hr/>	<hr/>	<hr/>
Closing total funds/(deficit)	5,688	(8,208)	46	208
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form part of these financial statements.

## Consolidated and Association's Balance Sheet

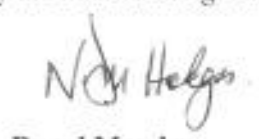
	Note	Group		Association	
		2011 £'000	2010 £'000	2011 £'000	2010 £'000
<b>Tangible fixed assets</b>					
Housing properties	12	472,919	429,606	-	-
Social housing and other grant	12	(247,870)	(230,742)	-	-
		<u>225,049</u>	<u>198,864</u>		
Other fixed assets	13	18,676	18,698	954	439
Investments	15	1,188	1,165	113	113
Share of joint venture gross assets	15	2,443	2,384	-	-
Share of joint venture gross liabilities	15	(3,500)	(3,522)	-	-
Homebuy initiative		1,237	1,237	-	-
Less: Social housing grant		(1,215)	(1,221)	-	-
		<u>243,878</u>	<u>217,605</u>	<u>1,067</u>	<u>552</u>
<b>Current assets</b>					
Stock	16	102	31	-	-
Properties for sale	17	4,301	1,554	-	-
Debtors: Due within one year	18	9,136	8,635	638	1,196
Debtors: Due after one year	18	5,980	6,064	-	-
Cash at bank and in hand		3,930	10,952	2	934
		<u>23,449</u>	<u>27,236</u>	<u>640</u>	<u>2,130</u>
<b>Creditors: amounts falling due within one year</b>	19	(20,073)	(20,611)	(1,661)	(2,474)
<b>Net current assets/(liabilities)</b>		<u>3,376</u>	<u>6,625</u>	<u>(1,021)</u>	<u>(344)</u>
<b>Total assets less current liabilities</b>		<u>247,254</u>	<u>224,230</u>	<u>46</u>	<u>208</u>
<b>Creditors: amounts falling due after more than one year</b>	20	234,899	216,060	-	-
<b>Provisions for liabilities and charges</b>	22	-	644	-	-
<b>Net pension liability</b>	6	6,667	15,734	-	-
<b>Capital and reserves</b>					
Non-equity share capital	24	-	-	-	-
Revenue reserve	25	10,010	(2,241)	46	208
Designated reserve	25	1,316	1,096	-	-
Acquisition reserve	25	1,118	1,139	-	-
Revaluation reserve	25	(6,756)	(8,202)	-	-
		<u>5,688</u>	<u>(8,208)</u>	<u>46</u>	<u>208</u>
<b>Consolidated/Association funds/(deficit)</b>		<u>247,254</u>	<u>224,230</u>	<u>46</u>	<u>208</u>

These financial statements were approved by the Board and signed on its behalf on 22 September 2011.



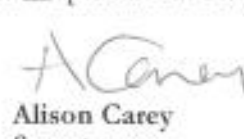
Board Member

Date 22.9.11  
RICHARD IKEMA



Board Member

NIGEL HOOPER



Alison Carey  
Secretary

The accompanying notes form part of these financial statements.

## Consolidated Cash Flow Statement

	Note	2011		2010	
		£'000	£'000	£'000	£'000
<b>Net cash inflow from operating activities</b>	27(a)		13,097		14,931
<b>Returns on investment and servicing of finance</b>					
Interest received		57		47	
Interest paid		(9,424)		(9,662)	
Interest element of finance lease payments		(63)		(68)	
			(9,430)		(9,683)
<b>Taxation:</b>					
Taxation (paid)/received			(429)		169
<b>Capital expenditure and financial investment</b>					
Housing property additions		(47,684)		(47,825)	
Social Housing Grant received		14,220		26,017	
SHG repaid		-		(95)	
Proceeds from sale of housing properties		1,263		3,094	
Proceeds from sale of other fixed assets		960			
Purchase of other tangible fixed assets		(549)		(324)	
			(31,790)		(19,133)
<b>Cash outflow before management of liquid resources and financing</b>			(28,552)		(13,716)
<b>Financing</b>					
Loans received		21,637		17,116	
Loans repaid		-		(3,127)	
Capital repayment of finance lease		(107)		(250)	
<b>Net cash inflow from financing</b>			21,530		13,739
<b>(Decrease)/increase in cash in year</b>	27(b)		(7,022)		22

The accompanying notes form part of these financial statements.

## Notes to the financial statements

### 1. Legal status

The Association is registered under the Industrial and Provident Societies Act 1965 and is registered with the Tenant Services Authority as a social landlord.

### 2. Principal accounting policies

#### Basis of accounting

The financial statements of the Group and the Association have been prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP) and in accordance with the Accounting Requirements for Registered Social Landlords General Determination 2006 and the Statement of Recommended Practice: Accounting by Registered Social Landlords (SORP), issued in January 2008 (SORP 2008).

#### Basis of consolidation

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

#### Turnover and revenue recognition

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

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

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

#### Pre-emption agreement

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

#### Taxation

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

#### Deferred taxation

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

## Notes to the financial statements

### 2. Principal accounting policies (continued)

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

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

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

#### Value Added Tax

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

#### Interest payable

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

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

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

#### Pension costs

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

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

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

## Notes to the financial statements

### 2. Principal accounting policies (continued)

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

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

#### Supporting people

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

#### Supporting people managed by agencies

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

#### Investment properties

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

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

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

## Notes to the financial statements

### 2. Principal accounting policies (continued)

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

#### Housing properties

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

Works to existing properties are works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only the direct overhead costs associated with new developments or improvements are capitalised.

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

#### Depreciation of housing properties

Freehold land is not depreciated. Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight line basis, over their estimated useful economic lives in the business. The depreciable amount is arrived at on the basis of original cost, less SHG and other grants, less residual value (being the actual or estimated open market value of the land at the date of purchase). The Group's housing properties are depreciated over the following periods:

New build properties	100 years
Rehabilitated properties	50 years

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



## Notes to the financial statements

### 2. Principal accounting policies (continued)

#### Impairment

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

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

#### Social housing grant

Social Housing Grant (SHG) is receivable from the Homes and Communities Agency ("HCA") and is utilised to reduce the capital costs of housing properties. The amount of SHG receivable is calculated on a fixed basis depending on the size, location and type of housing property. SHG due from the Homes and Communities Agency or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

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

#### Other grants

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

#### Properties for sale

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

#### Other tangible fixed assets

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

Freehold office building	2%
Motor vehicles (on a reducing balance basis)	25%
Furniture and equipment	10% to 33%

## Notes to the financial statements

### 2. Principal accounting policies (continued)

#### Leased assets

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

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

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

#### Investments

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

#### Stocks

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

#### Revenue reserves

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

#### Designated reserves

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

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

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

#### Acquisition reserve

The acquisition reserve represents the difference between consideration paid and the fair value of the assets and liabilities acquired (negative goodwill) by New Generation Housing under a transfer of undertakings, and it is amortised over the estimated useful economic life of the assets.

## Notes to the financial statements (continued)

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

Group	2011				2010			
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating Surplus £'000	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
<b>Social housing lettings</b>	43,696	-	(35,344)	8,352	42,016	-	(33,496)	8,520
<b>Other social housing activities</b>								
Development services	1,235	-	(1,123)	112	1,088	(5)	(612)	471
Supporting people contracts	1,109	-	(1,008)	101	873	-	(615)	258
Management services and other	1,101	-	(351)	750	1,401	-	(1,824)	(425)
Community regeneration	746	-	(1,860)	(1,114)	1,794	-	(2,346)	(552)
Sale of housing accommodation	2,428	(2,284)	-	144	1,637	(1,830)	88	(105)
Other	1,463	-	(190)	1,273	-	-	-	-
	<u>8,082</u>	<u>(2,284)</u>	<u>(4,532)</u>	<u>1,266</u>	<u>6,793</u>	<u>(1,835)</u>	<u>(5,309)</u>	<u>(351)</u>
<b>Non-social housing activities</b>								
Lettings	1,037	-	(459)	578	803	-	(72)	731
EAGA Warmfront and other private repair contract income	-	-	-	-	414	-	(299)	115
Income from finance leases	432	-	-	432	430	-	(2)	428
Other	1,930	(349)	(457)	1,124	1,960	(325)	(701)	934
	<u>3,399</u>	<u>(349)</u>	<u>(916)</u>	<u>2,134</u>	<u>3,607</u>	<u>(325)</u>	<u>(1,074)</u>	<u>2,208</u>
	<u>55,177</u>	<u>(2,633)</u>	<u>(40,792)</u>	<u>11,752</u>	<u>52,416</u>	<u>(2,160)</u>	<u>(39,879)</u>	<u>10,377</u>

## Notes to the financial statements (continued)

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

Association	2011				2010			
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
<b>Other social housing activities</b>								
Development services	2,537	-	(2,412)	125	2,509	-	(2,027)	482
Management services and other	5,930	-	(5,631)	299	5,639	-	(5,612)	27
	<u>8,467</u>	<u>-</u>	<u>(8,043)</u>	<u>424</u>	<u>8,148</u>	<u>-</u>	<u>(7,639)</u>	<u>509</u>

## Notes to the financial statements (continued)

### 3. Income and expenditure from social housing lettings

Group

	General needs housing £'000	Shared ownership £'000	Supported Housing & housing for older people £'000	Total 2011 £'000	Total 2010 £'000
Rent receivable net of identifiable service charges	32,840	1,131	6,832	40,803	39,557
Service charges receivable	879	125	1,089	2,093	1,559
Charges for support services	92	-	708	800	900
<b>Turnover from social housing lettings</b>	<b>33,811</b>	<b>1,256</b>	<b>8,629</b>	<b>43,696</b>	<b>42,016</b>
<b>Expenditure on social housing lettings</b>					
Management	9,188	364	2,671	12,223	10,756
Services	689	142	1,534	2,365	3,361
Routine and planned maintenance	8,588	55	2,387	11,030	10,930
Major repairs expenditure	6,760	7	723	7,490	6,439
Rent losses from bad debts	138	-	48	186	190
Supporting people	48	-	84	132	2
Depreciation of housing properties	1,590	-	365	1,955	1,841
Provision for recharge bad debts	(10)	-	(6)	(16)	(2)
Amortisation of negative goodwill	(21)	-	-	(21)	(21)
<b>Operating costs on social housing lettings</b>	<b>26,970</b>	<b>568</b>	<b>7,806</b>	<b>35,344</b>	<b>33,496</b>
<b>Operating surplus on social housing lettings</b>	<b>6,841</b>	<b>688</b>	<b>823</b>	<b>8,352</b>	<b>8,520</b>
<b>Rent losses from voids</b>	<b>396</b>	<b>272</b>	<b>51</b>	<b>719</b>	<b>621</b>
				<b>2011</b>	<b>2010</b>
<b>Particulars of turnover from non-social housing lettings</b>				<b>£'000</b>	<b>£'000</b>
Market rented letting				915	685
Garages				112	108
Shops				10	10
				<b>1,037</b>	<b>803</b>

## Notes to the financial statements (continued)

### 4. Accommodation in management and development

#### Group

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

#### Owned and managed by the Group

	2011 Units	2010 Units
<b>Social housing</b>		
General needs housing	9,274	9,100
Supported housing	1,893	1,527
Low cost home ownership	401	330
Leaseholder units	233	188
	<hr/>	<hr/>
<b>Total owned</b>	11,801	11,145
<b>Managed for others</b>	123	4,482
<b>Managed by others</b>	69	323
<b>Non-social housing</b>		
Market rented	123	122
Extra care	72	72
	<hr/>	<hr/>
	195	194
	<hr/>	<hr/>
Total owned and managed	12,188	16,144
	<hr/>	<hr/>
<b>Under construction</b>		
General needs	547	157
	<hr/>	<hr/>

## Notes to the financial statements (continued)

### 5. Directors' emoluments and expenses

During the year fees of £61,250 (2010: £60,000) were paid to Board members and expenses paid amounted to £4,189 (2010: £4,549).

The remuneration for the executive directors of the Plus Dane Housing Group for the year ended 31 March 2011 is detailed in the table below.

As a member of the Group, the Association bears a charge in respect of the services provided to it by the members of the group executive director team. The charge for the current year amounted to £28,984 (2010: £67,000).

		Basic salary £000	Benefits in kind £000	Pension contribution £000	2011 Total £000	2010 Total £000
K Perry	Group Chief Executive	121	5	28	154	150
A Ward	Chief Integration Officer (to July 2010)	28	3	6	37	128
P Shaw	MD – Finance	86	5	7	98	102
S Deepwell	MD - Development to October 2009. Acting MD Merseyside & Lancashire (from November 2009 to June 2010)	24	-	2	26	100
J Phillips	MD Knowledge, Innovation & Performance	86	4	19	109	108
C Budden	MD Merseyside & Lancashire (to October 2009)	-	-	-	-	63
M Doran	MD – Enterprising Neighbourhoods: Cheshire & Staffordshire	86	4	7	97	101
G Murden	MD - Enterprising Neighbourhoods: Merseyside	86	5	20	111	108
P Patterson	MD Three60 (to July 2010)	28	2	7	37	108
C Griffiths	MD Regeneration and Commercial Development (from November 2009)	86	4	9	99	57
<b>Total</b>		<b>631</b>	<b>32</b>	<b>105</b>	<b>768</b>	<b>1,025</b>

The emoluments of the highest paid director of the group, the Group Chief Executive, excluding pension contributions were £120,825 (2010: £120,000). The Group Chief Executive is a member of the Merseyside Pension Fund. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The Group does not make any further contribution to an individual pension arrangement for the chief executive.

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

## Notes to the financial statements (continued)

### 6. Employees

#### Group

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

	<b>2011</b>	<b>2010</b>
	<b>Number</b>	<b>Number</b>
Housing, support and care	364	341
Development	37	40
Administration	122	101
	<hr/>	<hr/>
	523	482
	<hr/>	<hr/>
	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
<b>Employee costs</b>		
Wages and salaries	14,284	12,927
Social security costs	1,160	851
Other pension costs	1,398	1,309
	<hr/>	<hr/>
	16,842	15,087
	<hr/>	<hr/>

#### Association

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

	<b>2011</b>	<b>2010</b>
	<b>Number</b>	<b>Number</b>
Administration and development	93	103
	<hr/>	<hr/>
	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
<b>Employee costs</b>		
Wages and salaries	3,425	4,295
Social security costs	289	326
Other pension costs	462	582
	<hr/>	<hr/>
	4,176	5,302
	<hr/>	<hr/>



## Notes to the financial statements (continued)

### 6. Employees (continued)

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

#### Social Housing Pension Scheme (SHPS)

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

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

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

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

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

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

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

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

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

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

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

## Notes to the financial statements (continued)

### 6. Employees (continued)

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

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

As at the balance sheet date there were 82 active members of the Scheme employed by the Group. The annual pensionable payroll of these members was £2,051,000 on a consistent and reasonable basis. The group continues to offer membership of the Scheme to its employees.

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

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

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

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

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

The valuation was carried out using the following demographic assumptions:

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

## Notes to the financial statements (continued)

### 6. Employees (continued)

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

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

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

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

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

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

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

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

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

## Notes to the financial statements (continued)

### 6. Employees (continued)

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

#### Merseyside Pension Fund

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

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

The 2011 employers' contributions to the MPF by the Group for the year ended 31 March 2011 were £829,000 (2010: £752,000) at a contribution rate of 16-22.8% of pensionable salaries, set until the next funding valuation at 31 March 2011. From 1 April 2011 the contribution rate is set at 9.8-16.5%.

#### Financial assumptions

	<b>31 March 2011 % per annum</b>	31 March 2010 % per annum
Discount rate	5.5	5.7
Future salary increases	4.4	4.75
Future pension increases	2.9	3.5
RPI Inflation assumption	3.4	3.5
CPI Inflation assumption	2.9	3.0

#### Expected return on assets

The expected return on assets were:

	<b>2011 % per annum</b>	2010 % per annum
Equities	7.5	7.5
Government bonds	4.4	4.5
Other bonds	5.1	5.2
Property	6.5	6.5
Cash/liquidity	0.5	0.5
Other	7.5	7.5

## Notes to the financial statements (continued)

### 6. Employee Information (continued)

#### Mortality assumptions

The post retirement mortality assumptions used to value the benefit obligation at March 2010 and March 2011 are based on PA92 mc YoB + 2 years for non-retired members and pensioners.

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

	2011	2010
Current pensioners		
- Males	21.4 years	20.4 years
- Females	24.1 years	23.2 years
Future Pensioners		
- Males	22.8 years	21.3 years
- Females	25.7 years	24.1 years

#### Amounts recognised in the balance sheet:

	2011 £'000	2010 £'000
Present value of funded obligations	(23,238)	(24,923)
Present value of unfunded obligations	-	-
Total present value of benefit obligations	(23,238)	(24,923)
Fair value of plan assets	19,475	17,375
Unrecognised past service cost	-	-
Deficit	(3,763)	(7,548)

## Notes to the financial statements (continued)

### 6. Employee Information (continued)

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

	2011 £ '000	2010 £ '000
Current service cost	624	375
Past service cost	-	54
Loss on settlements	-	6
Expected return on pension scheme assets	(1,151)	(795)
Interest on pension scheme liabilities	1,435	1,161
Total operating charge	<u>908</u>	<u>801</u>

£624,000 (2010: £435,000) was charged to the operating surplus and £284,000 was charged (2010: £366,000) to other finance costs/income.

#### Amounts recognised in the statement of total recognised surpluses and deficits

	2011 £ '000	2010 £ '000
Actuarial gain/(loss) in pension scheme recognised in STRSD	3,864	(3,747)
Cumulative actuarial loss recognised in STRSD	<u>(1,070)</u>	<u>(4,934)</u>

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

#### Changes in present value of defined benefit obligation:

	2011 £ '000	2010 £ '000
Opening defined benefit obligation	24,923	16,230
Current service cost	624	375
Past service cost	-	54
Member contributions	247	263
Interest cost	1,435	1,161
Actuarial (gains)/losses	(3,642)	7,230
Losses curtailments	-	6
Benefits paid	(349)	(396)
Closing defined benefit obligation	<u>23,238</u>	<u>24,923</u>

## Notes to the financial statements (continued)

### 6. Employee Information (continued)

#### Changes in fair value of assets:

	2011	2010
	£'000	£'000
Fair value of assets at beginning of year	17,375	12,478
Expected return on assets	1,151	795
Member contributions	247	263
Employer contributions	829	752
Actuarial gains	222	3,483
Benefits paid	(349)	(396)
	<u>19,475</u>	<u>17,375</u>

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

	2011	2010
Equities	60.7%	63.6%
Government bonds	10.7%	12.1%
Other bonds	6.7%	6.6%
Property	7.9%	6.3%
Cash	2.3%	2.6%
Other	11.7%	8.8%

#### Actual return on plan assets:

	2011	2010
	£'000	£'000
Actual return on plan assets	<u>1,430</u>	<u>4,278</u>

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

	2011	2010	2009	2008	2007
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligation	(23,238)	(24,923)	(16,230)	(19,179)	(15,632)
Fair value of scheme assets	19,475	17,375	12,478	14,079	13,503
	<u>(3,763)</u>	<u>(7,548)</u>	<u>(3,752)</u>	<u>(5,100)</u>	<u>(2,129)</u>
Deficit on scheme	(3,763)	(7,548)	(3,752)	(5,100)	(2,129)
Experience adjustments on plan liabilities	1,857	-	-	-	-
Experience adjustments on plan assets	222	3,483	(3,570)	-	(2,129)

## Notes to the financial statements (continued)

### 6. Employees (continued)

#### Cheshire County Council Pension Scheme ("CCCPS")

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

The employer's contributions to the scheme by the Group for the year ended 31 March 2011 were £403,000 (2010: £395,000) and the employer's contribution rate has been fixed as 22.8% of pensionable pay from April 2008 and set until the next funding valuation at 31 March 2013.

#### Financial Reporting Standard 17

##### Financial assumptions

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

	2011 % per annum	2010 % per annum
Rate of increase in salaries	5.1	5.3
Rate of increase in pensions in payment	2.8	3.8
Discount rate	5.5	5.5

##### Expected return on assets

The expected return on assets assumptions were:

	2011 % per annum	2010 % per annum
Equities	7.5	7.8
Bond	4.9	5.0
Property	5.5	5.8
Cash	4.6	4.8



## Notes to the financial statements (continued)

### Mortality

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

	2011	2010
<b>Current pensioners</b>		
- Males	22.9 years	20.8 years
- Females	25.7 years	24.1 years
<b>Future Pensioners</b>		
- Males	24.9 years	22.3 years
- Females	27.7 years	25.7 years

### Amounts recognised in the balance sheet

	2011 £'000	2010 £'000
Fair value of employer assets	13,345	12,140
Present value of funded liabilities	(16,249)	(20,326)
Net underfunding in funded plans	(2,904)	(8,186)
Present value of unfunded liabilities	-	-
Unrecognised past service cost	-	-
<b>Net liability</b>	(2,904)	(8,186)
Amount in the balance sheet		
Liabilities	(2,904)	(8,186)
Assets	-	-
<b>Net liability</b>	(2,904)	(8,186)

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

	2011 £'000	2010 £'000
Current service cost	388	231
Past service costs	69	-
Expected return on pension scheme assets	(854)	(560)
Interest on pension scheme liabilities	1,036	841
	639	512

£457,000 (2010: £231,000) was charged to the operating surplus and £182,000 (2010: £281,000 income) was charged to other finance costs.

## Notes to the financial statements (continued)

### 6. Employees (continued)

#### Amounts recognised in the statement of total recognised surpluses and deficits

	2011 £'000	2010 £'000
Actuarial gain/(loss) in pension scheme recognised in STRSD	5,518	(4,679)
Cumulative actuarial gain/(loss) recognised in STRSD	209	(5,309)

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

#### Changes in present value of defined benefit obligations

	2011 £'000	2010 £'000
Defined benefit obligations at beginning of year	20,326	12,242
Current service cost *	388	231
Interest cost	1,036	841
Contributions by members	111	115
Actuarial (gains)/losses	(4,978)	7,339
Past service cost *	69	-
Benefits paid	(703)	(442)
Defined benefit obligations at end of year	16,249	20,326

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

## Notes to the financial statements (continued)

### Changes in fair value of assets

	2011 £'000	2010 £'000
Fair value of assets at beginning of year	12,140	8,852
Expected return on assets	854	560
Contribution by members	111	115
Contributions by employer	403	395
Actuarial losses	540	2,660
Benefits paid	(703)	(442)
	<u>13,345</u>	<u>12,140</u>

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

	2011 £	2011 %	2010 £	2010 %
Equities	9,608	72	8,862	73
Bonds	2,002	15	1,700	14
Property	801	6	607	5
Cash	934	7	971	8
	<u>13,345</u>	<u>100</u>	<u>12,140</u>	<u>100</u>

### Actual return on plan assets

	2010 £'000	2009 £'000
Actual return on plan assets	1,021	3,220

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

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Fair value of employer assets	13,345	12,140	8,852	11,185	10,556
Present value of defined benefit obligation	(16,249)	(20,326)	(12,242)	(12,458)	(13,100)
Deficit	(2,904)	(8,186)	(3,390)	(1,273)	(2,544)
Experience gains/(losses) on assets	540	2,660	(3,216)	(239)	(44)
Experience gains/(losses) on liabilities	1,042	-	-	(1,080)	80

## Notes to the financial statements (continued)

### 7. Interest receivable

	Group		Association	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Interest receivable and similar income	57	47	2	2

### 8. Interest payable and similar charges

	Group 2011	Group 2010
Interest on bank loans and overdrafts	9,335	9,481
Finance leases	63	68
RCGF Interest	11	14
Disposal Proceeds fund interest	2	-
Refinancing costs written off	13	(1)
	<u>9,424</u>	<u>9,562</u>
Less: interest capitalised in housing property costs	(240)	(405)
	<u>9,184</u>	<u>9,157</u>
Capitalisation rate used to determine the finance costs capitalised during the period	0.95%	0.95%

### 9. Operating surplus

	Group		Association	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Is stated after charging:				
Depreciation of housing properties	2,084	1,930	-	-
Depreciation of other tangible fixed assets	817	706	299	70
Operating lease charges:				
- Land and buildings	301	300	-	-
- Other	475	324	-	-
Auditors' remuneration:				
- for audit services	61	68	5	22
- for non-audit services:				
- tax compliance	6	10	-	-
- tax advisory	21	35	-	-
- other	5	-	-	-

## Notes to the financial statements (continued)

### 10. Surplus on sale of fixed assets- housing properties

	Group		Association	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Disposal proceeds	2,038	9,681	-	-
Carrying value of fixed assets	(1,443)	(8,169)	-	-
	<u>595</u>	<u>1,512</u>	<u>-</u>	<u>-</u>

### 11. Tax on surplus on ordinary activities

United Kingdom Corporation Tax	Group		Association	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
<i>Current taxation:</i>				
Current tax on income for year	104	475	-	174
Adjustment in respect of prior year	(430)	(1)	(14)	(1)
	<u>(326)</u>	<u>474</u>	<u>(14)</u>	<u>173</u>
Total current tax charge/(credit)	(326)	474	(14)	173
Share of joint venture tax credit	-	12	-	-
	<u>(326)</u>	<u>486</u>	<u>(14)</u>	<u>173</u>
<i>Deferred taxation:</i>				
Net origination and reversal of timing differences	(26)	(27)	(26)	5
Adjustment in respect of prior year	(631)	-	13	-
	<u>(983)</u>	<u>459</u>	<u>(27)</u>	<u>178</u>
Total tax (credit)/charge	(983)	459	(27)	178

## Notes to the financial statements (continued)

### 11. Tax on surplus on ordinary activities (continued)

The current tax charge for the year varies from the standard rate of corporation tax in the United Kingdom of 28% (2010 – 28%). The differences are explained below:

	Group		Association	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Surplus/(deficit) on ordinary activities subject to tax	2,757	2,184	(189)	511
Surplus on ordinary activities at the standard rate of corporation tax in the UK of 28% (2010 - 28%)	772	612	(53)	143
Effects of:				
Pension scheme contributions in excess of charge	-	(2)	-	-
Expenses not deductible for tax purposes	1,164	584	14	36
Capital gain	13	63	-	-
Net charitable income	(767)	(1,492)	-	-
Accelerated capital allowances	(25)	(104)	-	(5)
Depreciation in excess of capital allowances	57	-	32	-
Losses utilised	(82)	-	-	-
Unrelieved tax losses	170	(531)	-	-
Other	218	60	7	-
Impairment	-	(48)	-	-
Adjustment in respect of prior year	(430)	(1)	(14)	(1)
Short term timing differences	(1,416)	1,333	-	-
	(326)	474	(14)	173

## Notes to the financial statements (continued)

### 12. Tangible fixed assets - Housing properties

GROUP Housing properties	Non-Social Housing		Social Housing Shared Ownership		Social Housing General needs		Total £'000
	Held for letting £'000	Under construction £'000	Held for letting £'000	Under construction £'000	Held for letting £'000	Under construction £'000	
<b>Cost</b>							
At 1 April 2010	1,294	703	18,354	703	402,706	21,195	444,251
Reclassification	145	-	55	-	(200)	-	-
Additions	4	-	96	2,065	6,245	39,241	47,651
Transfer (to)/ from current assets	-	-	-	(916)	-	-	(916)
Schemes completed in year	-	-	1,827	(1,827)	34,178	(34,178)	-
Disposals	-	-	(97)	-	(1,245)	-	(1,342)
At 31 March 2011	1,443	25	20,235	25	441,683	26,258	489,644
<b>Depreciation and impairment</b>							
At 1 April 2010	10	-	161	-	14,474	-	14,645
Charged in year	4	-	18	-	2,062	-	2,084
Released on disposal	-	-	-	-	(6)	-	(6)
At 31 March 2011	14	-	179	-	16,532	-	16,725
<b>Depreciated cost</b>							
At 31 March 2011	1,429	25	20,056	25	425,151	26,258	472,019
At 31 March 2010	1,284	703	18,193	703	388,231	21,195	429,606
<b>Social Housing Grant</b>							
At 1 April 2010	97	-	8,312	365	206,680	14,372	229,826
Reclassification	-	-	25	(365)	(25)	365	-
Additions	-	-	61	-	1,965	15,656	17,682
Schemes completed in year	-	-	-	-	13,511	(13,511)	-
Disposals	-	-	(15)	-	(684)	-	(699)
At 31 March 2011	97	-	8,383	-	221,447	16,882	246,809
<b>Other Grant</b>							
At 1 April 2010	485	-	39	-	392	-	916
Additions	-	-	-	-	55	90	145
Schemes completed in year	-	-	-	-	-	-	-
At 31 March 2011	485	-	39	-	447	90	1,061
<b>Net book value</b>							
At 31 March 2011	847	25	11,634	25	203,257	9,286	225,049
At 31 March 2010	702	338	9,842	338	181,359	6,823	198,864

## Notes to the financial statements (continued)

### 12. Tangible fixed assets - Housing properties (continued)

The net book value includes £553,000 (2010: £685,000) in respect of assets held under finance leases. Depreciation charged in the year on these assets amounted to £132,000 (2010: £131,000).

Social Housing Grant	2011 £'000 Revenue	2011 £'000 Capital	2010 £'000 Revenue	2010 £'000 Capital
Total accumulated SHG receivable at 31 March :	867	246,809	867	229,826

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

Expenditure on works to existing properties:	2011 £'000	2010 £'000
Amounts capitalised	3,486	960
Amounts charged to income and expenditure account	18,520	17,369
	<u>22,006</u>	<u>18,329</u>



## Notes to the financial statements (continued)

### 13. Other fixed assets

#### Group

	Freehold offices £'000	Leasehold office premises £'000	Motor vehicles £'000	Fixtures & equipment £'000	Freehold investment properties £'000	Total £'000
<b>Cost or valuation</b>						
At 1 April 2010	6,513	1,521	96	3,641	11,445	23,216
Additions	-	-	-	873	-	873
Disposals	-	(167)	(7)	(531)	(785)	(1,490)
Transfers	176	(176)	-	-	-	-
Revaluations	-	-	-	-	720	720
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2011	6,689	1,178	89	3,983	11,380	23,319
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>						
At 1 April 2010	1,872	643	89	1,913	-	4,517
Charged for the year	148	80	-	589	-	817
Disposals	-	(167)	-	(524)	-	(691)
Transfer	121	(121)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2011	2,141	435	89	1,978	-	4,643
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>						
At 31 March 2011	4,548	743	-	2,005	11,380	18,676
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2010	4,684	832	7	1,727	11,445	18,698
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The Group's freehold investment properties were revalued as at 31 March 2011. The valuation was undertaken by a qualified valuer (member of the Royal Institute of Chartered Surveyors) who is an employee of Plus Dane (Merseyside) Housing Association Limited (a member of the Group). An external valuation was last undertaken as at 31 March 2010. The valuation represents an assessment of the Market Value (as defined in the Royal Institute of Chartered Surveyors' Valuation Standards) of the individual properties. The surplus arising of £0.72million has been credited to the revaluation reserve. All other tangible assets are stated at historical cost.

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

## Notes to the financial statements (continued)

### 13. Other fixed assets (continued)

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

Had the freehold investment property not been revalued, it would have been included on the historical cost basis at £17.06million.

#### Association

<b>Cost</b>	<b>Fixtures, fittings &amp; equipment £'000</b>
At 1 April	789
Additions	814
Disposals	(135)
	<hr/>
At 31 March	1,468
	<hr/>
<b>Depreciation</b>	
At 1 April	350
Charge for the year	299
Disposals	(135)
	<hr/>
At 31 March	514
	<hr/>
<b>Net book value</b>	
At 31 March 2011	954
	<hr/>
At 31 March 2010	439
	<hr/>

## Notes to the financial statements (continued)

### 14. Subsidiaries

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

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

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

## Notes to the financial statements (continued)

### 15. Fixed asset investments

#### Group

	Joint venture loan £'000
At 1 April 2010	1,165
Additions	23
At 31 March 2011	<u>1,188</u>

#### Association

	Joint Venture £'000
As at 1 April 2010 and 31 March 2011	<u>113</u>

#### Joint Venture Undertakings

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

The Group also holds a joint venture investment in which it has a 50% interest in the ordinary share capital of Three60Austin Limited. The company is incorporated in the United Kingdom and its principal activity is that of property investment and development.

The group has the following aggregate interests in joint ventures.

	2011 £'000	2010 £'000
Share of gross assets	2,443	2,384
Share of gross liabilities	(3,500)	(3,522)
Share of net liabilities	<u>(1,057)</u>	<u>(1,138)</u>

### 16. Stock

	2011 £'000	2010 £'000
Consumables	102	31

## Notes to the financial statements (continued)

### 17. Properties for sale

Group	2011 £'000	2010 £'000
Outright sale	2,481	-
Shared ownership	1,820	1,285
	<hr/>	<hr/>
	4,301	1,554
	<hr/>	<hr/>

### 18. Debtors

#### Amounts receivable within one year

	Group		Association	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Rent and service charges	3,759	3,588	-	-
Less: provision for bad debts	(2,099)	(1,853)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,660	1,735	-	-
Development sales debtors	1,100	2,585	-	-
Amounts due under finance leases	482	462	-	-
Loans to employees	302	238	2	-
Other debtors and prepayments	3,314	3,466	345	490
SHG receivable	1,804	74	-	-
Corporation tax	400	14	25	14
Amounts due from group undertakings	-	-	192	631
Deferred tax	74	61	74	61
	<hr/>	<hr/>	<hr/>	<hr/>
	9,136	8,635	638	1,196

#### Amounts receivable after one year

Amounts due under finance leases	5,980	6,064	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	15,116	14,699	638	1,196
	<hr/>	<hr/>	<hr/>	<hr/>

#### Amounts due under finance lease

Amounts due under finance leases amount to £6,462,091 (2010: £6,526,000). This represents the value of the finance lease at 31 March 2011 granted to CLS Care Services over The Larches in Macclesfield. The Larches is a 90 unit dementia and extra care village which was completed and the lease granted in October 2007. The lease is for a period of 30 years and the substance of the lease is such that it is deemed to be a finance lease and has been treated in the financial statements accordingly.

## Notes to the financial statements (continued)

### 18. Debtors (continued)

#### Loans to employees

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

#### Development sales debtors

In accordance with Financial Reporting Standard 5 "Reporting the substance of transactions" properties developed under a right of pre-emption agreement are included in debtors where it is considered probable that the pre-emption right will be exercised. The cost of properties is £3,282,323 (2010 - £6,710,320) less social housing grant of £2,181,661 (2010 - £4,125,527). In the event that the pre-emption right is not exercised, the related properties would be transferred to fixed assets. The net book value of the properties is equivalent to the assets' value.

### 19. Creditors: amounts falling due within one year

	Group		Association	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Loans (see note 20)	8,167	5,818	-	-
Finance lease creditor (see note 20)	125	136	-	-
Trade creditors	3,208	3,165	579	800
Social Housing Grant received in advance	102	968	-	-
Other grant received in advance	150	205	-	-
Rent received in advance	639	525	-	-
Other tax and social security	808	430	116	-
Corporation tax	-	474	-	173
Accruals and deferred income	6,555	7,877	448	234
Recycled Capital Grant Fund (see note 23)	319	1,013	-	-
Amounts due to group undertakings	-	-	518	1,267
	<hr/>	<hr/>	<hr/>	<hr/>
	20,073	20,611	1,661	2,474
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes to the financial statements (continued)

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

<b>Group</b>	<b>2011</b> <b>£'000</b>	<b>2010</b> <b>£'000</b>
Bank loans	234,273	214,898
Less: issue costs	(1,570)	(1,483)
	<hr/>	<hr/>
	232,703	213,415
Recycled Capital Grant Fund (see note 23)	949	1,222
Scheme dowries	287	289
Disposal Proceeds Fund	120	135
Other grants	325	388
Finance lease creditor	515	611
	<hr/>	<hr/>
	234,899	216,060
	<hr/>	<hr/>

### Debt Analysis

<b>Group</b>	<b>2011</b> <b>£'000</b>	<b>2010</b> <b>£'000</b>
<b>Debt is repayable as follows</b>		
In five or more years	214,446	206,557
Between two and five years	15,463	8,553
Between one and two years	4,879	399
	<hr/>	<hr/>
	234,788	215,509
	<hr/>	<hr/>
In one year or less	8,292	5,954
	<hr/>	<hr/>
	243,080	221,463
	<hr/>	<hr/>

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

The level of undrawn facilities at the year end stands at £36.1 million (2010: £17.8 million).

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

## Notes to the financial statements (continued)

### 21. Disposal proceeds funds

Group	2011 £'000	2010 £'000
At 1 April	135	505
Grant recycled upon relevant events	73	-
Interest accrued	2	-
Purchase/development of properties	(90)	(370)
	<hr/>	<hr/>
Balance at 31 March (due after one year)	120	135
	<hr/>	<hr/>

The fund has been used to purchase social housing properties in accordance with permitted uses of the fund.

### 22. Provisions for liabilities and charges

#### Deferred tax

	Group		Association	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
At 1 April	583	610	(61)	(66)
Origination and reversal of timing differences	(26)	(27)	(26)	5
Prior year	(631)	-	13	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March	(74)	583	(74)	(61)
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred tax asset (note 18)	(74)	(61)	(74)	(61)
Deferred tax liabilities	-	644	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net deferred tax (asset)/liability	(74)	583	(74)	(61)
	<hr/>	<hr/>	<hr/>	<hr/>



## Notes to the financial statements (continued)

### 23. Recycled capital grant fund

<b>Group</b>	<b>2011</b> <b>£'000</b>	<b>2010</b> <b>£'000</b>
At 1 April	2,235	2,387
Additions to fund	87	874
Interest credited	11	14
Utilised in the year	(1,065)	(1,040)
	<hr/>	<hr/>
At 31 March	1,268	2,235
	<hr/>	<hr/>
<b>Disclosed as:</b>		
Amounts falling due within one year	319	1,013
Amounts falling due after one year	949	1,222
	<hr/>	<hr/>
	1,268	2,235
	<hr/> <hr/>	<hr/> <hr/>

### 24. Share capital

	<b>2011</b> <b>£</b>	<b>2010</b> <b>£</b>
Shares of £1 each issued and fully paid		
At 1 April and 31 March	8	8
	<hr/>	<hr/>

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

## Notes to the financial statements (continued)

### 25. Reserves

Group	Revenue reserve £'000	Acquisition reserve £'000	Furniture equipment replacements (Designated) £'000	Revaluation reserve £'000	Tenant invest reserve £'000	Total 2011 £'000
At 1 April	(2,241)	1,139	1,096	(8,202)	-	(8,208)
Surplus for year	3,740	-	-	-	-	3,740
Transfers	(871)	-	20	651	200	-
Amortisation of acquisition reserve	-	(21)	-	-	-	(21)
Actuarial gain on defined benefits pension	9,382	-	-	-	-	9,382
Fixed asset revaluation	-	-	-	795	-	795
At 31 March	10,010	1,118	1,118	(6,756)	200	5,688

#### Association

	Revenue reserve	
	2011 £'000	2010 £'000
At 1 April	208	(125)
(Deficit)/surplus for year	(162)	333
At 31 March	46	208

### 26 Note of historical cost surpluses and deficits

Group	2011 £'000	2010 £'000
Reported surplus on ordinary activities before taxation	2,757	2,184
Realisation of property revaluation loss	(651)	-
<b>Historical cost surplus on ordinary activities before taxation</b>	<b>2,106</b>	<b>2,184</b>
<b>Historical cost retained surplus for the year</b>	<b>3,089</b>	<b>1,725</b>

## Notes to the financial statements (continued)

### 27. Notes on the cash flow statement

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

	2011 £'000	2010 £'000
Operating surplus	11,932	10,605
FRS 17 adjustment	(151)	(481)
Depreciation/amortisation	2,880	2,635
Share of JV surplus	(180)	(40)
Movement in stock and properties held for sale	(1,902)	1,023
Movement in debtors	1,713	(166)
Movement in creditors	(1,195)	1,355
	<hr/>	<hr/>
Net cash inflow from operating activities	13,097	14,931
	<hr/> <hr/>	<hr/> <hr/>

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

	2011 £'000	2010 £'000
Change in cash in the year	(7,022)	22
Cash flow from movement in investments	-	-
Cash flow from movement in debt	(21,530)	(13,711)
	<hr/>	<hr/>
Movement in net debt	(28,552)	(13,689)
Net debt at 1 April	(209,028)	(195,339)
	<hr/>	<hr/>
Net debt at 31 March	(237,580)	(209,028)
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the financial statements (continued)

### 27. Notes on the cash flow statement (continued)

#### c) Analysis of changes in net debt

	At 1 April 2010 £'000	Cash flow £'000	At 31 March 2011 £'000
Cash at bank and in hand	10,952	(7,022)	3,930
Loans	(219,233)	(21,637)	(240,870)
Finance leases	(747)	107	(640)
	<u>(219,980)</u>	<u>(21,530)</u>	<u>(241,510)</u>
Change in net debt	<u>(209,028)</u>	<u>(28,552)</u>	<u>(237,580)</u>

### 28. Capital commitments

#### Group

	2011 £'000	2010 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	18,349	17,676
Capital expenditure that has been authorised but not yet contracted for	16,476	53,103
	<u>34,825</u>	<u>70,779</u>
The Group expects to finance the above commitments by:		
Social Housing Grant receivable	11,103	19,424
Loan facilities, shared ownership staircasing sales and other trading cash flows	23,722	51,335
	<u>34,825</u>	<u>70,779</u>

## Notes to the financial statements (continued)

### 29. Commitments under operating leases

As at 31 March 2011 the Group had annual commitments under non-cancellable operating leases as follows:

	2011 £'000	2010 £'000
<b>Land and buildings</b>		
Operating leases which expire:		
Less than 1 year	-	3
In two to five years	-	4
In five to ten years	300	300
	<hr/>	<hr/>
	300	307
	<hr/>	<hr/>
<b>Other</b>		
Operating leases which expire:		
Less than 1 year	65	112
In two to five years	411	200
In five to ten years	-	-
	<hr/>	<hr/>
	476	312
	<hr/>	<hr/>

The Association has no commitments under operating leases at 31 March 2011 (2010: £nil).

### 30. Post balance sheet event

It is considered that there have been no other events since the end of the financial year which have had a material impact on the financial position of the Association or the Group.

