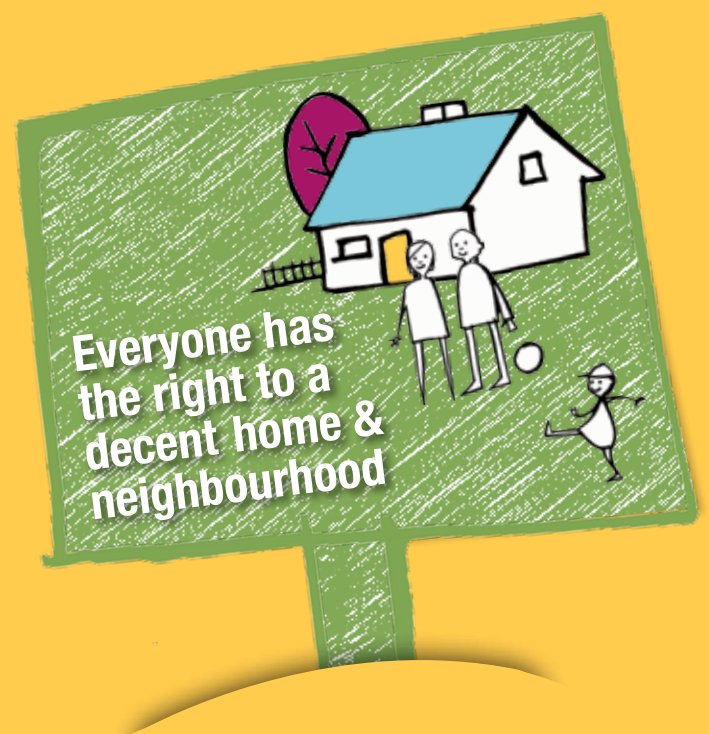


# Strength in numbers.

## Annual Accounts 2013

Financial statements for the  
year ended 31 March 2013





New Fylde Housing Limited is a subsidiary of Progress Housing Group Limited.

Registered with the Homes and Communities Agency (LH4284)

Charitable Industrial and Provident Society (30658R)

The registered office for Progress Housing Group Limited and its subsidiaries is:

Sumner House, 21 King Street,  
Leyland, Lancashire, PR25 2LW

t: 01772 450600

e: [enquiries@progressgroup.org.uk](mailto:enquiries@progressgroup.org.uk)

w: [progressgroup.org.uk](http://progressgroup.org.uk)



# **NEW FYLDE HOUSING LIMITED**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

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# NEW FYLDE HOUSING LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

### MEMBERS OF THE BOARD OF MANAGEMENT, EXECUTIVE OFFICERS AND ADVISERS

#### Members of the Board of Management

D A Morris#	Chairman
J Kazer*	Vice Chair
M Cunningham	
S Rawcliffe	
J Taylor	
V Willder	
M Shore	
J McLemon	
B Marchant	(Resigned 26 March 2013)

# Member of Progress Group Remuneration & Governance Committee

\* Member of Progress Group Audit Committee

#### Secretary

E Hughes

#### Registered Office

Sumner House  
21 King Street  
Leyland  
PR25 2LW

#### Executive Officers

J M De Rose BSc MCIH	Group Chief Executive
A Speer MBA, ACMA, BA (Hons)	Executive Director (Finance & Resources)
E Tamanis BA (Hons) ACMA	Executive Director (Business Development & Property Services)
B Keenan BA (Hons), MCIH	Executive Director (Housing, Community and Support Services)
G A Jackson	Group Director of Development And New Business
A Johnson FInstLM, MIoD, MBA	Managing Director Progress Care Housing Association
M Stevenson LLB (Hons)	Executive Director Legal

# NEW FYLDE HOUSING LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

### MEMBERS OF THE BOARD OF MANAGEMENT, EXECUTIVE OFFICERS AND ADVISERS (CONTINUED)

#### Statutory Auditors

KPMG LLP  
St James' Square  
Manchester  
M2 6DS

#### Principal Solicitors

DWF LLP  
1 Scott Place  
2 Hardman St  
Manchester  
M3 3AA

Gateley  
Ship Canal House  
98 King Street  
Manchester  
M2 4WU

#### Bankers

Barclays  
PO Box 3333  
One Snowhill  
Snowhill Queensway  
Birmingham B3 2WN

Santander  
2 Triton Square  
Regents Place  
London  
NW1 3AN

#### Funders

Lloyds Banking Group  
3rd Floor, 25 Gresham Street  
London  
EC2V 7HN

#### Financial and Business Advisers

David Tolson Partnership  
The Offices  
7 Millwood Close  
Withnell Fold  
Nr Chorley PR6 8AR

# NEW FYLDE HOUSING LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

NEW FYLDE HOUSING LIMITED FIVE YEAR FINANCIAL HIGHLIGHTS for the financial years ended 31 March	2013 £000's	2012 £000's	# Restated 2011 £000's	2010 £000's	2009 £000's
<b>Income and Expenditure Account</b>					
Turnover	10,397	9,613	8,668	8,155	7,395
Depreciation	888	722	726	747	446
Exceptional item	-	-	212	-	-
Impairment	49	420	-	-	-
Operating surplus	3,253	2,563	2,682	1,645	750
Surplus/(Deficit) for year on ordinary activities	1,002	444	594	(223)	(1,018)
Surplus/(Deficit) for year on ordinary activities including exceptional	1,002	444	806	(223)	(1,018)
Interest payable	(2,193)	(2,104)	(1,880)	(1,879)	(1,781)
<b>Cash Flow</b>					
Cash inflow from operating activities	5,345	3,495	3,527	2,096	402
Net cash outflows from returns on investments and servicing of finance	(2,315)	(2,204)	(2,075)	(1,915)	(1,768)
Net cash inflow/(outflow) after servicing of finance	3,030	1,291	1,452	181	(1,366)
Acquisition and construction of housing	(5,825)	(4,106)	(6,890)	(6,718)	(6,797)
Capital grants	1,438	553	3,845	1,749	7,101
Net cash outflow for capital expenditure	(6,694)	(4,511)	(4,155)	(5,033)	(252)
Net debt	(46,514)	(42,850)	(39,630)	(36,927)	(32,075)
<b>Balance Sheet</b>					
Tangible fixed assets	98,809	90,600	85,739	70,667	64,376
Depreciation	6,324	5,562	4,898	3,989	3,242
Accumulated social housing grant	20,640	18,435	17,273	13,300	9,066
Net tangible fixed assets	71,845	66,603	63,568	53,378	52,068
Net current assets/(liabilities)	3,146	(1,930)	(3,073)	(1,198)	(210)
Debt due after more than one year	49,889	41,332	38,035	36,798	35,295
Pension liabilities recognised on balance sheet	1,156	977	712	1,542	1,066
Reserves	23,946	22,364	21,748	13,840	15,497
<b>Key Ratios and Indicators</b>					
Operating margin	31%	27%	31%	20%	10%
Interest cover	189%	156%	181%	127%	67%
EBITDA	4,190	3,705	3,408	2,392	1,196
Net surplus/(deficit) as a % of turnover	10%	5%	9%	(3%)	(14%)
Gearing on a revaluation basis	62%	66%	66%	71%	62%

Gearing on a revaluation basis is calculated using total net debt.

# The impact of component accounting required restatement of the year ended 2011 only therefore making further prior years not directly comparable. The impact of the 2011 restatement increased the surplus for the year by £0.6m.

# **NEW FYLDE HOUSING LIMITED**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

### **REPORT OF THE BOARD**

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

### **OPERATING AND FINANCIAL REVIEW**

#### **Business Overview**

New Fylde Housing Limited exists to provide high quality homes to a wide range of customers in the Fylde and across the North West. We own and/or manage around 2,000 properties including affordable rental properties, sheltered housing, extra care accommodation, and leasehold schemes. We are a not-for-profit organisation, which means that all the money collected in rents is invested back into the organisation. This helps us to provide you with high quality services, repairs and maintenance. On 1st April 2012, New Fylde Housing Limited adopted charitable status. New Fylde Housing Limited is a subsidiary of Progress Housing Group Limited.

#### **Objectives and Strategies**

The Group's activities are focused on achieving our vision to be the housing provider of choice. The Group's business plan for 2013-2016 provides a challenging and exciting period ahead, which builds on the existing strength of the organisation and will enable new heights in customer services to be reached. The current political and operating environment presents a period of great change and uncertainty, which will bring forward both opportunities and threats. The plan aims to minimise the threats and make the most of the opportunities. Our objectives are backed up by clear performance measures and will be delivered by a dedicated staff team. The organisation's Board members will monitor progress towards these objectives and undertake an annual review of the business plan.

Our strategic aims include:

- Putting customers at the heart of the business
- Serving local communities
- Providing excellent services
- Continuing to grow the organisation to meet housing need
- Building an even stronger organisation

In 2013 to 2016, the period our business plan covers, these aims will be delivered by undertaking a number of Group-wide priorities, some of which include:

- Delivering high quality housing and services to people who would otherwise have difficulty in accessing the housing market;
- Improving the customer experience and explore new ways to engage customers and deliver services including the use of digital technologies;
- Continuing to improve customer satisfaction with our services by increasing 'right first time' service delivery;
- Achieving performance in the top quartile for our key performance indicators.

Our three-year strategic plan sets out our objectives and outcomes. There are a number of measures the Board will use to monitor achievement of the Group's objectives, which include:

# NEW FYLDE HOUSING LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

### REPORT OF THE BOARD

<u>Strategic Aim</u>	<u>Action</u>
Put customers at the heart of the business	<ul style="list-style-type: none"><li>• We will measure the impact of the sheltered housing review; in particular, demand for homes, empty properties (voids), and viability of schemes.</li><li>• A Scrutiny Panel has been established and its role will be extended to increase tenant empowerment and to review the findings of the tenant inspection programme.</li><li>• We will assess satisfaction in our regular status surveys.</li></ul>
Serve local communities	<ul style="list-style-type: none"><li>• Our boards and tenant groups will receive regular reports on the outcomes of our training, capacity building and employment generation activities.</li><li>• Our boards and tenant groups will receive regular reports on involvement and displacement activities for young people.</li><li>• Publish the achievements of the Community Investment Fund and Panel.</li><li>• We will assess and track the extent of fuel poverty amongst our customers; we will also achieve target savings under fuel poverty projects.</li></ul>
Provide excellent services	<ul style="list-style-type: none"><li>• We will assess our key performance indicators on a regular basis.</li><li>• We will review customer satisfaction in our regular status surveys.</li><li>• We will deliver our equality and diversity action plan.</li></ul>
Continue to grow the organisation to meet housing and related needs	<ul style="list-style-type: none"><li>• We will assess our performance against specific growth targets detailed in the business plan.</li><li>• We will influence local strategy decisions and feed into Local Investment Partnerships and strategic partnerships.</li></ul>
Build an even stronger organisation	<ul style="list-style-type: none"><li>• We will report to Board regularly on performance against our key financial indicators.</li><li>• We will survey our staff on a regular basis, normally bi-annually.</li></ul>



# NEW FYLDE HOUSING LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

### REPORT OF THE BOARD

#### Operating Review and Results for the Year

New Fylde Housing has established itself as an integral part of Progress Housing Group and joint working, particularly between New Fylde Housing and New Progress Housing Association, has continued to generate significant efficiencies and improvements in performance. During the year a project to align service delivery arrangements between New Fylde and New Progress has been completed which has substantially reduced support costs overall.

Overall satisfaction with services provided by New Fylde Housing rose to 92.6% from 90.9% which places us firmly in the top quartile nationally.

The year saw a small reduction in gross and net rent arrears the latter falling from 2.79% to 2.5% of rent debit. A new and strengthened income collection team has been established with the aim of ensuring that this good performance is maintained as the roll out by the government of its welfare reform agenda continues.

The Group's Financial Inclusion team has been strengthened during the year to ensure that high quality advice and support is available to all tenants who want it and are affected by the welfare reforms.

Void relet times were significantly improved during the year, falling from an average of 56.4 days 41.9 days. The major review of New Fylde's sheltered housing portfolio has continued with remodelling works completed at St. Johns Court and Liggard Court and further works identified at South Hey, Derby House, Croft and Naze and Amounderness Court. When completed these projects will have eliminated all the remaining bedsit accommodation from New Fylde's stock in addition to a number of other smaller less popular units.

The Group's Community Investment Panel makes awards to community groups and other organisations providing support and assistance to our tenants. During the last year a total of 7 New Fylde projects have been supported through the panel, with a total investment of £0.07m. Examples of projects supported over the last year include:

- New Fylde Futures - provision of sporting activities across 3 locations as diversionary activities for tenants and young people
- Continued funding of youth services on the Lower Lane Estate
- Community Capacity Building Programme – Residents from Lower Lane were given training in food hygiene and first aid to be able to take a more proactive role within their community, and in particular running events at the community centre.

We have seen a slight increase in the number of Right to Buy sales which on an historic cost basis generate surpluses. We will continue to monitor the level of interest and sale completions going forward.

#### Financial Performance

Turnover for the year increased by £0.8m or 8.2% with operating costs remaining largely in line with the prior year increasing by £0.1m. Therefore operating surplus increased by £0.7m to £3.3m. The surplus on ordinary activities increased by £0.6m to a surplus of £1m.

Cash inflow from operating activities stood at £5.3m mainly due to the operating surplus and adding back £0.9m of depreciation and impairment charges. Funds of £7.1m were required during the year reflecting the continued development programme, which showed a net spend of £6.7m in the year.

## **NEW FYLDE HOUSING LIMITED**

### **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

#### **REPORT OF THE BOARD**

Net tangible assets stood at £71.8m, an increase of £5.2m reflecting the investment in new property and revaluations in the year. Net debt outstanding, comprising of overdrafts, current asset investments and loans increased by £3.7m, or 8.6% and is mainly due to pre-drawing loan facilities which would otherwise expire.

#### **Capital Structure**

New Fylde Housing Limited is financed by £50m accumulated debt (2012: £41m), capital grants of £20.6m (2012: £18.4m) and offset by accumulated losses of earlier years of £8m which are reducing year on year (2012: £8.8m) out of total reserves of £23.9m. There is no debt due to be repaid within the next five years.

#### **Treasury Management**

The Association's Treasury Management function is under the direction of the Executive Director (Finance and Resources). Advice is also received from the Association's financial and corporate advisers, David Tolson Partnership who review the Group Treasury Management Policy and Strategy annually. The primary objective of the Association's Treasury Management Strategy is the provision of financial resources necessary to achieve its purpose and the management of associated risks, financial and operational, that might threaten its ability to do so. The Treasury Management function is not a profit centre.

The Association's interest rate management policy is to have a minimum of 50% fixed rate debt, and individual fixed rate loans shall not exceed 20% of total borrowing obligations within each RP's loan portfolio. The Association has sufficient liquidity in place to meet at least the next 12 months requirements plus an additional buffer. All loan covenants have been complied with in the year.

#### **Operational Performance Indicators**

The Association continues to demonstrate upper quartile performance on many of its performance indicators. We regularly monitor and report on key indicators including rent arrears, void losses, repairs and Decent Homes. Where targets are not being met improvement plans are in place. For a full list of our performance indicators and our current performance against target please visit the Group's website [www.progressgroup.org.uk](http://www.progressgroup.org.uk).

#### **Development Activity**

During the year as part of the Affordable Housing Programme New Fylde Housing has continued to develop affordable housing on the Fylde Coast, this has included 47 new units of accommodation starting on site. In addition throughout the year 17 mortgage rescue properties have been acquired and 36 other units of affordable housing completed and occupied. The Association reported £5.8m cash outflow on acquisition of housing properties. In housing properties held for sale there are 6 shared ownership units all of which were completed in the year.

#### **Financial Planning**

The Association's latest long term financial plan shows a continuing strengthening of the Group's financial position over time and can be delivered without any reliance on property sales to meet our objectives. Our key strategy remains ensuring we are financially strong, respond to economic and political change and continue to deliver quality services to our customers.

# **NEW FYLDE HOUSING LIMITED**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

### **REPORT OF THE BOARD**

#### **Employee Involvement**

The Association values its staff, and ensures that all staff are given the opportunity to provide comments and feedback through the Staff Forum, team meetings, a staff suggestion scheme and the Group's Intranet. The Group conducts a staff survey every two years to find out what employees views are in relation to their employment with the Group. Staff are provided with information on the performance of the organisation at the annual staff conference, a monthly newsletter and face to face business update briefing sessions that are held regularly throughout the year and every effort is made to engage with staff so that they have opportunity to be involved in future initiatives.

#### **The Environment**

The Association's Environmental Strategy seeks to ensure that the Association develops and maintains sound environmental practices and minimises the impact on the environment of our business activities. The association has an Environmental Team to facilitate staff suggestions and assist in implementing initiatives.

#### **Customer Involvement**

More than 10% of tenants took part in some form of community engagement activity during the course of the year, perhaps the most noteworthy being our annual Tenant Conference which was held in March. More than 170 tenants from across the Group attended this inspiring event which is proving to be a hugely successful vehicle for involving our customers in the work of the Association.

Teams of tenant inspectors continue to assess several of our services on a regular basis and most recently a number of "green inspectors" have been added to their number to oversee the work of our new grounds maintenance contractor. During the coming year tenant inspection of our income collection services will be introduced.

One of the Group's tenants won the Social Landlords Crime and Nuisance Group's annual Resident's Award at their annual conference in 2012. The tenant in question, who showed immense bravery in the face of serious harassment and anti-social behaviour, was supported by our Tenancy Enforcement Team under our Witness Protection Programme which itself was a finalist in the 2013 UK Housing Awards.

#### **Regulation**

The Homes and Communities Agency published its Regulatory Judgement in March 2013. It stated that 'The provider meets the requirements on viability set out in the Governance and Financial Viability standard and has the capacity to mitigate its exposures effectively'.

#### **Value For Money**

The Group seeks to ensure it is financially robust to achieve its priorities year on year. Our priorities are to maintain our existing properties for our tenants, manage our liabilities, improve our operating cash flows, and ensure resilience to the impact of welfare reform and to continue our development programme.

Progress Housing Group Board and Executive Team have revised the VFM strategy in order to ensure that the business continues to deliver VFM in its activities. The board recognises and understands the requirement to ensure the Group is well governed, is aware of our financial risks and remains financially viable whilst facing tough external challenges and pressures. In meeting its responsibilities, the Board has been involved in developing further the strategy during the year

and involved in establishing a comprehensive framework to consider value for money. The framework has been developed with officers through away days and reports presented to board.

## **NEW FYLDE HOUSING LIMITED**

### **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

#### **REPORT OF THE BOARD**

The strategy identified a number of strands which assists the Group on focussing on activity areas. These include:

- Income Strategy and Asset Usage
- Cost Strategy and Expenditure Areas
- Profitability Strategy and Benchmarking
- Financial Controls, Fraud, Loss prevention and Contracting
- Procurement

The Board has reviewed regular updates during the year on progress against the strands which provides members with assurance that the Group considers VFM effectively within its core activities.

The Board recognises the importance of income maximisation within the Group (subject to policy and regulatory controls) and not just a focus on cost control. During the year, we have focussed on sheltered properties which need reconfiguring to reflect local demands and needs which will reduce our void losses, improve property provision and lead to increased income.

Cost control is part of our strategy and review areas include asset management, salary and pension provision, governance and senior management structures and taxation. In addition, we have been reviewing our business processes including the role technology has, the use of functional structures for core operations to derive the benefits of specialisation and the continuing role of our service development team in facilitating service reviews.

We have also reviewed our service charge costs across many parts of the business to ensure we keep service charges to our customers at appropriate levels, which are affordable and recover costs. Within New Fylde Housing we have scrutinised all our charges and undertaken procurement activities including an OJEU tender for the grounds maintenance contract.

Our Procurement Team has worked with all areas of the business to review contracts with the aims of the following:

- Value for money assessment including market testing
- Procurement compliance
- Process improvement with outputs, administration, contract management, service delivery, streamline purchase to pay, compliance and improved supplier relationships
- Social value impact assessment
- Increased awareness for staff on procurement and VFM

During the 2012-2013 year, we reviewed a number of contracts across the Group which represent circa 10% of the Groups operating costs. These are wide ranging from mobile phones, white goods, maintenance materials, utility contracts, cleaning materials, vehicle supplies, copiers and fuel provision. The contract reviews lead to savings to tenants either in reductions in service charges, process or management information improvements. As part of our procurement reviews we also consider the social value impact which can be seen through division of larger contracts into smaller lots with positive impact on SME's, working with suppliers who can demonstrate strong social value links, working with suppliers with a strong local presence as an employer and substitution of environment friendly products at no extra cost.

We monitor and seek to improve on our operating margin each year for each subsidiary which reflects the impact of our strategy. Improving our operating margin we can demonstrate our VFM outcomes and benchmark ourselves against

our peers, and ensure a sustainable development strategy. Customers and stakeholders are involved within some procurement activities and also take part in our annual budget setting process.

## **NEW FYLDE HOUSING LIMITED**

### **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

#### **REPORT OF THE BOARD**

##### **Outlook Going Forward**

We will continue to develop properties including participating in the HCA Affordable Homes Programme and continue to explore other ways in which we can deliver more homes. The increased risks of developing with much lower levels of grant provides challenges which the Group will manage.

As we are a growing organisation we have secured additional premises to accommodate our staff requirements, which will come into use at the end of Summer 2013. We are also investing significantly in new technology and our board and staff are committed to improving our systems and business processes over the next three years.

##### **Principal Risks and Uncertainties**

The Association regularly assesses and reports on the principal risks. Risks are recorded in the risk register which is reviewed quarterly and records key controls to manage each risk, who is responsible for the control and how the control effectiveness is monitored. Risks are analysed according to their impact and probability given the control environment. The main risks that may prevent us achieving our objectives are:

##### **Impact of Welfare Reform Act 2012**

The Association has been assessing the impact of welfare reform changes on our customers and on our cash flow position. Staff resources have been increased across the group to deliver support to our customers and the business in light of these changes. The Financial Inclusion team play an important role in supporting individual customers to manage their finances, particularly with any personal changes affecting them. Close working relationships with the local authority Housing Benefit departments has enabled the effective exchange of information to target resources on those affected.

Detailed reviews of our profiling and property categorisation has been undertaken to inform our position. In addition to this the impact of increased arrears has been profiled with various scenarios. Provisions have been made within the business plan for increases in the levels of bad debts although impacts remain uncertain.

A Welfare Reform action plan is in place to manage all the risks and various elements of the Welfare Reform and their impacts.

##### **Defined Benefit Pension Scheme Liabilities**

The Association continues to proactively manage the level of the liability in respect of defined benefit final salary pension schemes. The Group Board has approved closing the schemes to new membership, thus reducing the employer cost of pensions and approved additional payments to reduce the pension liabilities.

##### **Customer and Supplier Risks – Credit, Liquidity, Fraud and Insolvency**

The Association monitors closely rental and other debtors and the solvency of suppliers. The procurement team has reviewed its supplier approval process and worked closely with its suppliers with regard to financial and other risk assessment criteria.

## **NEW FYLDE HOUSING LIMITED**

### **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

#### **REPORT OF THE BOARD**

##### **Development Activities**

The Association's strategy is to consider development opportunities within a framework which considers financial, commercial and regulatory risks. We consider implications of each potential development on key constraints including business planning approvals, funding, security and external pressures. We ensure we continue to maintain healthy surpluses whilst managing our finite security position. We are on track to deliver the HCA affordable housing programme.

##### **Risk Management**

Risk Management is embedded throughout the Group with each department in the organisation participating in a risk management process, which includes:

- The operation of Risk Maps and Risk Reports
- The Group Audit Committee act in a risk management role on behalf of the Group and its subsidiaries
- Internal Audit carrying out a review of the corporate risk management processes
- Control checks for compliance that are regularly reviewed to ensure the Group adopts best practice.

##### **Corporate Governance**

The Group adopted the National Housing Federation's Code of Good Governance in 2004 and seeks at all times to comply with this and with best practice with regards to corporate governance. The Group's compliance with the new code which was issued in July 2010 'Excellence in Governance' is reviewed on an annual basis with the outcome of the review being reported to the Group's Remuneration Committee.

The adoption of and reporting of any variation from the adopted code is part of the regulators regulatory requirements. This statement is therefore part of the Group's regulatory compliance and is presented on a "comply or explain" basis. Following our annual review of compliance in 2012 and the actions taken following this, it is the Group's assertion that it fully complies with the code.

##### **Governance Structure**

The Board of Progress Housing Group sets the strategic direction for the Group as a whole through the preparation and monitoring of the Group's business plan and through a series of corporate policies. The framework of control set out in the Intra Group Agreement, Scheme of Delegation, Financial Regulations and the Groups Code of Governance provides the structure of governance within the group. The Group Board oversees the Group-wide governance, risk management, funding and treasury management matters.

The Group and Subsidiary companies have established a number of standing committees to progress work on behalf of the Group members. Each committee has its own terms of reference as set out within the Group's Code of Governance. The composition of each of the committees and a brief résumé of their role is set out below.

The standing committees of the Group consist of:

# **NEW FYLDE HOUSING LIMITED**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

### **REPORT OF THE BOARD**

#### **Group Audit and Risk Committee**

Comprising up to six Non Executive Directors the committee has responsibility for the oversight of the internal audit programme, recommending the appointment of the external auditors, approving accounting policies and approving the risk control framework.

#### **Group Remuneration & Governance Committee**

The committee comprises up to six Non Executive Directors and is responsible for setting remuneration policy for staff and Non Executives, together with overseeing all other Human Resource policies. In addition the committee oversees the appraisal of the Chief Executive, and recommends to the Group Board the CEO remuneration package for their approval. The committee also acts as the Nominations Committee for the Group making recommendations to the AGMs for appointments to the board across the Group.

#### **Group Tenant Scrutiny Panel**

The panel consists of up to nine tenants (three from each subsidiary association) and scrutinises various areas of the Group's operations and recommends improvements for the benefit of tenants and customers to the Boards for implementation.

#### **Directors**

The names of the directors who have served during the year are shown on Page 2 and the Board would like to thank them all for their support and continued interest in the work of the Association.

#### **Internal Controls Assurance**

##### **Compliance Statement**

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This applies for all subsidiaries within the Group.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Group's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls, which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed and is consistent with the best practice.

The processes adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework include:

##### **Identification and evaluation of key risks**

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and on-going process of management review in each area of the Group's activities. This process is co-ordinated through a regular monitoring framework and reported to the Group Audit Committee (in their risk management role). The Executive Team regularly considers reports on significant risks facing the Group and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

## **NEW FYLDE HOUSING LIMITED**

### **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

#### **REPORT OF THE BOARD**

##### **Internal and external audit functions**

The Internal Audit function is resourced in-house and reports directly to the Group Executive Director of Finance & Resources although mechanisms are in place to ensure that the Internal Audit Team remains independent. The Annual Internal Audit programme, which is approved (and reviewed each quarter) by Audit Committee, is linked to the risk identification process. Departmental risk maps are used as a reference point for internal audit work and all audit reports are reviewed by Audit Committee.

Internal Audit endeavour to ensure that all audit work is in with compliance with the International Standards for Professional Practice of Internal Auditing.

The external auditors have been in regular contact with the Group, including attendance at Audit Committee meetings and liaison with the internal auditors. Non-audit work undertaken by the external auditors is limited and therefore it is considered that audit independence is not compromised.

Where appropriate, specific specialist audits such as IT and Asbestos have been outsourced.

##### **Financial Statements Disclosures**

The Audit Committee has received regular reports during the year with regard to any proposed significant changes to accounting policies and estimates affecting the accounts. In addition, proposed and actual changes to the Statement of Recommended Practice and the Accounting Direction for Housing Association Registered Providers, and the introduction of IFRS based standard to replace existing UK GAAP have been reported.

##### **Monitoring and corrective action**

The process of control self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management, the Audit Committee and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.

##### **Control environment and control procedures**

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including Treasury strategy and new investment projects. The Board has adopted and disseminated to all employees, the Group's Code of Governance. This sets out the Group's policies with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which employees must comply.

These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud detection and prevention. A comprehensive Board Member self assessment and training programme has been developed to ensure that Board Members remain professionally updated and are equipped with the skills to meet the needs of the business.

The Group continued to retain its external accreditations providing external assurance regarding the effectiveness of the Group's systems and procedures. Assurance was also provided from our regulator (the HCA) that the Group operates a financially viable business that is properly governed and managed.



## **NEW FYLDE HOUSING**

### **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

#### **REPORT OF THE BOARD**

It is inherently recognised that the Group does not tolerate fraud and action is taken to reduce the risk of fraud through systems of internal control. The fraud policy and response plan and whistleblowing (raising concerns at work) policy are incorporated within the Governance framework.

#### **Information and financial reporting systems**

Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board. The Board reviews the management accounts each quarter which highlight and explain any significant budget variances. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes. Both internal and external reviews of the budget setting process confirmed appropriate links with the Group's efficiency reporting mechanisms.

The internal control framework and the risk management process are subject to regular review by Internal Audit who are responsible for providing independent assurance to the Board via the Audit Committee. The Audit Committee considers internal control and risks at each of its meetings during the year.

All significant new initiatives, major commitments and investment projects are subject to formal review and authorisation, through the Funding Appraisal Team (FAT), and require Board approval.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group. This process has been in place throughout the year under review and is regularly reviewed by the Board. The Board has conducted its annual review of the effectiveness of the systems of internal control and has taken account of any changes needed to maintain the effectiveness of the risk management framework and the control process. It can confirm that there have been no significant weaknesses in controls resulting in material losses, contingencies or uncertainties, which would have required disclosure in the financial statements.

#### **Going Concern**

After making appropriate enquiries, and considering the impact of new developments and activities, the Board is satisfied that no significant risks or exposures exist other than those disclosed in the financial statements. The Board also considers that the Group has adequate resources to continue operating for the foreseeable future. For these reasons, therefore, the Board continues to adopt the Going Concern basis in preparing the financial statements.

#### **Statement of Compliance**

This operating review has been prepared in accordance with Reporting Statement on the Operating and Financial Review.

## **NEW FYLDE HOUSING**

### **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

#### **REPORT OF THE BOARD**

##### **Auditors**

KPMG LLP have expressed their willingness to continue in office, accordingly a resolution is to be proposed at the Annual General Meeting for their re-appointment.

##### **Statement of Disclosure to the Auditors**

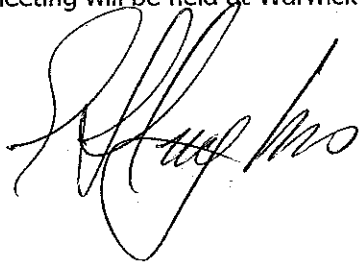
At the time of approval of this report:

- a) so far as the Board Members are aware, there is no relevant audit information of which the Association's auditor is unaware, and
- b) the Board Members have taken all steps that they ought to have taken as Board Members in order to make themselves aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

##### **Annual General Meeting**

The next Annual General meeting will be held at Warwick House, Lytham St Annes, Lancashire on 2<sup>nd</sup> September 2013.

Secretary  
2 September 2013



## **NEW FYLDE HOUSING LIMITED**

### **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

#### **STATEMENT OF BOARD'S RESPONSIBILITIES**

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

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

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

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

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

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

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Industrial and Provident Societies Acts 1965 to 2003, the Housing and Regeneration Act 2008 and The Accounting Direction for Social Housing in England April 2012. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# **NEW FYLDE HOUSING LIMITED**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

### **REPORT OF THE INDEPENDENT AUDITOR**

#### **Independent auditor's report to the members of New Fylde Housing Limited**

We have audited the financial statements of New Fylde Housing for the year ended 31 March 2013 set out on pages 20 to 38. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with section 128 of the Housing and Regeneration Act 2008 and section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the Board and auditor**

As more fully explained in the Statement of Board's Responsibilities set out on page 17, the association's Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the association as at 31 March 2013 and of its surplus for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003, the Housing and Regeneration Act 2008 and The Accounting Direction for Social Housing in England 2012.

**NEW FYLDE HOUSING LIMITED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013**

**REPORT OF THE INDEPENDENT AUDITOR**

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

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2003 require us to report to you if, in our opinion:

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



**Hywel Jones (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
**Chartered Accountants**  
**St James' Square**  
**Manchester**  
**M2 6DS**

**Date:** 4 September 2013.

**NEW FYLDE HOUSING LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

**Income and Expenditure Account**  
**For The Year Ended 31 March 2013**

	Notes	2013 £'000	2012 £'000
Turnover	2	10,397	9,613
Operating costs	2	(7,144)	(7,050)
<b>Operating surplus</b>	5	<b>3,253</b>	<b>2,563</b>
Deficit on disposal of fixed assets	6	(124)	(17)
Interest receivable	7	16	1
Interest payable and similar charges	8	(2,193)	(2,104)
Gift aid received	9	50	-
<b>Surplus on ordinary activities before taxation</b>		<b>1,002</b>	<b>443</b>
Tax on surplus on ordinary activities	10	-	-
<b>Surplus on ordinary activities for the year</b>		<b>1,002</b>	<b>443</b>

**Statement of Historical Cost Surpluses**  
**For The Year Ended 31 March 2013**

	2013 £'000	2012 £'000
Reported surplus on ordinary activities before and after taxation	1,002	443
Realisation of property revaluation reserves of previous years	78	-
<b>Historical cost surplus for the year after taxation</b>	<b>1,080</b>	<b>443</b>

The Association is charitable and exempt from corporation taxation under the provisions of S505 ICTA 1988.

**Statement of Total Recognised Surpluses and Deficits**  
**For The Year Ended 31 March 2013**

	Notes	2013 £'000	2012 £'000
Surplus for the year before and after tax		1,002	443
Unrealised gain on revaluation of housing properties	19	841	480
Actuarial (loss) on pension fund assets	27	(338)	(308)
<b>Total surpluses recognised since last annual report</b>		<b>1,505</b>	<b>615</b>

The notes on pages 23 to 38 form an integral part of the financial statements.

**NEW FYLDE HOUSING LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**


**Balance Sheet**  
**As at 31 March 2013**

	Notes	2013 £'000	Restated 2012 £'000
<b>Tangible Fixed Assets</b>			
Housing properties at valuation/cost	11	90,968	83,452
Social housing and other capital grants	11	<u>(20,640)</u>	<u>(18,435)</u>
		70,328	65,017
Other tangible fixed assets	12	<u>1,517</u>	<u>1,586</u>
		71,845	66,603
<b>Current Assets</b>			
Stock of housing properties for sale	13	434	-
Debtors	14	1,518	2,635
Investments	15	<u>3,392</u>	<u>55</u>
		5,344	2,690
<b>Less Creditors</b>			
Amounts falling due within one year	16	<u>(2,198)</u>	<u>(4,620)</u>
<b>Net current assets/(liabilities)</b>		<u>3,146</u>	<u>(1,930)</u>
<b>Total assets less current liabilities</b>		<u>74,991</u>	<u>64,673</u>
<b>Creditors</b>			
Amounts falling due after more than one year	17	49,889	41,332
Pension liability	27	1,156	977
<b>Capital and reserves</b>			
Non equity share capital	18	-	-
Revaluation reserves	19	31,915	31,074
Designated reserves	19	-	120
Revenue reserves	19	<u>(7,969)</u>	<u>(8,830)</u>
		74,991	64,673

The 2012 restated balance sheet's net current asset position remains unchanged see note 14 for further detail.

The notes on pages 23 to 38 form an integral part of the financial statements.

The financial statements on pages 20 to 38 were approved by the Board of Management on 5th August 2013 and were signed on its behalf by:



Board Member



Board Member

E. Hughes

Secretary



**NEW FYLDE HOUSING LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

**Cash Flow Statement**  
**For The Year Ended 31 March 2013**

	Notes	£'000	2013 £'000	£'000	Restated 2012 £'000
<b>Net cash inflow from operating activities</b>			5,345		3,495
<b>Returns on investments and servicing of finance</b>	24		(2,315)		(2,204)
<b>Capital expenditure</b>					
Acquisition and construction of housing properties		(5,825)		(4,106)	
Acquisition of completed housing properties from other related company		(1,353)		-	
Acquisition of components		(954)		(920)	
Social housing grant received		1,438		553	
Purchase of other fixed assets		(77)		(38)	
Proceeds of sales of housing properties		77		-	
			(6,694)		(4,511)
<b>Net cash (outflow) before management of liquid resources and financing</b>			(3,664)		(3,220)
<b>Management of liquid resources</b>					
(Increase) in short term investments		(837)		(55)	
Loans to other group companies advanced		(2,500)		-	
			(3,337)		(55)
<b>Financing</b>	24		7,057		3,298
<b>Increase in cash</b>			56		23
<b>Reconciliation of operating surpluses to net cash inflow from operating activities</b>					
Operating surplus			3,253		2,563
Depreciation charges	11/12		888		722
Gift Aid			50		-
Impairment			49		420
Difference between pension charge and cash contributions			(168)		(43)
Cash in/(out) flow from decrease/(increase) in debtors			844		(151)
Cash (out)/in flow from (decrease)/increase in creditors			429		(16)
			5,345		3,495
<b>Reconciliation of net cash flow to movement in net debt</b>					
Increase in cash			56		23
Cash used to increase liquid resources			3,337		55
Change in loans		(7,050)		(3,300)	
Issue costs	24	(7)		2	
			(7,057)		(3,298)
Change in net debt			(3,664)		(3,220)
Net debt at 1 April			(42,850)		(39,630)
Net debt at 31 March	24		(46,514)		(42,850)

The 2012 cash flow statement has been restated to include short term loans to and from other group companies in the net debt position.



## **NEW FYLDE HOUSING LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

#### **1. ACCOUNTING POLICIES**

New Fylde Housing is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Homes and Communities Agency as a Registered Provider.

##### **(1) Basis of Accounting**

The financial statements of the Association are prepared in accordance with applicable financial reporting standards in the UK and the Statement of Recommended Practice for Registered Social Landlords (SORP) issued in 1999 and updated in 2010, and comply with The Accounting Direction for Social Housing in England April 2012.

The financial statements are prepared on a revaluation basis for complete housing properties only.

The 2012 restatement in note 5 relates to implementing The Accounting Direction for Social Housing in England April 2012 disclosing auditor's remuneration excluding VAT.

Other accounting policies have been consistently applied from the prior year and throughout the Group. A summary of the more important accounting policies, which have been applied consistently, is set out below.

The Association believes it has adequate resources to manage its business risks successfully despite the current economic climate. The Report of the Board details the Association's objectives, policies and processes for managing its financial risks. Therefore the going concern basis of accounting has been adopted in the preparing the financial statements.

##### **(2) Turnover**

Turnover comprises:

- Rental income receivable from tenants and leaseholders in the year;
- Income from other services supplied in the year excluding VAT;
- Income receivable from charges made to fellow Group subsidiaries under Service Level Agreements.

##### **(3) Housing Properties**

Completed housing properties are stated at valuation on the basis of existing use for social housing ("EUV-SH"). For a number of properties, the historic cost less depreciation of the property exceeds the valuation (being EUV-SH), thus creating a negative revaluation reserve. For such properties impairment testing has been performed with no further impairments identified.

## **NEW FYLDE HOUSING LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

Completed housing properties have been split between their land and structure costs and a specific set of major components that require periodic replacement.

Refurbishment or replacement of such a component is capitalised and then depreciated on a straight line basis over the estimated useful economic life of the component at the following rates:

Structure	80 years
Kitchen	10-15 years
Bathrooms	15-30 years
Boilers	15 years
Heating system	30 years
Windows & doors	30 years
Lifts	25 years
Photo Voltaic Installations	25 years

Freehold land is not depreciated.

Housing properties in the course of construction are stated at cost less Social Housing Grant ("SHG") and are transferred to housing properties held for letting when completed. Development costs which arise directly from the construction or acquisition of a property are capitalised to housing properties in the course of construction.

#### **(4) Social Housing Grant and Other Capital Grants**

SHG can be recycled by the Registered Provider under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Tenant Services Authority. However, SHG may have to be repaid if certain conditions are not met.

The net SHG received and not spent is included in current liabilities, taking into account all properties under construction.

In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

#### **(5) Capitalisation of Interest and Development Overheads**

Interest is capitalised on loans financing schemes in development up to the point of practical completion. This is calculated by reference to the Company's cost of borrowing and the relevant development costs.

Administration costs relating to development activities are capitalised based on an apportionment of the support costs directly incurred on this activity.

## **NEW FYLDE HOUSING LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

#### **(6) Other Tangible Fixed Assets**

Depreciation is provided using the following methods to write down the other tangible fixed assets to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Straight Line

- Leasehold Offices 4%
- Fixtures and Fittings 3-10 years
- Computers Hardware and Software 5 years

#### **(7) Pensions**

New Fylde Housing Limited participates in two pension schemes, Lancashire County Council's Superannuation Fund and the Social Housing Pension Scheme administered by the Pensions Trust. Contributions to the pension schemes are calculated as a percentage of pensionable salaries of employees, determined in accordance with actuarial advice. The cost of providing a pension is charged to the period over which the Company's benefits from the employee's service, in accordance with FRS17.

#### **(8) Works to Existing Properties**

The Association capitalises expenditure on housing property which substantially adds to the value of the property or substantially extends its useful life, or which generates an increase in net rental income or a substantial reduction in future maintenance costs.

#### **(9) Taxation**

The Association has adopted charitable status on 1<sup>st</sup> April 2012 and no liability to Corporation tax arises on its surplus for the year. For the same reasons, no provision is made for deferred taxation.

#### **(10) Value Added Tax**

The Association 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 Company and not recoverable from HM Customs and Excise. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

#### **(11) Bad and Doubtful Debts**

The Association provides against rent arrears of current and former tenants and other trade debtors to the extent that they are considered to be irrecoverable.

#### **(12) Recycling of Capital Grant**

Where social housing grant is recycled the SHG is credited to a Disposal Proceeds Fund which appears as a creditor until spent.

## **NEW FYLDE HOUSING**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

#### **(13) Finance Costs**

Finance costs include interest, arrangement fees and non-utilisation fees. All costs are written off over the period to which they relate, except that interest is capitalised on loans financing schemes in the course of development as explained in accounting policy note (5).

#### **(14) Properties Managed on behalf of others**

All income and expenditure arising from the activity of managing properties for other agencies is included in the Income and Expenditure Account. The assets and liabilities relating to this income and expenditure are included in the Balance Sheet.

#### **(15) Supporting People**

This income includes Supporting People (SP) contract income received from Administering Authorities, plus support charges to individual tenants. When accounted for as part of rent, the income is shown as "charges for support services" in income from Social Housing Lettings. The related costs are shown as "support" expenditure in expenditure from Social Housing Lettings.

If the charges to individuals are not dealt with as part of rent, the income and related costs are shown as "other supporting people income" in Other Social Housing Activities.

SP contract income received from Administering Authorities and not dealt with as part of the rent, is shown as "Supporting People contract income" in Other Social Housing Activities.

#### **(16) First Tranche Shared Ownership Sales**

The Association has adopted the accounting treatment per the SORP 2010 such that:

- Shared Ownership (SO) properties are split proportionally between current and fixed assets based on the first tranche proportion;
- First tranche proportions are accounted for as current assets and the related sales proceeds shown in turnover; and
- The remaining element of the SO property is accounted for as a fixed asset so that any subsequent sale is treated as a part disposal of a fixed asset

#### **(17) Designated Reserves**

Designated reserves have had no movement for several years and therefore have been written back to revenue reserves in the current year with no impact on the Income and Expenditure Account. The majority of designated reserves relate to fixed assets for which there is no requirement to hold a designated reserve. As such fixed assets are capitalised and depreciated over the life of the asset therefore smoothing the impact in the year of acquisition on the Income and Expenditure Account.

NEW FYLDE HOUSING LIMITED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

2 Turnover, Operating Costs and Operating Surpluses

	2013		
	Turnover £'000	Operating Costs £'000	Operating Surplus £'000
<b>Social Housing Lettings (note 3a)</b>	9,494	(6,647)	2,847
<b>Non Social Housing Activities (note 3b)</b>			
Lettings	201	(92)	109
Other	702	(405)	297
<b>Total</b>	<b>10,397</b>	<b>(7,144)</b>	<b>3,253</b>

	2012		
	Turnover £'000	Operating Costs £'000	Operating Surplus £'000
<b>Social Housing Lettings (note 3a)</b>	8,910	(6,591)	2,319
<b>Non Social Housing Activities (note 3b)</b>			
Lettings	196	(75)	121
Other	507	(384)	123
<b>Total</b>	<b>9,613</b>	<b>(7,050)</b>	<b>2,563</b>

**NEW FYLDE HOUSING LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

**3(a) Income and Expenditure From Social Housing Lettings**

	General needs housing £'000	Housing for older people £'000	Supported housing £'000	2013 £'000	2012 £'000
<b>Income</b>					
Rent receivable net of identifiable service charges	6,049	1,633	806	8,488	7,738
Service charge income	136	374	290	800	760
Other income	34	-	-	34	265
Void guarantees and revenue grants	44	-	-	44	15
Charges for support services	8	120	-	128	132
<b>Turnover from social housing lettings</b>	<b>6,271</b>	<b>2,127</b>	<b>1,096</b>	<b>9,494</b>	<b>8,910</b>
<b>Expenditure</b>					
Management	(2,309)	(9)	(38)	(2,356)	(2,363)
Service charge costs and support	(178)	(613)	(265)	(1,056)	(1,100)
Routine maintenance	(1,177)	(91)	(47)	(1,315)	(1,176)
Planned maintenance	(197)	(101)	(12)	(310)	(352)
Major repairs expenditure	(567)	(7)	(4)	(578)	(503)
Bad debts	(123)	(5)	(1)	(129)	(79)
Property lease charges	(30)	-	-	(30)	(42)
Depreciation of housing properties	(742)	-	-	(742)	(555)
Impairment	(49)	-	-	(49)	(420)
Abortive costs	(82)	-	-	(82)	-
<b>Operating costs on social housing lettings</b>	<b>(5,454)</b>	<b>(826)</b>	<b>(367)</b>	<b>(6,647)</b>	<b>(6,591)</b>
<b>Operating surplus on social housing lettings</b>	<b>817</b>	<b>1,301</b>	<b>729</b>	<b>2,847</b>	<b>2,319</b>
Void losses (included within net rental income)	(93)	(99)	(22)	(214)	(199)

A number of the void losses above are subject to agreements where NFH is compensated for its losses. These void guarantees are chargeable to third parties in the year and totalled £20k (2012: (£19k)).

**3(b) Turnover From Non-Social Housing Activities**

	2013 £'000	2012 £'000
<b>Lettings</b>		
Commercial properties	136	144
Facilities management fees for related companies	65	52
	201	196
<b>Other</b>		
Control centre activities	395	386
Agency agreements	3	11
Luncheon clubs	-	5
Development fee	275	75
Other	29	30
	702	507

**NEW FYLDE HOUSING LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

**4 Accommodation In Management**

	<b>2013</b>	<b>2012</b>
	<b>No. Units</b>	<b>No. Units</b>
General needs housing:		
At social rent	1,461	1,483
At affordable rent	56	-
Supported housing	149	152
Housing for older people	432	437
	<hr/>	<hr/>
	2,098	2,072
	<hr/> <hr/>	<hr/> <hr/>

**5 Surplus For The Year**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Is stated after charging:-		
Auditors remuneration (excluding VAT)		
In their capacity as auditors	4	4
In respect of other services	11	12
Payments under operating leases		
- Housing properties - payable to other group company	(42)	42
- Motor vehicles	15	10
Impairment of housing properties	49	420
Depreciation of tangible fixed assets:		
- Housing properties	742	555
- Other fixed assets	146	167

The 2012 restatement relates to disclosing Auditors remuneration excluding VAT.

**6 Deficit on Disposal of Fixed Assets**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Sale proceeds	250	-
Costs of sales	(201)	(17)
Operating costs associated with sales	(173)	-
	<hr/>	<hr/>
Deficit for year	(124)	(17)
	<hr/> <hr/>	<hr/> <hr/>

**7 Interest Receivable**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest receivable	14	1
Interest receivable from group companies	2	-
	<hr/>	<hr/>
	16	1
	<hr/> <hr/>	<hr/> <hr/>

**NEW FYLDE HOUSING LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

**8 Interest Payable and Similar Charges**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
On bank loans:		
Repayable wholly or partly in more than 5 years	2,287	2,159
Interest payable on loans from group companies	35	68
Amortisation of issue costs	7	7
Pension scheme finance costs	9	3
	2,338	2,237
Less : Interest capitalised	(145)	(133)
	2,193	2,104

**9 Gift Aid**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Payment received from Group parent as Gift Aid in accordance with s189 of the Corporation Tax Act 2010	50	-
	50	-

**10 Taxation on Surplus on Ordinary Activities**

**(a) Analysis of the charge in the period**

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

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Current tax:		
UK Corporation Tax charge for the year	-	-
Under/(over) provision in previous years	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	-	-
Tax on surplus on ordinary activities	-	-

**(b) Factors affecting tax charge for the period**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Surplus on ordinary activities before tax	1,102	443
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2012:28%)	264	115
Effects of:		
Losses exempt in charitable activities	(264)	-
Items not allowable for tax purposes (primarily depreciation)	-	302
Depreciation in excess of capital allowances	-	2
Movements in provisions	-	(11)
Capitalised interest	-	(35)
Difference between surplus on disposal and chargeable gain	-	5
Utilisation of tax losses	-	(378)
Actual current tax charge	-	-

From 1st April 2012, the company adopted charitable rules and has been recognised by HMRC as a charity for tax purposes from that date.

The company has unrelieved losses of £4,438,000 (2012: £4,438,000) which are carried forward and are available to reduce the tax liability in respect of future taxable profits that may arise.

**Factors that may affect future tax charges**

A deferred tax asset of £1,065,000 (2012: £1,065,000), predominantly due to the availability of losses carried forward, has not been recognised in the accounts. The company is now recognised as a charity for tax purposes. As there may be few taxable profits in the future against which these losses can be offset, the deferred tax asset has not been recognised.



**NEW FYLDE HOUSING LIMITED**  
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**11 Tangible Fixed Assets - Housing Properties**

	Housing Properties Completed £'000	Housing Properties Under Construction £'000	Shared Ownership Completed £'000	Shared Ownership Under Construction £'000	2013 Total £'000	2012 Total £'000
<b>Cost (net of SHG) or valuation</b>						
As at 1 April	63,004	1,368	-	645	65,017	61,853
Additions	953	3,370	-	223	4,546	3,676
Additions from other group companies	-	1,353	-	-	1,353	-
Transferred on completion	5,109	(5,109)	434	(434)	-	-
Transfer to current assets	-	-	-	(434)	(434)	-
Disposals	(228)	-	-	-	(228)	403
Depreciation	(740)	-	(2)	-	(742)	(555)
Depreciation on disposals	105	-	-	-	105	(420)
Abortive costs	(81)	-	-	-	(81)	-
Impairment	(49)	-	-	-	(49)	(420)
Gain/(loss) on revaluation	1,071	-	(230)	-	841	480
As at 31 March	69,144	982	202	-	70,328	65,017
<b>Cost or valuation is represented by:-</b>						
Gross cost	61,511	2,038	539	-	64,088	56,785
Less:						
Social housing and other capital grants	(19,479)	(1,056)	(105)	-	(20,640)	(18,435)
Depreciation	(5,035)	-	(2)	-	(5,037)	(4,409)
	36,997	982	432	-	38,411	33,941
Revaluation reserve	32,147	-	(230)	-	31,917	31,076
	69,144	982	202	-	70,328	65,017

The above valuation in respect of Housing Properties completed comprises

	Housing Properties		Shared Ownership	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Freehold Properties	68,479	62,398	-	-
Long-leasehold Properties	665	606	202	-
Total	69,144	63,004	202	-

All housing properties are professionally valued on a five year rolling programme of revaluation.

The last full detailed valuation on all completed housing properties was performed by Countrywide, chartered surveyors, on the basis of open market value for social housing existing use (OMV-EU) as at 31st March 2013. The valuation was undertaken in accordance with the RICS Statement of asset valuation practice and guidance notes. In preparing the valuation, the valuer made use of discounted cash flow methodology and key assumptions made concerning future rental flows, the rate of turnover of existing tenants and the discount rate. The discount rate used was 6.0%.

The valuers estimated the aggregate existing use value - social housing of all completed properties at 31st March 2013 to be £67.8m.

Due to adopting a programme of rolling valuation newly developed housing properties totalling £1.3m have yet to be valued. These housing properties are being held at historic net book value which are an approximation of their open market value.

Staff flats are held at historic net book value £0.2m as these units do not generate any rental flows.

The cost includes £145k of interest capitalised @ 5.73% in the year (2012: £133k). Property costs include an apportionment of development staff time directly spent on the administration of development activities amounting to £354k (2012: £226k) and on in-house legal costs amounting to £34k (2012: Nil).

<b>Major Repairs, Renewals and Improvements</b>	<b>2013 £'000</b>	<b>2012 £'000</b>
Capitalised	954	920
Charged to revenue	578	503
	<u>1,532</u>	<u>1,423</u>

**NEW FYLDE HOUSING LIMITED**  
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**12 Other Tangible Fixed Assets**

	Leasehold Office Properties	Fixtures and Fittings	Computer Hardware and Software	2013 Total	2012 Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 31 March	2,263	395	81	2,739	2,701
Additions	-	77	-	77	38
Disposals	-	-	(12)	(12)	-
At 31 March	2,263	472	69	2,804	2,739
<b>Depreciation</b>					
At 31 March	810	276	67	1,153	986
Charge for the year	91	41	14	146	167
Depreciation on disposals	-	-	(12)	(12)	-
At 31 March	901	317	69	1,287	1,153
<b>Net Book Value</b>					
At 31 March	1,363	155	-	1,517	1,586

**13 Housing Properties for Sale**

	2013 £'000	2012 £'000
Completed shared ownership properties held for sale	434	-
	434	-

**14 Debtors**

	2013 £'000	Restated 2012 £'000
<b>Amounts falling due within one year :</b>		
Rent and service charge arrears	402	377
Less provision for bad debts	(237)	(181)
	165	196
Prepayments and accrued income	396	388
Capital grants receivable	921	1,194
Amounts owed by group companies	-	61
Trade debtors	278	1,026
Less Provision for bad debts	(242)	(230)
	1,518	2,635

The 2012 restatement does not affect net assets and relates to trade debtors being reclassified as capital grants receivable and capital grants in advance.

**15 Current Asset Investments**

	2013 £'000	2012 £'000
Bank deposits accessible on demand	892	55
Short term loans owed by group companies	2,500	-
	3,392	55

**NEW FYLDE HOUSING LIMITED**  
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**16 Creditors : Amounts falling due within one year**

	<b>2013</b>	<b>Restated</b>
	<b>£'000</b>	<b>2012</b>
		<b>£'000</b>
Bank balances overdrawn	17	73
Rent and services received in advance	588	542
Trade creditors	672	443
Amounts owed to group companies	325	1,663
Capital grants in advance	-	1,240
Capital expenditure creditors	342	405
Interest on housing loans	233	235
Taxation and social security payable	21	19
	2,198	4,620
	2,198	4,620

Bank balances overdrawn substantially relate to un-cleared payments.

The 2012 restatement does not affect net assets and relates to trade debtors being reclassified as capital grants in advance and intercompany accruals within trade creditors being reclassified as amounts owed to group companies.

**17 Creditors : Amounts falling due after more than one year:**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Housing loans	49,889	41,332
	49,889	41,332
	49,889	41,332

**Maturity of debt**

Building society loans repayable in instalments as follows:-

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
In more than five years	50,000	41,450
Total Loans	50,000	41,450
Less loan issue costs	(111)	(118)
	49,889	41,332
	49,889	41,332

Building society loans are secured by fixed charges on the Associations' assets. They include fixed and variable rate loans, at various rates, between 2.20% and 7.20%.

**NEW FYLDE HOUSING LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

**18 Non-Equity Share Capital**

	2013 £	2012 £
Allotted Issued and Fully Paid:		
At 1 April	10	10
Issued during the year	-	1
Surrendered during the year	(1)	(1)
	<hr/>	<hr/>
At 31 March	9	10
	<hr/> <hr/>	<hr/> <hr/>

The shareholders do not have a right to any dividend or distribution upon winding-up. Each shareholder has full voting rights. Individual shareholders hold their shares in Trust on behalf of the Association.

**19 Reserves**

	Revaluation Reserves £'000	Designated Reserves £'000	Revenue Reserves £'000	2013 £'000	2012 £'000
At 1 April	31,074	120	(8,831)	22,363	21,748
Surplus for the year ended 31 March	-	-	1,002	1,002	443
Surplus on revaluation	919	-	-	919	480
Realised on property sales	(78)	-	78	-	-
Transfer from designated reserves in year	-	(120)	120	-	-
Actuarial (loss) on pension scheme	-	-	(338)	(338)	(308)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March	31,915	-	(7,969)	23,946	22,363
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Designated reserves have been written back to revenue reserves following the adoption of component accounting.

**20 Capital Commitments**

	2013 £'000	2012 £'000
Capital expenditure contracted but not provided for in the financial statements	3,284	1,155
	<hr/>	<hr/>
	3,284	1,155
	<hr/> <hr/>	<hr/> <hr/>
	2013 £'000	2012 £'000
New Fylde Housing expects these commitments to be financed with:		
Grants	1,056	655
Committed loan facilities	2,228	500
	<hr/>	<hr/>
	3,284	1,155
	<hr/> <hr/>	<hr/> <hr/>

**NEW FYLDE HOUSING LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

**21 Contingent Liabilities**

There are no contingent liabilities. (2012: none)

**22 Employee Information**

	<b>2013</b>	<b>2012</b>
	<b>No.</b>	<b>No.</b>
The average number of full time equivalents employed during the year was:		
Office staff	33	33
Staff providing tenant services	4	6
	37	39
	37	39

Full time equivalents are calculated based on a standard working week of 36.25 hours.

**Staff costs (for the above persons)**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Office staff	975	1,016
Staff providing tenant services	81	115
	1,056	1,131
	1,056	1,131

**Salary bandings for all employees earning over £60,000**

	<b>2013</b>	<b>2012</b>
	<b>No.</b>	<b>No.</b>
£60,001-£70,000	1	1
	1	1
	1	1

Salaries for the above includes remuneration, bonuses, benefits in kind and compensation for loss of office.

**23 Emoluments of the Board and Directors**

The ultimate parent undertaking, Progress Housing Group Limited remunerates the Executive and Non - Executive Directors.

**NEW FYLDE HOUSING LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

**24 Cash Flow Statement Notes**

	2013 £'000	2012 £'000
<b>Returns on investments and servicing of finance</b>		
Interest received	16	1
Interest paid	(2,331)	(2,205)
	(2,315)	(2,204)
<b>Financing</b>		
Loans received	8,550	3,300
Issue costs amortised	7	7
Issue costs (incurred)	-	(9)
Intercompany loans	(1,500)	-
	7,057	3,298

	Restated At 1 April 2012 £'000	Cashflows £'000	Other Changes £'000	At 31 March 2013 £'000
<b>Analysis of net debt</b>				
Overdrafts	(73)	56	-	(17)
Current asset investments	55	3,337	-	3,392
Debt due within one year	(1,500)	1,500	-	-
Debt due after one year	(41,332)	(8,557)	(7)	(49,889)
Total	(42,850)	(3,664)	(7)	(46,514)

The 2012 cash flow statement has been restated to include short term loans to and from other group companies in the net debt position.

**25 Related Party Transactions**

The Association has taken advantage of the exemption not to disclose related party transactions under FRS8.

**26 Ultimate Parent Company**

The Association's ultimate parent company is Progress Housing Group Limited. Progress Housing Group Limited consolidated financial statements can be obtained from the Group's website or from the Company Secretary at the registered office:

Sumner House  
21 King Street  
Leyland  
PR25 2LW

## 27 Pension Obligations

New Fylde Housing participates in two pension schemes, Lancashire County Council's Superannuation Fund and the Social Housing Pension Scheme administered by the Pensions Trust. Both are defined benefit schemes, and detailed regulations govern the rates of pension contribution by both employees and the Association. Benefits are normally in the form of a lump sum retirement grant plus an annual pension.

The Group's strategy to proactively manage defined-benefit pension scheme deficits by taking the following steps.

- o Closing both its multi-employer, defined benefit pension schemes to new membership in 2009.
- o Increasing employer contributions beyond those actuarially assessed
- o Making additional lump sum payments to the Lancashire Local Government Pension scheme.
- o Making a defined contribution scheme available for all new starters.

Employer's contributions are based on percentages of employees' earnings as recommended by the actuary of the fund in his valuation. The ability of the pension funds to provide statutory benefits is assessed every three years by an independent professionally qualified actuary, and employer's contributions are reviewed in light of the actuary's report.

### LANCASHIRE COUNTY PENSION FUND

The most recent valuation of the fund was as at 31 March 2010, the results of which were:

Valuation Method	Projected Unit
Value of Assets	£3,962 million

New Fylde's employers' contributions to the fund during the year were equal to 37.5% of pensionable salary in the year, and amounted to £198,201. New Fylde Housing paid an additional lump sum contribution of £150k (2012: nil). The following table details the numbers of staff who are members of the fund.

	Employers' Contributions		No. Staff			
	2013	2012	2013	2012		
	£	£				
New Fylde Housing Limited	48,201	81,334	4	7		
Financial Reporting Standard 17 disclosures						
Actuarial Assumptions	at 31/03/13		at 31/03/12			
Rate of CPI Inflation	2.40%		2.30%			
Rate of Increase in Pensions	2.40%		2.30%			
Discount Rate	3.70%		4.60%			
Rate of Increase in Salaries	4.40%		4.30%			
Asset Information	Expected Rate of Return %	Market Value at 31 March 2013 £'000	% Split of Assets	Expected Rate of Return %	Market Value at 31 March 2012 £'000	% Split of Assets
Equities	7.00	2,159	62.00	7.00	1,760	58.00
Government Bonds	2.80	275	7.90	3.10	152	5.00
Other Bonds	3.90	599	17.20	4.10	456	15.00
Property	5.70	324	9.30	6.00	304	10.00
Cash/Liquidity	0.50	122	3.50	0.50	152	5.00
Other	7.00	3	0.10	7.00	213	7.00
Expenses deduction	0.26	-	0.00	0.26	-	0.00
Total Market Value of Assets	27.16	3,482	100.00	5.69%	3,037	100.00
Present Value of Scheme Liabilities		(4,638)			(4,014)	
Net Pension Liability		<u>(1,156)</u>			<u>(977)</u>	
<b>Balance Sheet Items as at 31 March</b>		<b>2013</b>			<b>2012</b>	
		<b>£000's</b>			<b>£000's</b>	
Present Value of Funded Benefit Obligations		4,638			4,014	
Total Present Value of Benefit Obligations		4,638			4,014	
Fair Value of Plan Assets		(3,482)			(3,037)	
<b>Deficit/(Surplus)</b>		<b>1,156</b>			<b>977</b>	
<b>Components of pension cost for period to 31 March</b>		<b>2013</b>			<b>2012</b>	
		<b>£000's</b>			<b>£000's</b>	
Current Service Cost		20			31	
Interest on Pension Liabilities		181			203	
Expected Return on Assets		(172)			(200)	
Effect of Curtailments or Settlements		10			4	
<b>Total pension cost recognised in Income and Expenditure</b>		<b>39</b>			<b>38</b>	
<b>Statement of Recognised Surpluses and Deficits</b>						
Actuarial losses		338			308	
<b>Total pension cost recognised in the Statement of Total Recognised Surpluses and Deficits</b>		<b>338</b>			<b>308</b>	

**NEW FYLDE HOUSING LIMITED**  
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<b>Change in Benefit Obligation during period to 31 March</b>	<b>2013</b> <b>£000's</b> All Benefits	<b>2012</b> <b>£000's</b> All Benefits
Benefit Obligation at beginning of period	4,014	3,855
Current Service Cost	20	31
Interest on Pension Liabilities	181	203
Member Contributions	5	9
Actuarial (gains)/losses on liabilities	626	159
Curtailments	10	4
Benefits/transfers paid	<u>(218)</u>	<u>(247)</u>
Benefit Obligation at end of period	4,638	4,014

<b>Change in Plan Assets during period to 31 March</b>	<b>2013</b> <b>£000's</b> All Benefits	<b>2012</b> <b>£000's</b> All Benefits
Fair value of plan assets at beginning of period	3,037	3,143
Expected return on plan assets	172	200
Actuarial gains/(losses) on assets	288	(149)
Employer contributions	198	81
Member contributions	5	9
Benefits/transfers paid	<u>(218)</u>	<u>(247)</u>
Fair value of plan assets at end of period	3,482	3,037
Actual Return on Plan Assets	460	50
Experience gains/(losses) on Assets	288	(149)
Experience gains/(losses) on Liabilities	-	-

**Post retirement mortality assumptions**

Non-retired members	S1PA CMI_2009 [1.25%] (103% Males, 96% Females)	S1PA CMI_2009 [1%] (103% Males, 96% Females)
Retired members	S1PA CMI_2009 [1.25%] (103% Males, 96% Females)	S1PA CMI_2009 [1%] (103% Males, 96% Females)

**Life expectancy**

of a male (female) future pensioner aged 65 in 20 years time	23.9 (26.7) years	23.1 (25.9) years
of a male (female) current pensioner aged 65	22.1 (24.8) years	21.7 (24.3) years

<b>Market value of total fund assets (£ millions)</b>	<b>4,920</b> (value as at 28 February 2013)	<b>4,158</b> (value as at 31 December 2011)
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**SOCIAL HOUSING PENSION SCHEME**

The Company participates in the SHPS (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to the individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from the total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The Scheme actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2012. Such a report is required by legislation for years in which a full valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £2,327 million and indicated a reduction in the shortfall of assets compared to liabilities to approximately £1,241 million, equivalent to a past service funding level of 65%.