

GROWTH

Innovation

Empowering customers

INVESTING IN HOMES

Working together for an even brighter future

Improving lives RESPECT

Working smarter

OPERATIONAL EXCELLENCE

Stronger communities Passion



NEW PROGRESS
HOUSING ASSOCIATION LIMITED

Annual Accounts 2012

Financial Statements for the year ended
31 March 2012

NEW PROGRESS HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

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NEW PROGRESS HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

MEMBERS OF THE BOARD OF MANAGEMENT, EXECUTIVE OFFICERS AND ADVISERS

Members of the Board of Management

S Miller	Chairman	
V Jackson	Vice Chair	(Resigned 13 September 2011)
P Holt		
W Staines		
C Kushner		
F Smith		
S Tattersall		
B Yates		
S Penswick		(Resigned 13 September 2011)
P Whitworth*	Vice Chair	(Appointed 13 September 2011)
L Pickard		(Appointed 13 September 2011)

* Member of Audit Committee

Secretary

E Hughes

Registered Office

Sumner House
21 King St
Leyland
PR25 2LW

Executive Officers

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

NEW PROGRESS HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

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

Statutory Auditors	KPMG LLP St James' Square Manchester M2 6DS	
Principal Solicitors	Cobbetts 58 Mosley Street Manchester M2 3HZ	
Bankers	Barclays PO Box 3333 One Snowhill Snowhill Queensway Birmingham B3 2WN	
Funders	Nationwide Building Society Kings Park Road Moulton Park Northampton NN3 1NL	The Co-operative Bank 3rd Floor, 1 Balloon Street Manchester M60 4EP
	Santander 2 Triton Square Regents Place London NW1 3AN	
Financial and Business Advisers	David Tolson Partnership The Offices 7 Millwood Close Withnell Fold Nr Chorley PR6 8AR	

NEW PROGRESS HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

NEW PROGRESS HOUSING ASSOCIATION FIVE YEAR FINANCIAL HIGHLIGHTS for the financial years ended 31 March	2012 £000's	# Restated 2011 £000's	2010 £000's	2009 £000's	2008 £000's
Income and Expenditure Account					
Turnover	21,125	21,064	21,158	20,271	19,502
Depreciation	1,862	1,881	1,811	1,790	1,773
Exceptional item	-	233	-	-	-
Operating surplus	8,634	8,353	7,569	6,511	6,499
Surplus for year on ordinary activities	4,352	2,834	1,659	452	308
Surplus for year on ordinary activities including exceptional	4,352	3,067	1,659	452	308
Interest payable	(4,952)	(5,461)	(5,933)	(6,356)	(6,178)
Historical cost surplus for year	4,256	3,090	2,202	1,076	1,002
Cash Flow					
Cash inflow from operating activities	12,403	11,029	9,478	9,949	9,204
Net cash outflows from returns on investments and servicing of finance	(4,260)	(5,413)	(5,897)	(6,285)	(6,184)
Net cash inflow after servicing of finance	8,143	5,616	3,581	3,664	3,020
Acquisition and construction of housing	(5,537)	(9,663)	(3,039)	(5,075)	(5,232)
Capital grants	840	6,645	379	1,125	1,666
Net cash outflow for capital expenditure	(6,958)	(4,511)	(2,396)	(4,133)	(3,321)
Balance Sheet					
Tangible fixed assets	262,381	256,277	227,817	222,820	214,738
Accumulated depreciation	20,036	18,926	13,742	11,931	10,141
Social housing grant	29,809	28,919	19,251	17,516	16,391
Net tangible fixed assets	212,536	208,432	194,824	193,373	188,206
Net current assets	7,470	7,578	2,864	1,639	974
Debt greater than one year	116,382	116,381	117,395	117,843	115,357
Pension liabilities	1,566	1,430	1,854	1,279	1,370
Reserves	102,058	98,199	78,439	75,890	72,453
Key Ratios and Indicators					
Operating margin	41%	40%	36%	32%	33%
Interest cover	212%	187%	160%	133%	134%
EBITDA	10,496	10,001	9,380	8,301	8,272
Net surplus as a % of turnover	21%	15%	8%	2%	2%
Gearing	53%	54%	60%	61%	61%

The impact of component accounting requires restatement of the prior year 2011 only therefore making further prior years not directly comparable. The impact of 2011 restatement increases the surplus for the year by £1.1m see note 27.

NEW PROGRESS HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

REPORT OF THE BOARD

The Board presents its report and the audited financial statements of the Association for the year ended 31 March 2012.

OPERATING AND FINANCIAL REVIEW

Business Overview

New Progress Housing Association exists to provide high quality housing to a wide range of customers and to improve the environment in which they are situated. The Association is committed to embracing diversity in all its forms, and involves customers and staff in all its activities. It owns and manages some 3,865 general needs and sheltered homes primarily in South Ribble. New Progress Housing Association 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 2012-2015 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:

- Put customers at the heart of the business
- Serve local communities
- Provide excellent services
- Continue to grow the organisation to meet housing need
- Build an even stronger organisation

In 2012 to 2015, the period our business plan covers, these aims will be delivered by undertaking a number of Group-wide priorities, some of which include:

- Providing more new housing for general rent, and for people with learning disabilities;
- Increasing support to vulnerable customers through our Telecare and Control Centre services;
- Continue to improve satisfaction with our services. Increase 'right first time' service delivery;
- Implement initiatives to reduce fuel poverty for our customers;
- Achieve key financial 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 PROGRESS HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

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">• We will measure the impact of the sheltered housing review; in particular, demand for homes, empty properties (voids), and viability of schemes.• Established scrutiny Panel to continue to provide quarterly reports to the relevant boards.• We will assess satisfaction in our regular, period status surveys
Serve local communities	<ul style="list-style-type: none">• Our boards and tenant groups will receive regular reports on the outcomes of our training, capacity building and employment generation activities.• Our boards and tenant groups will receive regular reports on involvement and displacement activities for young people.• Publish the achievements of the Community Investment Fund and Panel.• We will assess and track the extent of fuel poverty amongst our customers; we will also achieve target savings under fuel poverty projects.
Provide excellent services	<ul style="list-style-type: none">• We will assess our key performance indicators on a regular basis.• We will review customer satisfaction in our regular status surveys.• We will publish the revised strategy for older people.
Continue to grow the organisation to meet housing and related needs	<ul style="list-style-type: none">• We will assess our performance against specific growth targets detailed in the business plan.• We will influence local strategy decisions and feed into Local Investment Partnerships and strategic partnerships.
Build an even stronger organisation	<ul style="list-style-type: none">• We will report to Board regularly on performance against our key financial indicators.• We will survey our staff on a regular basis, normally bi-annually.

NEW PROGRESS HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

REPORT OF THE BOARD

Operating Review and Results for the Year

Performance in the key areas of rent collection and empty property management continues to be strong and both these indicators remain significantly above the national average. Speed of response to repair requests has exceeded targets and performance in carrying out annual gas servicing checks continues to be excellent with performance yet again at 100% compliance at the end of 2011/12.

New Progress Housing Association's control centre (which provides social alarm services) achieved the platinum standard of the Telecare Services Association code of practice with only one other provider achieving this standard in the north west of England. The team also exceeded growth projections and now generates in excess of £1.2 million per annum in income for the Group.

Our Head of Tenancy Enforcement, Linda Alcock, was awarded the 'Tim Winter' Award at the Social Landlords Crime and Nuisance Group's national annual conference in 2011. The award recognises 'employees who has gone above and beyond their remit in tackling anti social behaviour effectively and has inspired others'.

External benchmarking of our Tenancy Enforcement Team performance with HouseMark shows we were ranked 3rd (top quartile) out of 98 organisations in relation to "% of respondents who were satisfied with the outcome of their ASB complaint". The satisfaction rating for NPHA was 97.3% in 2010/11 compared to 85.9% in the previous year.

We were also ranked 5th (top quartile) out of 91 organisations in relation to "% of customers who found themselves satisfied with the support given to them when staff dealt with their complaint". The satisfaction rating was 93.4%.

The Community Investment Panel makes awards to community groups and other organisations providing support and assistance to our tenants. Examples of projects supported over the last year include:

- The new Broadfield community centre called 'The Base' which opened in January 2012 together with a new Community Development Worker on the Broadfield estate;
- A 'Community Grow, Cook and Eat' project at our Foundations homeless scheme in Preston;
- A number of diversionary activities ranging from netball, football, aerobic sessions to healthy eating projects

Financial Performance

Turnover for the year increased by £0.1m, or 0.3%. Operating costs reduced by £0.5m, or 3.5%. The operating surplus increased by £0.5m, excluding the exceptional in 2011, to £8.6m. The surplus on ordinary activities increased by £1.5m, from £2.8m excluding the exceptional in 2011, to £4.4m in the year.

Cash flow from operating activities increased by 12.5% to £12.4m, mainly due to adding back some £1.9m of depreciation and amortisation and movements in debtors and creditors. No new loans were required during the year but the Association continued to develop, showing a net capital spend of £7m in the year.

NEW PROGRESS HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

REPORT OF THE BOARD

Net tangible fixed assets rose to £212.5m, an increase of £4.1m, or 2%. This reflects investment in new property and partial revaluations performed at the year-end on the Group's housing stock. Net debt outstanding increased by £0.3m, or 0.3%.

The Association had £7.5m net current assets at the end of the year, a decrease of £0.1m, this reflects in amounts owed to group companies.

Capital Structure

In common with all Housing Association Registered Providers, New Progress Housing Association is financed by debt of £117m (2011: £117m), revenue reserves of £2.4m (2011 Restated: (£1.7m)) and capital grants of £29.8m (2011 Restated: £28.9m). 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 Group Finance Director. Advice is also received from the Association's financial and corporate advisers, David Tolson Partnership who review the Treasury Management Policy/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.

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.

Development Activity

We are now in Year 2 of the 4 year National Affordable Housing Programme. Schemes completed in the last twelve months include

- 9 family houses for social rent and two houses for shared ownership in Leyland
- Delivering 17 family houses for social rent in Leyland

In addition 13 properties were purchased under the mortgage rescue initiative with the aid of HCA funding.

Four family houses have recently been acquired through a S106 agreement at Coppull.

NEW PROGRESS HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

REPORT OF THE BOARD

Financial Planning

The Association's latest long term financial plan is improving year on year and can be delivered without any reliance on 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.

Regulatory Change

The Association's principal regulator is the Regulation Committee at the Homes and Communities Agency (the regulator) who have issued their new regulatory regime for Registered Providers to follow from April 2012. This builds on the co-regulatory approach introduced by the Tenants Services Authority with its primary focus being on the economic regulation of Registered Providers. The regulator will only intervene in consumer regulatory matters if serious detriment to tenants can be demonstrated. This new regime places a greater emphasis on the boards of associations ensuring that the regulatory standards are met and procedures are in place to ensure the highest standards of governance are met and that the management of the association delivers outstanding performance and value for all its stakeholders.

Employee Involvement

The Association values its staff, and ensures that all staff are given the opportunity to provide comments and feedback through a number of facilities such as the Staff Forum, a staff suggestion scheme, staff survey and the Group's Intranet. Staff are provided with information on the performance of the organisation at the annual staff conference and business update briefing sessions that are held 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 minimise the impact on the environment of our business activities. The Association has an Environmental team to facilitate staff suggestions and assist in implementing initiatives. A retrofit programme of Photo Voltaic panels was completed before the end of the financial year 143 panels were fitted to four schemes.

Customer Involvement

During the year the Group wide Scrutiny Panel continued to meet to oversee operational performance of all the associations in the Group. The focus of the Panel will change from 2012/13 to scrutinising service specific areas over the course of a year. The Panel is supported by staff and an external mentor but is made up entirely of customers and reports directly to both subsidiary and Group boards.

Alongside the work of the Scrutiny Panel the already well established tenant inspection programme was further developed during the year with Group wide mystery shopping exercises now taking place on a regular basis which are reported to Boards every quarter.

During 2011/12 Board approved a new Community Involvement Strategy which responds to the Localism Act and co-regulation agenda of the new Coalition Government.

NEW PROGRESS HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

REPORT OF THE BOARD

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 Act legislates for specific changes to the welfare system and includes the introduction of Universal Credit as well as reductions in benefit for those deemed to be under occupying their homes. This restricts Housing Benefit entitlement for social housing tenants whose accommodation is larger than their deemed need and will also introduce direct payment of housing benefit to tenants. The Group is assessing the impact of these changes on our customers and on our cashflow position.

Defined Benefit Pension Scheme Liabilities

The Group continues to proactively manage the size 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. The Group will put in place arrangements to reassure SHPS trustees that the non-asset holding company employer debt can be met.

Loan Facility and Security Position

The Group has sufficient funding facilities for at least the next two years of development and may pre-draw any available facilities before facility expiration. The Group has not entered into any financial commitments which would expose it to commitment risk beyond available facilities.

Credit, Liquidity, Customer and Supplier Risk

The Association monitors closely rental and other debtors and the solvency of suppliers and is strengthening the criteria for prequalification of construction suppliers. The Association has strengthened the financial inclusion team to ensure an appropriate level of support for tenants affected by the Government's welfare reforms.

Reductions in Revenue and Increases in Costs

A number of these risks collectively will lead to reductions in benefits receivable by its customers which may in turn lead to reduced income for the Association and increased costs such as bad debts, and additional transaction costs arising from anticipated benefit reform.

Whilst these risks are manageable by the Association, it will closely monitor these reforms and will implement changes to minimise the adverse financial impacts arising from them. This may result in reviewing the levels of services which are provided and planning for reductions in income or increases in costs if it is unavoidable.

NEW PROGRESS HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

REPORT OF THE BOARD

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 (re 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 2011 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:

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.

NEW PROGRESS HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

REPORT OF THE BOARD

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.

Tenant Scrutiny Panel

The panel consists of up to nine tenants (three from each subsidiary association) and was formed in November 2010. The panel scrutinises the Group's performance against the National Standards and Local Offers and supports the Group in the preparation of the Annual Reports to Tenants.

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 PROGRESS HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

REPORT OF THE BOARD

Internal and external audit functions

The Internal Audit function is resourced in-house and reports directly to the Group Director of Finance. Mechanisms are in place to ensure that the Head of Internal Audit 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.

In line with Financial Reporting Council (FRC) guidance for audit committees a review of the internal audit service was undertaken during the year and actions taken to ensure the service will comply with 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 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. The progress and impact of component accounting has been reported regularly during the year. 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.

NEW PROGRESS HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

REPORT OF THE BOARD

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 (TSA) that the Group operates a financially viable business that is properly governed and managed.

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

During the period there has been one significant incident which has impacted on the Group. The incident occurred as a result of a development contractor submitting fraudulently overstated valuations regarding a design and build contract. In order to mitigate this risk the Group employed an employer's agent (quantity surveyor) to certify all valuations prior to payment, however, the overstated amounts were not detected. The developer has since gone into receivership and the directors of the developer face criminal prosecution. The Group is seeking redress against the employer's agent and it is expected that the majority (if not all) of the losses will be recovered. A full internal investigation was carried out and management continue to review controls in order to reduce the risk of any reoccurrence.

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 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 on-going 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 received the Chief Executives annual report, 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, except for the one instance mentioned above, there have been no significant weaknesses in controls resulting in material losses, contingencies or uncertainties, which would have required disclosure in the financial statements.

Donations

The Association made £10,200 of charitable donations during the year (2011: £11,892). During the year the Association made no political donations (2011: £nil).

NEW PROGRESS HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

REPORT OF THE BOARD

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 revealed in the financial statements. The Board also consider 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 Finance Review.

Statement of Disclosure to the Auditors

At the time of approval of this report:

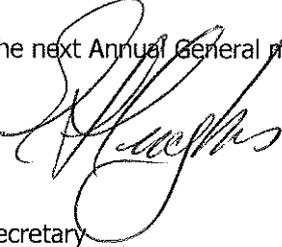
- a) so far as the Board Members are aware, there is no relevant audit information of which the Association's auditor is unaware, and
- b) the Board Members have taken all steps that they ought to have taken as Board Members in order to make themselves aware of any relevant audit information and to establish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

Auditors

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

Annual General Meeting

The next Annual General meeting will be held at Wellington Park, Leyland, Lancashire on 11th September 2012.



Secretary

6th August 2012

NEW PROGRESS HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

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 Requirements for Registered Social Landlords General Determination 2006.

The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the 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 PROGRESS HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

REPORT OF THE INDEPENDENT AUDITORS

Independent auditor's report to the members of New Progress Housing Association Limited

We have audited the financial statements of New Progress Housing Association for the year ended 31 March 2012 set out on pages 2 to 37. 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 16, the association's Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 2012 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 Requirements for Registered Social Landlords General Determination 2006.

NEW PROGRESS HOUSING ASSOCIATION LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

REPORT OF THE INDEPENDENT AUDITORS

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.

HP Jones.

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

Date: *10 August 2012.*

NEW PROGRESS HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

**Income and Expenditure Account
For The Year Ended 31 March 2012**

	Notes	2012 £'000	Restated 2011 £'000
Turnover	2	21,125	21,064
Operating costs	2	(12,491)	(12,944)
Exceptional Item - FRS17 change in benefits	26	-	233
Operating surplus	5	8,634	8,353
(Deficit)/surplus on disposal of housing assets	6	(61)	96
Interest receivable	7	731	79
Interest payable and similar charges	8	(4,952)	(5,461)
Surplus for the year before and after tax		4,352	3,067

**Statement of Historical Cost Surpluses and Deficits
For The Year Ended 31 March 2012**

	2012 £'000	Restated 2011 £'000
Reported surplus on ordinary activities before and after taxation	4,352	3,067
Realisation of property revaluation reserve on disposals	(96)	23
Historical cost surplus on ordinary activities before and after taxation	4,256	3,090

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 2012**

	Notes	2012 £'000	Restated 2011 £'000
Surplus for the year before and after tax		4,352	3,067
Unrealised (loss)/gain on revaluation	18	(365)	20,418
Actuarial (loss)/gain on pension fund assets	18/26	(128)	252
Surplus for the year		3,859	2,549
Prior year adjustment in relation to adoption of component accounting	18	(2,401)	-
Total surpluses recognised since last annual report		1,458	2,549

The notes on pages 22 to 37 form an integral part of the financial statements.

NEW PROGRESS HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

Balance Sheet
As at 31 March 2012

	Notes	2012 £'000	Restated 2011 £'000
Tangible Fixed Assets			
Housing properties at valuation/cost	9	241,560	236,565
Social housing and other capital grants	9	<u>(29,809)</u>	<u>(28,919)</u>
		211,751	207,646
Other tangible fixed assets	10	<u>785</u>	<u>786</u>
		212,536	208,432
Current Assets			
Stock of housing properties for sale	11	75	-
Debtors-due after one year	12	4,106	4,359
Debtors-due within one year	12	7,835	7,837
Investments	13	517	1,031
Cash at bank		<u>253</u>	<u>51</u>
		12,786	13,278
Less Creditors			
Amounts falling due within one year	14	<u>(5,316)</u>	<u>(5,700)</u>
Net current assets		7,470	7,578
		<u>220,006</u>	<u>216,010</u>
Total assets less current liabilities		220,006	216,010
		<u><u>220,006</u></u>	<u><u>216,010</u></u>
Creditors			
Amounts falling due after more than one year	15	116,382	116,381
Pension liability	26	1,566	1,430
Capital and reserves			
Non equity share capital	17	-	-
Revaluation reserves	18	99,201	99,470
Designated reserves	18	442	442
Revenue reserves	18	<u>2,415</u>	<u>(1,713)</u>
		220,006	216,010
		<u><u>220,006</u></u>	<u><u>216,010</u></u>

The notes on pages 22 to 37 form an integral part of the financial statements.

The financial statements on pages 19 to 37 were approved by the Board of Management on 6th August 2012 and were signed on its behalf by:


Board Member


Board Member


Secretary

E. Hughes

NEW PROGRESS HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

Cash Flow Statement
For The Year Ended 31 March 2012

	Notes	2012 £'000	2011 £'000
			Restated 2011 £'000
Net cash inflow from operating activities		12,403	11,029
Returns on investments and servicing of finance	23	(4,260)	(5,413)
Capital expenditure			
Acquisition and construction of housing properties		(5,537)	(9,663)
Acquisition of components		(2,369)	(1,852)
Social housing grant received		840	6,645
Purchase of other fixed assets		(58)	(25)
Proceeds of sales of housing properties		166	384
		(6,958)	(4,511)
Net cash (outflow)/inflow before management of liquid resources and financing		1,185	1,105
Management of liquid resources			
Cash withdrawn from short term deposits		514	1,423
Loan to related companies		(1,500)	(1,500)
		(986)	(77)
Financing	23	3	(1,014)
Increase in cash		202	14
Reconciliation of operating surpluses to net cash inflow from operating activities			
Operating surplus		8,634	8,353
Depreciation charges		1,863	1,869
Grant amortisation charges		(14)	-
Difference between pension charge and cash contributions		8	61
Exceptional Item - FRS17 change in benefits		-	(233)
Cash outflow from decrease in debtors		1,678	443
Cash inflow from increase in creditors		234	536
Net cash inflow from operating activities		12,403	11,029
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the period		202	14
(Decrease) in liquid resources		(514)	(1,423)
Change in loans		-	1,007
Issue costs	23	(1)	7
Change in finance leases		(2)	-
Change in net debt		(315)	(395)
Net debt at 1 April		(107,460)	(114,904)
Restatement of net debt for finance lease		-	7,839
Net debt at 31 March	23	(107,775)	(107,460)

NEW PROGRESS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

1. ACCOUNTING POLICIES

New Progress Housing Association Limited is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Tenant Services Authority 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 Requirements for Registered Social Landlords General Determination 2006.

The financial statements are prepared under the historical cost convention with the exception of the rolling revaluation of completed housing properties. The prior year adjustment reflects the adoption of component accounting on housing properties in accordance with SORP 2010. The SORP 2010 requires that where a tangible asset comprises two or more major components with substantially different useful economic lives, each component should be accounted for separately for depreciation purposes and depreciated over its individual useful economic life.

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.
- Income from sales of housing properties.

NEW PROGRESS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(3) Housing Properties

Completed housing properties are stated at valuation on the basis of existing use for social housing ("EUV-SH").

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 over the estimated useful life of the component at the following rates:

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

NEW PROGRESS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(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 Association'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.

(6) Other Tangible Fixed Assets

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight line basis, at rates considered appropriate to write off the assets over their effective working lives as follows:

- Fixtures and Fittings in furnished properties over 3 years.
- Freehold Commercial properties over 30 years.

(7) Pensions

New Progress Housing Association 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 Association'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 charitable status 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 is registered for VAT. A large proportion of its income, including rents, is exempt from VAT. Most of its expenditure is subject to VAT which cannot be reclaimed and expenditure is therefore shown inclusive of VAT. Any VAT recovered under the partial exemption rules is credited to the Income and Expenditure Account.

NEW PROGRESS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(11) Stock

Stock of housing for sale is stated at the lower of cost and net realisable value.

(12) Bad and Doubtful Debts

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

(13) Finance leases

The Association leases a number of housing properties to other associations within the Group. These are shown as long-term debtors in accordance with SSAP 21. The lease income is shown as turnover.

(13) Recycling of Capital Grant

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

(14) Service Charge Sinking Funds

Service charge sinking funds are dealt with as creditors.

(15) Designated Reserves

The designated reserves are to cover furniture and equipment, lift replacements and to fund equipment under the Silver Surfers policy. Contributions to the reserves are either through rent and service charge income for designated items or for Silver Surfers, a grant was provided.

(16) 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). During refinancing any residual old loan costs are written off in the year.

(17) Properties Managed by Agents

Where the RP carries the majority of the financial risk on property managed by agents, all the income and expenditure arising from the property is included in the Income and Expenditure Account.

Where the agency carries the majority of the financial risk, the Income and Expenditure Account includes only that income and expenditure which relates solely to the RP.

In both cases, the assets and associated liabilities are included in the balance sheet.

NEW PROGRESS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(18) 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.

(19) First Tranche Shared Ownership Sales

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

- 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

NEW PROGRESS HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

2 Turnover, Operating Costs and Operating Surpluses

	2012			
	Turnover £'000	Operating Costs £'000	Cost Of Sales £'000	Operating Surplus £'000
Social Housing Lettings (note 3a)	17,481	(11,623)	-	5,858
Other Social Housing Activities (note 3b)				
Lease income	2,675	(293)	-	2,382
Non Social Housing Activities (note 3c)				
Lettings	5	(1)	-	4
Other	964	(574)	-	390
Total	21,125	(12,491)	-	8,634
	Restated 2011			
	Turnover £'000	Operating Costs £'000	Cost Of Sales £'000	Operating Surplus £'000
Social Housing Lettings (note 3a)	16,718	(11,716)	-	5,002
Other Social Housing Activities (note 3b)				
Lease income	3,278	(568)	-	2,710
Development For Sale				
Shared ownership property sales	-	-	-	-
Non Social Housing Activities (note 3c)				
Lettings	5	(1)	-	4
Other	1,063	(659)	-	404
Total	21,064	(12,944)	-	8,120
Exceptional Item - FRS17 change in benefits	-	-	-	233
Operating Surplus				8,353

NEW PROGRESS HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

3(a) Income and Expenditure From Social Housing Lettings

	General needs housing £'000	Supported housing and housing for older people £'000	Shared Ownership £'000	Total 2012 £'000	Restated Total 2011 £'000
Income					
Rent receivable net of identifiable service charges	11,703	3,504	7	15,214	14,388
Service income	313	914	1	1,228	1,238
Charges for support services	-	1,039	-	1,039	1,092
Turnover from social housing lettings	12,016	5,457	8	17,481	16,718
Expenditure					
Management	(3,250)	(55)	(2)	(3,307)	(3,754)
Services and support	(391)	(1,584)	(2)	(1,977)	(2,071)
Routine maintenance	(2,859)	(170)	-	(3,029)	(2,693)
Planned maintenance	(690)	-	-	(690)	(647)
Major repairs expenditure	(749)	(273)	-	(1,022)	(771)
Bad debts	(11)	(9)	-	(20)	(263)
Depreciation of housing properties	(1,219)	(311)	(4)	(1,534)	(1,347)
Other costs	(5)	(39)	-	(44)	(170)
Operating costs on social housing lettings	(9,174)	(2,441)	(8)	(11,623)	(11,716)
Operating surplus on social housing lettings	2,842	3,016	-	5,858	5,002
Void losses (included within net rental income)	(93)	(54)	-	(147)	(170)

3(b) Turnover From Social Housing Activities

	2012 £'000	2011 £'000
Other		
Lease income from related companies	2,675	3,278
	2,675	3,278

3(c) Turnover From Non-Social Housing Activities

	2012 £'000	2011 £'000
Lettings		
Other rented	5	5
Other		
Control centre activities	836	929
Agency agreements	47	52
Rechargeable repairs	64	76
Other	17	6
	964	1,063

NEW PROGRESS HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

4 Accommodation In Management

	2012 No. Units	2011 No. Units
General needs housing	2,788	2,752
Leasehold housing for older people	7	5
Other rented	1	1
Supported housing (sheltered accommodation)	989	974
Other non-social housing	80	80
	3,865	3,812

Accommodation Managed by Others

	2012 No.	2011 No.
General needs housing	1	25
	1	25

5 Surplus For The Year

	2012 £'000	Restated 2011 £'000
Is stated after charging:-		
Auditors remuneration (including VAT)		
In their capacity as auditors	10	9
In respect of other services	6	1
Payments under Operating Leases		
- Motor Vehicles	18	18
Grant amortisation	(14)	-
Depreciation of Tangible Fixed Assets		
- Housing Properties	1,803	1,815
- Other Fixed Assets	59	66
	59	66

6 (Deficit)/Surplus on Disposal of Housing Assets

	2012 £'000	2011 £'000
Sale Proceeds	166	377
Cost of Sales	(227)	(276)
Other Operating Costs	-	(5)
	(61)	96

7 Interest Receivable

	2012 £'000	2011 £'000
Bank interest receivable	6	14
Interest receivable from group companies	157	65
Other finance charge from related companies on finance leases	568	-
	731	79

8 Interest Payable and Similar Charges

	2012 £'000	2011 £'000
On bank loans:		
Repayable wholly or partly in more than 5 years	4,966	5,416
Amortisation of loan issue costs	17	16
Pension scheme finance costs	14	57
	4,997	5,489
Less : Interest capitalised @ 4.40%	(45)	(28)
	4,952	5,461

9 Tangible Fixed Assets - Housing Properties

	Housing Properties Completed £'000	Housing Properties Under Construction £'000	Shared Ownership Completed £'000	Shared Ownership Under Construction £'000	2012 Total £'000	Restated 2011 Total £'000
Cost (net of SHG) or valuation						
Restated at 1 April	207,381	56	210	-	207,646	193,998
Additions	2,209	4,153	-	138	6,500	4,318
Transferred on completion	3,896	(3,896)	74	(74)	-	-
Derecognition of assets	-	-	-	-	-	(6,323)
Net disposals	(228)	-	-	-	(228)	(1,222)
Depreciation	(1,799)	-	(4)	-	(1,803)	(1,815)
(Deficit)/Surplus on revaluation	(371)	-	6	-	(365)	18,690
As at 31 March	211,088	313	286	64	211,751	207,646
Cost or valuation is represented by:-						
Gross cost	161,175	313	433	64	161,985	155,415
Less:						
Social housing and other capital grants	(29,538)	-	(271)	-	(29,809)	(28,919)
Depreciation	(19,607)	-	(19)	-	(19,626)	(18,320)
	112,030	313	143	64	112,550	108,176
Revaluation reserve	99,058	-	143	-	99,201	99,470
	211,088	313	286	64	211,751	207,646

The above valuation in respect of Housing Properties completed comprises

	Housing Properties Completed		Shared Ownership Completed	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Freehold Properties	197,236	193,772	-	-
Long leasehold Properties	13,852	13,609	286	210
Total	211,088	207,381	286	210

Housing properties held for letting are professionally valued on a rolling programme of revaluation. The last full detailed valuation was performed by Driver Jonas Deloitte, chartered surveyors, on the basis of open market value for social housing existing use (OMV-EU) as at 31 March 2011. The valuation was undertaken in accordance with the RICS Statements 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

The valuers estimated the aggregate existing use value - social housing of all completed properties at March 11 to be £205.9m however individual properties have been subject to valuation in the year with the value estimated at £1.8m.

The cost includes £45k of interest capitalised in the year (2011: £28k).

Property costs include an apportionment of staff time directly spent on the administration of development activities amounting to £145k (2011: £87k)

Major Repairs, Renewals and Improvements

	2012 £'000	Restated 2011 £'000
Capitalised	2,369	1,852
Charged to revenue	1,022	771
	3,391	2,623

NEW PROGRESS HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

10 Other Tangible Fixed Assets	Freehold Commercial Properties	Fixtures and Fittings	2012 Total	2011 Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April	929	463	1,392	1,367
Additions	-	58	58	25
Disposals		(255)	(255)	
At 31 March	929	266	1,195	1,392
Depreciation				
As at 1 April	174	432	606	540
Charge for the year	31	28	59	66
Disposals		(255)	(255)	
At 31 March	205	205	410	606
Net Book Value				
At 31 March	724	61	785	786
11 Housing Properties for Sale	2012	2011		
	£'000	£'000		
Completed shared ownership properties held for sale	75	-		
	75	-		
12 Debtors	2012	Restated 2011		
	£'000	£'000		
Amounts falling due within one year :				
Rent and service charge arrears	1,194	1,186		
Less provision for bad debts	(448)	(658)		
	746	528		
Prepayments and accrued income	160	143		
Amounts owed by group companies	3,014	2,889		
Trade debtors	294	790		
Less provision for bad debts	(114)	(73)		
Capital grants receivable	-	75		
Other debtors	4	5		
in 1 year Amounts receivable under finance leases	2	2		
	4,106	4,359		
Amounts falling due after one year:				
Amounts receivable under finance leases	7,835	7,837		
13 Current Asset Investments	2012	2011		
	£'000	£'000		
Bank deposits accessible on demand	517	1,031		

NEW PROGRESS HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

14 Creditors : Amounts falling due within one year

	2012	Restated
	£'000	2011
		£'000
Rent and services received in advance	388	357
Trade creditors	563	614
Amounts owed to group companies	2,951	2,697
Capital grants in advance	1	126
Capital accruals and deferred income	137	622
Recycled capital grant fund	16 34	34
Interest on housing loans	80	74
Taxation and social security payable	32	32
Other creditors	1,130	1,144
	5,316	5,700
	5,316	5,700

15 Creditors : Amounts falling due after more than one year:

	2012	2011
	£'000	£'000
Housing loans	116,382	116,381
	116,382	116,381
	116,382	116,381

Maturity of debt

Bank and building society loans repayable in instalments as follows:-

	2012	2011
	£'000	£'000
Within one year or on demand	-	-
In more than one year but not more than two years	-	-
In more than two years but not more than five years	-	-
In more than five years	117,000	117,000
Total Loans	117,000	117,000
Less loan issue costs	(618)	(619)
	116,382	116,381
	116,382	116,381

Housing loans are secured by fixed charges on the associations assets. They include fixed and variable rate loans, at various rates, between 2.50% and 5.14%.

New Progress Housing Association has committed, undrawn facilities of up to £45m as part of a joint facility with a related company.

NEW PROGRESS HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

16 Recycled Capital Grant Fund

	2012 £'000	2011 £'000
At 1st April	34	-
To fund	-	34
At 31st March	<u>34</u>	<u>34</u>

17 Non-Equity Share Capital

	2012 No. of Shares	2011 No. of Shares
Allotted Issued and Fully Paid:		
At 1 April	10	10
Issued during the year	2	1
Surrendered during the year	(2)	(1)
At 31 March	<u>10</u>	<u>10</u>

The shareholders do not have a right to any dividend or distribution upon winding-up. Each shareholder

18 Reserves

	Revaluation Reserves £'000	Designated Reserves £'000	Revenue Reserves £'000	2012 £'000
Brought forward as previously stated	96,519	442	3,639	100,600
Prior year adjustment (see note 27)	2,951	-	(5,352)	(2,401)
Restated At 1 April 2011	<u>99,470</u>	<u>442</u>	<u>(1,713)</u>	<u>98,199</u>
Surplus for the year ended 31 March	-	-	4,352	4,352
Gain on revaluation	(365)	-	-	(365)
Realised on property sales	96	-	(96)	-
Actuarial (loss)/gain on pension scheme	-	-	(128)	(128)
At 31 March	<u>99,201</u>	<u>442</u>	<u>2,415</u>	<u>102,058</u>

Designated Reserves include replacement fixtures and fittings, lift replacements and lifeline equipment

New Progress Housing Association Ltd historically set aside designated reserves, but in recent years these have not been added to or withdrawn from. For some time, UK accounting rules have required that costs related to designated reserves must be either charged to expenditure in the Income and Expenditure Account, or capitalised and depreciated, and direct charging of this cost to designated reserves is not permitted. New Progress Housing Association Ltd has also grown, leading to a decline in the volatility over time, of some of the expenditure on items for which reserves have been created. Therefore the original rationale of setting aside reserves to manage volatility, is declining in significance. In order to reduce administration the reserves have therefore been frozen, pending a fuller review of designated reserves policy.

19 Capital Commitments

	2012 £'000	2011 £'000
Capital expenditure contracted but not provided for in the financial statements	1,503	4,123
	<u>1,503</u>	<u>4,123</u>
	<u>2012 £'000</u>	<u>2011 £'000</u>
New Progress Housing Association expects these commitments to be financed with:		
Grants	-	596
Committed loan facilities	1,503	3,527
	<u>1,503</u>	<u>4,123</u>

20 Contingent Liabilities

There are no contingent liabilities. (2011: none)

21 Employee Information

	2012 No.	2011 No.
The average number of persons employed during the year was:		
Office staff	76	74
Cleaners	12	12
	<u>88</u>	<u>86</u>
Full time equivalents	64	66
Staff costs (for the above persons)		Restated
	2012	2011
	£'000	£'000
Wages and salaries	1,523	1,480
Social security costs	108	103
Other pension costs	149	157
	<u>1,780</u>	<u>1,740</u>

22 Emoluments of the Board and Directors

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

23 Cash Flow Statement Notes

	2012 £'000	2011 £'000
Returns on investments and servicing of finance		
Interest received	731	79
Interest paid	(4,991)	(5,492)
	<u>(4,260)</u>	<u>(5,413)</u>
Financing		
Loans repaid	-	(1,007)
Issue costs amortised	17	16
Issue costs (incurred)	(16)	(23)
Capital element of finance lease repaid	2	-
	<u>3</u>	<u>(1,014)</u>

	Restated		
	At 1 April £'000	Cashflows £'000	At 31 March £'000
Analysis of net debt			
Cash in hand, at bank	51	202	253
	<u>51</u>	<u>202</u>	<u>253</u>
Current asset investments	13	1,031	(514)
Amounts receivable under finance leases		7,839	(2)
Debt due within one year		-	-
Debt due after one year		(116,381)	(1)
		<u>(107,460)</u>	<u>(107,775)</u>
Total		(315)	(107,775)

24 Related Party Transactions

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

25 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 registered office:

Sumner House
21 King Street
Leyland
PR25 2LW

26 Pension Obligations

The Group participates in two pension schemes, Lancashire County Council's Superannuation Fund and the Social Housing Pension Scheme administered by the Pensions Trust. The LCC is a defined benefit scheme and SHPS has both defined benefit and defined contribution within its scheme, and detailed regulations govern the rates of pension contribution by both employees and the Group. 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.

The Group is also in discussions with the Social Housing Pension scheme trustees to explore options for advance funding the Group's liabilities within the SHPS multi-employer pension scheme, in a way which ensures that such funding is ring-fenced to benefit the Group. Furthermore the Group continues to monitor the costs and deficits arising from its pension scheme offers to ensure that liabilities are managed effectively and are funded.

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 full actuarial 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

The Group's employers' contributions to the fund during the year were equal to 19.2% of pensionable salary in the year, and amounted to £1,066,810. The following table details the numbers of staff who are members of the fund. The Group parent, Progress Housing Group Limited paid an additional £400k at the end of March 2012 (2011: £400k) into the fund.

	Employers' Contributions		No. Staff	
	2012	2011	2012	2011
	£	£		
New Progress Housing Association	121,615	130,509	28	32
Progress Care Housing Association	140,666	138,158	28	29
Progress Housing Group	804,529	812,634	144	146
One-off Additional Contribution	400,000	400,000		
Total Group	1,466,810	1,481,301	200	207

Financial Reporting Standard 17 disclosures

Actuarial Assumptions

	At 31/03/12		At 31/03/11			
	Expected Rate of Return %	Market Value at 31 March 2012 £'000	% Split of Assets %	Expected Rate of Return %		
Rate of CPI Inflation	2.60%			3.00%		
Rate of Increase in Salaries	4.60%			5.00%		
Rate of Increase in Pensions	2.60%			3.00%		
Discount Rate	5.10%			5.50%		
Asset Information						
	Expected Rate of Return %	Market Value at 31 March 2012 £'000	% Split of Assets %	Expected Rate of Return %	Market Value at 31 March 2011 £'000	% Split of Assets %
Equities	7.00	13,924	58.00	7.50	14,301	64.00
Government Bonds	3.10	1,200	5.00	4.40	1,564	7.00
Other Bonds	4.10	3,601	15.00	5.10	3,128	14.00
Property	6.00	2,401	10.00	6.50	1,788	8.00
Cash/Liquidity	0.50	1,200	5.00	0.50	223	1.00
Other	7.00	1,680	7.00	7.50	1,341	6.00
Expenses deduction	0.26	0	0.00	0.26	0	0.00
Total Market Value of Assets		24,006	100		22,345	100
Present Value of Scheme Liabilities		31,689			29,221	
Net Pension Liability before tax asset		(7,683)			(6,876)	
NPHA Allocation		(1,566)			(1,430)	

The allocation is based on the number of direct employees.

The following disclosures relate to the Group as a whole (excl NFH):

Balance Sheet Items as at 31 March	2012 £000's	2011 £000's
Present Value of Funded Benefit Obligations	31,624	29,157
Present Value of Unfunded Benefit Obligations	65	64
Total Present Value of Benefit Obligations	31,689	29,221
Fair Value of Plan Assets	(24,006)	(22,345)
Deficit before deferred tax asset	7,683	6,876
Components of pension cost for period to 31 March	2012 £000's	2011 £000's
Current Service Cost	1,024	1,123
Interest on Pension Liabilities	1,630	1,639
Expected Return on Assets	(1,503)	(1,166)
Past Service (Gain)/Cost	0	(1,934)
Total pension cost recognised in Income & Expenditure	1,151	(338)
Statement of Recognised Total Recognised Surpluses and Deficits		
Actuarial (gains)/losses	1,126	(2,082)
Total pension cost recognised in the Statement of Total Recognised Surpluses and Deficits	1,126	(2,082)

Change in Benefit Obligation during period to 31 March

	2012 £000's		2011 £000's	
	Unfunded Benefits	All Benefits	Unfunded Benefits	All Benefits
Benefit Obligation at beginning of period	64	29,221	73	28,245
Current Service Cost	0	1,024	0	1,123
Interest on Pension Liabilities	3	1,630	4	1,639
Member Contributions	0	370	0	377
Past Service Cost	0	0	(4)	(1,934)
Actuarial (gains)/losses on liabilities	1	1	(4)	266
Benefits/transfers paid	(3)	(557)	(5)	(495)
Benefit Obligation at end of period	65	31,689	64	29,221

Change in Plan Assets during period to 31 March

	2012 £000's		2011 £000's	
	Unfunded Benefits	All Benefits	Unfunded Benefits	All Benefits
Fair value of plan assets at beginning of period	0	22,345	0	17,462
Expected return on plan assets	0	1,503	0	1,166
Actuarial gains/(losses) on assets	0	(1,125)	0	2,348
Employer contributions	3	1,470	5	1,487
Member contributions	0	370	0	377
Benefits/transfers paid	(3)	(557)	(5)	(495)
Fair value of plan assets at end of period	0	24,006	0	22,345
Actual Return on Plan Assets		378		1,465
Experience gains/(losses) on Assets		(1,125)		2,348
Experience gains/(losses) on Liabilities		0		(343)

Post retirement mortality assumptions

Non-retired members	SIPA CMI_2009 [1%] (103% Males, 96% Females)	SIPA CMI_2009 [1%] (103% Males, 96% Females)
Retired members	SIPA CMI_2009 [1%] (103% Males, 96% Females)	SIPA CMI_2009 [1%] (103% Males, 96% Females)
Life expectancy		
of a male (female) future pensioner aged 65 in 20 years time	23.1 (25.9) years	23.0 (25.8) years
of a male (female) current pensioner aged 65	21.7 (24.3) years	21.6 (24.2) years

Market value of total fund assets (£ millions)

	4,158	4,294
	(value as at 31 December 2011)	(value as at 31 March 2011)

SOCIAL HOUSING PENSION SCHEME

The Association 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 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 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 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%.

The Scheme's 30 September 2011 valuation is currently in progress and will be finalised by 31 December 2012. The results of the 2011 valuation will be included in next year's Disclosure Note.

Exceptional Item - FRS17 change in benefits (Prior year)

In its June 2010 budget, the government announced that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI). The Association has considered the LGPS scheme rules and associated members' literature and has concluded that this change is a change in benefits and so has recognised the resulting credit of £0.23m in the Income & Expenditure account.

27 Prior Year Adjustment

The prior year adjustment to 31 March 2011 reflects the adoption of component accounting on housing properties in accordance with SORP 2010.

The SORP 2010 requires that where a tangible asset comprises two or more major components with substantially different useful economic lives, each component should be accounted for separately for depreciation purposes and depreciated over its individual useful economic life.

The adoption of component accounting impacts the income and expenditure account as follows:

	2011 £'000
Increased depreciation charge - housing properties	(69)
Reduced major repairs expenditure previously expensed now capitalised as a component addition	1,194
	1,125

Analysis of Prior Year Adjustment to 31 March 2011:

	Fixed Assets £'000	Revenue Reserve £'000	Revaluation Reserve £'000
Properties leased under finance lease obligation	(6,450)	373	(127)
Increase in costs and valuation of properties	-	(2,859)	213
Remove previously capitalised improvement works	-	(202)	202
Capitalisation of components	-	6,141	(6,141)
Increase in accumulated depreciation of component	-	(8,804)	8,804
	(6,450)	(5,351)	2,951



NEW PROGRESS
HOUSING ASSOCIATION LIMITED

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

Registered with the Homes and Communities Agency (LH4032)

Charitable Industrial and Provident Society (27792R)



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Telephone: 01772 450600

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