

GROWTH

Innovation

Empowering customers

INVESTING IN HOMES

**Working together for an even brighter future**

**Improving lives** RESPECT

Working smarter

OPERATIONAL EXCELLENCE

**Stronger communities** Passion



PROGRESS CARE  
HOUSING ASSOCIATION LIMITED

**Annual Accounts 2012**

Financial Statements for the year ended  
31 March 2012

# **PROGRESS CARE HOUSING ASSOCIATION LIMITED**

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

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## PROGRESS CARE 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

A Harrison#	Chairman	
P Whitworth*	Vice Chair	Resigned 13 September 2011
T Fazaeli		
G Roderick		
M Dignan		
J Cavallo		Resigned 13 September 2011
G Furlong		
M Clarke	Vice Chair	
B Jones		
S Bridgen		Appointed 13 September 2011
J Warburton		Appointed 13 September 2011
#	Member of Remuneration & Governance Committee	
*	Member of Audit Committee	

##### Secretary

E Hughes

##### Registered Office

Sumner House  
21 King St  
Leyland  
PR25 2LW

##### Executive Officers

J M De Rose BSc MCIIH	Group Chief Executive
A Speer MBA, ACMA, BA (Hons)	Group Director of Finance Accounting
B Keenan BA (Hons), MCIIH	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

**PROGRESS CARE HOUSING ASSOCIATION LIMITED**

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

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

<b>Statutory Auditors</b>	KPMG LLP St James' Square Manchester M2 6DS	
<b>Principal Solicitors</b>	Cobbetts 58 Mosley Street Manchester M2 3HZ	
<b>Bankers</b>	Barclays PO Box 3333 One Snowhill Snowhill, Queensway Birmingham B3 2WN	
<b>Funders</b>	Nationwide Building Society Kings Park Road Moulton Park Northampton NN3 1NL	The Co-operative Bank 3rd Floor, 1 Balloon Street Manchester M60 4EP
	Kent Reliance Building Society Reliance House Sun Pier Chatham Kent ME4 4ET	Santander 2 Triton Square Regents Place London NW1 3AN
<b>Financial and Business Advisers</b>	David Tolson Partnership The Offices 7 Millwood Close Withnell Fold Nr Chorley PR6 8AR	

# PROGRESS CARE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

<b>PROGRESS CARE HOUSING ASSOCIATION FIVE YEAR FINANCIAL HIGHLIGHTS for the financial years ended 31 March</b>	<b>2012 £000's</b>	<b>#Restated 2011 £000's</b>	<b>2010 £000's</b>	<b>2009 £000's</b>	<b>2008 £000's</b>
<b>Income and Expenditure Account</b>					
Turnover	30,967	28,509	24,336	20,532	16,818
Depreciation	1,842	1,712	1,372	1,269	1,055
Exceptional item	-	247	-	-	-
Operating surplus	8,056	5,773	5,313	4,129	3,163
Surplus for year on ordinary activities	4,169	2,260	1,592	856	1,481
Surplus for year on ordinary activities including exceptional	4,169	2,507	1,592	856	1,481
Interest payable	(4,483)	(3,486)	(3,656)	(3,372)	(1,684)
Historical cost surplus for year	4,475	2,205	1,822	764	1,629
<b>Cash Flow</b>					
Cash flow from operating activities	7,231	8,501	6,134	6,822	2,215
Net cash outflows from returns on investments and servicing of finance	(4,392)	(3,626)	(3,826)	(3,630)	(1,688)
Net cash inflow after servicing of finance	2,839	4,875	2,308	3,192	527
Acquisition and construction of housing	(15,226)	(14,077)	(18,795)	(16,283)	(20,506)
Capital grants	5,634	5,864	7,275	3,034	440
Net cash outflow for capital expenditure	(10,611)	(8,791)	(11,562)	(13,039)	(19,217)
<b>Balance Sheet</b>					
Tangible fixed assets	177,364	160,455	136,132	116,517	107,588
Accumulated depreciation	10,996	10,186	7,184	5,811	4,544
Social housing grant	28,103	21,604	17,849	9,285	6,251
Net tangible fixed assets	138,265	128,665	111,099	101,421	96,793
Net current assets/(liabilities)	3,604	834	(248)	(1,152)	(225)
Debt greater than one year	92,803	86,413	73,133	64,864	55,277
Pension liabilities	930	771	1,218	558	645
Reserves	48,136	42,315	36,500	34,846	40,645
<b>Key Ratios and Indicators</b>					
Operating margin	26%	20%	22%	20%	19%
Interest cover	221%	215%	180%	151%	250%
EBITDA	9,898	7,238	6,685	5,398	4,218
Net surplus as a % of turnover	13%	9%	7%	4%	9%
Gearing	65%	67%	66%	65%	57%

# 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 £0.01m see note 27.

# **PROGRESS CARE 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**

Progress Care Housing Association exists to provide high quality housing to people with learning difficulties, special needs and for health-sector key workers. It operates in a wide area, over a wide area of the country working from the Borders in Scotland down to the south coast in England covering 94 local authorities and housing more than 3,000 tenants. The Association is committed to embracing diversity in all its forms, and involves customers and staff in all its activities. Progress Care Housing Association Limited is a member 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:

**PROGRESS CARE 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"> <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>• Established scrutiny Panel to continue to provide quarterly reports to the relevant boards.</li> <li>• We will assess satisfaction in our regular, period 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 publish the revised strategy for older people.</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>

# **PROGRESS CARE HOUSING ASSOCIATION LIMITED**

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

### **REPORT OF THE BOARD**

#### **Operating Review and Results for the Year**

The effective management of current and former tenant rent arrears was sustained, with a reduction in the gross current arrears of 0.59% over the year to 4.28% of the rent debit. The net rent arrears figure, which assumes all expected housing benefit is paid on time in each of the 94 local authorities worked in, showed a slight increase over the year of 0.25% of the rent debit owed, although at 0.66% was within the annual target of 1%. Former tenant arrears were also kept within target at just 0.09% of the annual rent debit for PCHA with only 0.05% being written off. This performance was set against a rent debit that increased over 2011/12 by £2.04m as 425 more tenancies came into management.

By July 2011 all of the 315 Leeds Independent Living Accommodation Company 'LiLAC' properties in the Leeds PFI portfolio had been completed and had come into the management of the Leeds team.

In August 2011, PCHA embarked on a project to bring the management of services 'in-house' where feasible. The project is expected to take 2 to 3 years to complete and at the end, it is expected that the major benefit will be that tenants will have a greater say on the quality of the service delivery and be involved in choosing how the service is delivered. The project is complex due to the widespread locations of PCHA's schemes but will start to move on more quickly soon. The service charge project will benefit PCHA and the Group by contributing to the achievement of value for money and driving down costs in both the delivery of services and administration.

The Big Lottery funded 'Include Me In' research project entered its final year in June 2011, producing an interim report on its findings in October 2011, and continued working towards the final research findings that were launched successfully in June this year. The Association worked in partnership with Leeds Metropolitan University and Leeds City Council's Adult Social Care staff on this project. The research sought to explore service users' experiences in relation to social inclusion when moving from long-stay social services hostels into new, secure tenancies in independent supported housing in Leeds.

#### **Financial Performance**

Turnover for the year increased by £2.5m, or 8.6%. Operating costs and cost of sales reduced by £0.1m, or 0.3% resulting in an increase in operating surplus of £2.5m, or 45.8%, excluding the pension exceptional item in 2011, to £8.1m. The surplus on ordinary activities increased from a surplus of £2.5m in 2011 inclusive of £0.3m exceptional credit, to a surplus of £4.2m in the year.

Cash flow from operating activities stood at £7.2m, mainly due to the operating surplus, adding back some £1.8m of depreciation and movement in debtors and creditors. Funds of £7.9m were required during the year reflecting the Group's buoyant development programme, which showed a net spend of £10.6m in the year.

Net tangible fixed assets rose to £138.3m, an increase of £9.6m, or 7.5%. This reflects the investment in new property. Net debt outstanding increased by £7.8m, or 9.1%.

The Association had £3.6m net current assets at the end of the year, a movement of £2.8m. This reflects an increase in debtors and an increase in cash and investments of £0.6m.

# **PROGRESS CARE HOUSING ASSOCIATION LIMITED**

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

### **REPORT OF THE BOARD**

#### **Capital Structure**

In common with most Housing Association Registered Providers, Progress Care Housing Association is financed by debt of £85.4m (2011: £79m), finance leases £7.8m (2011 Restated: £7.8m) revenue reserves of £12.6m (2011 Restated: £8.3m) and capital grants of £28.1m (2011 Restated: £21.6m). 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](http://www.progressgroup.org.uk).

#### **Development Activity**

Development activities continued for PCHA throughout the past 12 months with new partnerships being formed with Home Farm Trust to deliver re-provision schemes in Leeds, Devon and Gloucester. A major NHS Campus re-provision scheme was delivered in Hampshire and an extensive re-provision programme in Nottingham continues to deliver much needed accommodation in the community.

#### **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.

# **PROGRESS CARE HOUSING ASSOCIATION LIMITED**

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

### **REPORT OF THE BOARD**

#### **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 where photo voltaic panels were fitted to Clare House the Women's refuge.

#### **Customer Involvement**

Tenant involvement continued to have a high profile within the Association with staff reporting a noticeable increase in tenants' expectations and their empowerment to challenge the services delivered to them. By the end of March 2012 there were 35 tenant groups, an increase of five over the previous year. A total of 611 tenants attended 113 separate meetings across the country, which showed an increase of 71 more tenants and 30 more meetings than in 2010/11. 246 different tenant voices were heard at these meetings, which equalled 8% of PCHA's total tenant base.

An important achievement in terms of customer feedback was the extremely high (53%) return rate of the STAR satisfaction survey that was conducted in 2011. The Association now has up-to-date information about what its tenants think about the service delivered. It was reassuring to learn that 89% of PCHA and 95% of LiLAC tenants were satisfied overall with the services provided whilst also highlighting clear areas where the Association can make improvements. During 2012/13 staff will be addressing the action plan put in place to improve these areas of activity.

## **PROGRESS CARE HOUSING ASSOCIATION LIMITED**

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

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

PCHA had an increased presence and influence at the Group's annual tenant conference in March of this year, with 21 of its tenants attending. Tenant involvement staff hosted an imaginative and successful workshop on disability awareness and dispelling the myths. This workshop was ground-breaking in that it included a presentation from a tenant who discussed how her involvement with PCHA's tenant groups has helped her confidence and self-esteem.

During 2011/12 the production of the ever-popular tenant's newsletter, 'Progress People', was increased from three to four issues a year to bring it in-line with other subsidiaries in the Group. The newsletter continues to be a vehicle for tenants sharing their achievements and stories with other tenants in the wider Progress Care Housing community. The increase in newsletter frequency has provided the space to share more information about PCHA and the way it delivers services.

#### **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.

# **PROGRESS CARE HOUSING ASSOCIATION LIMITED**

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

### **REPORT OF THE BOARD**

#### **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 Group 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.

#### **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.

# **PROGRESS CARE HOUSING ASSOCIATION LIMITED**

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

### **REPORT OF THE BOARD**

#### **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.

#### **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.

# **PROGRESS CARE HOUSING ASSOCIATION LIMITED**

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

### **REPORT OF THE BOARD**

#### **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.

#### **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.

# **PROGRESS CARE HOUSING ASSOCIATION LIMITED**

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

### **REPORT OF THE BOARD**

#### **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.

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.

## **PROGRESS CARE HOUSING ASSOCIATION LIMITED**

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

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

##### **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, 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 £nil charitable donations during the year (2011: £2,000). During the year the Association made no political donations (2011: £nil).

##### **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 Financial Review.

## **PROGRESS CARE HOUSING ASSOCIATION LIMITED**

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

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

##### **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 11<sup>th</sup> September 2012.

  
Secretary  
30<sup>th</sup> July 2012

## **PROGRESS CARE 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.

# **PROGRESS CARE 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 Progress Care Housing Association Limited**

We have audited the financial statements of Progress Care Housing Association for the year ended 31 March 2012 set out on pages 2 to 39. 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 (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](http://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.

**PROGRESS CARE HOUSING ASSOCIATION LIMITED**

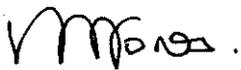
**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2012**

**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.



**H P 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

**PROGRESS CARE 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	30,967	28,509
Operating costs	2	(22,911)	(22,303)
Exceptional item - FRS17 change in benefits	26	-	247
Cost of sales	2	-	(680)
<b>Operating surplus</b>	5	<b>8,056</b>	<b>5,773</b>
Surplus on disposal of housing assets	6	4	213
Interest receivable	7	192	7
Interest payable and similar charges	8	(4,483)	(3,486)
Gift aid received	9	400	-
<b>Surplus for the year before and after tax</b>		<b>4,169</b>	<b>2,507</b>

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

	2012 £'000	Restated 2011 £'000
Reported surplus on ordinary activities	4,169	2,507
Realisation of property revaluation reserve on disposals	306	(302)
<b>Historical cost surplus for the year</b>	<b>4,475</b>	<b>2,205</b>

The Association has charitable status and is 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		4,169	2,507
Actuarial (loss)/gain on pension fund assets	26	(148)	265
Unrealised gain on revaluation of Housing Properties	18	1,800	(1,031)
Surplus for the year		5,821	1,741
Prior year adjustment in relation to adoption of component accounting	18	5,815	-
Total gains recognised since last annual report		11,636	1,741

The notes on pages 23 to 39 form an integral part of the financial statements.

**PROGRESS CARE 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
<b>Tangible Fixed Assets</b>			
Housing properties at valuation/cost	10	164,087	149,975
Other Capital Grants	10	(28,103)	(21,604)
		135,984	128,371
Other Tangible Fixed Assets	11	282	294
Fixed Asset Investment	12	1,999	-
		138,265	128,665
<b>Current Assets</b>			
Debtors	13	8,113	5,364
Investments	14	1,449	1,325
Cash at bank and short term deposits		501	-
		10,063	6,689
<b>Less Creditors</b>			
Amounts falling due within one year	15	(6,459)	(5,855)
<b>Net current assets</b>		3,604	834
<b>Total assets less current liabilities</b>		141,869	129,499
<b>Creditors</b>			
Amounts falling due after more than one year	16	92,803	86,413
Pension liability	26	930	771
<b>Capital and reserves</b>			
Non equity share capital	17	-	-
Revaluation reserves	18	29,133	27,639
Designated reserves	18	6,387	6,387
Revenue reserves	18	12,616	8,289
		141,869	129,499

The notes on pages 23 to 39 form an integral part of the financial statements.

The financial statements on pages 20 to 39 were approved by the Board of Management on 30th July 2012 and were signed on its behalf by:

  
Board Member

  
Board Member

E. Hughes

  
Secretary

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

**Cash Flow Statement**  
**For The Year Ended 31 March 2012**

	Notes	£'000	2012 £'000	£'000	Restated 2011 £'000
<b>Net cash inflow from operating activities</b>			7,231		8,501
<b>Returns on investments and servicing of finance</b>	20		(4,392)		(3,626)
<b>Capital expenditure</b>					
Acquisition and construction of housing properties		(15,226)		(14,077)	
Acquisition of components		(600)		(1,063)	
Capital grant received		5,634		5,864	
Purchase of other fixed assets		-		(18)	
Loan to joint venture company		(1,999)		-	
Proceeds of sales of housing properties		1,580		503	
			<u>(10,611)</u>		<u>(8,791)</u>
<b>Net cash (outflow) before management of liquid resources and financing</b>			(7,772)		(3,916)
<b>Management of liquid resources</b>					
Cash (placed in) short term deposits		(124)		(1,253)	
			<u>(124)</u>		<u>(1,253)</u>
<b>Financing</b>	20		7,890		5,315
			<u>7,890</u>		<u>5,315</u>
<b>(Decrease) in cash</b>			(6)		146
			<u>(6)</u>		<u>146</u>
<b>Reconciliation of operating surpluses to net cash inflow from operating activities</b>					
Operating surplus			8,056		5,773
Depreciation charges	10/11		1,784		1,658
Gift aid	9		400		-
Difference between pension charge and cash contributions			11		65
Exceptional item - FRS17 change in benefits	26		-		(247)
Cash flow from (increase) in debtors			(2,590)		(220)
Cash flow from (decrease)/increase in creditors			(430)		1,472
			<u>(430)</u>		<u>1,472</u>
<b>Net cash flow from operating activities</b>			7,231		8,501
			<u>7,231</u>		<u>8,501</u>
<b>Reconciliation of net cash flow to movement in net debt</b>					
(Decrease)/Increase in cash in the period			(6)		146
Increase in liquid resources			124		1,253
Change in loans			(7,871)		(5,336)
Issue costs	20		(21)		21
Change in finance lease			2		-
			<u>2</u>		<u>-</u>
<b>Change in net debt</b>			(7,772)		(3,916)
<b>Net debt at 1 April</b>			(85,592)		(73,837)
Restatement of net debt for finance lease			-		(7,839)
			<u>-</u>		<u>(7,839)</u>
<b>Net debt at 31 March</b>	20		(93,364)		(85,592)
			<u>(93,364)</u>		<u>(85,592)</u>

## **PROGRESS CARE HOUSING ASSOCIATION LIMITED**

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

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

Progress Care 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 complies 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 from sales of housing properties.

##### **(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.

## **PROGRESS CARE HOUSING ASSOCIATION LIMITED**

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

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 over the shorter of 80 years or the length of the lease.
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.

Depreciation for the key worker accommodation properties is over the minimum period of the lease concession, (42 years).

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 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.

## **PROGRESS CARE HOUSING ASSOCIATION LIMITED**

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

#### **(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 5 years or the length of the lease.
- Leasehold office properties over the length of the lease or the term deemed where economic benefit will be derived from the asset.

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

Progress Care 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) Major Repairs and Improvements**

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 is exempt from United Kingdom Corporation Tax.

#### **(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.

#### **(11) Stock**

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

## **PROGRESS CARE HOUSING ASSOCIATION LIMITED**

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

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

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

#### **(13) Finance Leases**

Assets held under finance leases are recorded in the balance sheet as fixed assets and as an obligation to pay future rentals.

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

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

#### **(15) Service Charge Sinking Funds**

Service charge sinking funds are dealt with as creditors.

#### **(16) Designated Reserves**

Transfers to designated reserves are based on elements collected within the rents and service charges for:

- replacement fixtures and fittings
- minor adaptations
- voids self-insurance
- future major repairs

#### **(17) 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.

#### **(18) 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.

## **PROGRESS CARE HOUSING ASSOCIATION LIMITED**

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

#### **(19) 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.

#### **(20) 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.

**PROGRESS CARE 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/(Deficit) £'000
<b>Social Housing Lettings (note 3a)</b>	27,537	(20,447)	-	7,090
<b>Other Social Housing Activities (note 3b)</b>				
Supporting people	143	(174)	-	(31)
Lottery funding	140	(140)	-	-
<b>Non Social Housing Activities (note 3c)</b>				
Other	3,147	(2,150)	-	997
<b>Total</b>	<b>30,967</b>	<b>(22,911)</b>	<b>-</b>	<b>8,056</b>

	Restated 2011			
	Turnover £'000	Operating Costs £'000	Cost of Sales £'000	Operating Surplus £'000
<b>Social Housing Lettings (note 3a)</b>	24,392	(19,801)	-	4,591
<b>Other Social Housing Activities (note 3b)</b>				
Supporting people	144	(131)	-	13
Lottery funding	133	(133)	-	-
<b>Development for sale</b>				
Social housing shared ownership property sales	690	-	(680)	10
<b>Non Social Housing Activities (note 3c)</b>				
Other	3,150	(2,238)	-	912
<b>Total</b>	<b>28,509</b>	<b>(22,303)</b>	<b>(680)</b>	<b>5,526</b>

Exceptional Item - FRS17 change in benefits	-	-	-	247
<b>Operating Surplus</b>				<b>5,773</b>

Social Housing property sales relates to sales of shared ownership independent living accommodation.

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

3(a) Income and Expenditure From Social Housing Lettings	Supported Housing 2012 £'000	Restated Supported Housing 2011 £'000
<b>Income</b>		
Rent receivable net of identifiable service charges	21,407	18,663
Service income	5,081	4,810
Void guarantees and revenue grants	1,049	919
Net rental income	<u>27,537</u>	<u>24,392</u>
<b>Turnover from social housing lettings</b>	<b>27,537</b>	<b>24,392</b>
<b>Expenditure</b>		
Management	(2,662)	(2,593)
Services	(5,847)	(5,142)
Routine maintenance	(3,518)	(2,750)
Planned maintenance	(463)	(344)
Major repairs expenditure	(1,096)	(564)
Bad debts written back/(written off)	115	(213)
Property lease charges	(5,591)	(6,119)
Depreciation of housing properties	(1,285)	(972)
Abortive development costs (written off)	(25)	(1,069)
Other costs	(75)	(35)
<b>Operating costs on social housing lettings</b>	<b>(20,447)</b>	<b>(19,801)</b>
<b>Operating surplus on social housing lettings</b>	<b>7,090</b>	<b>4,591</b>
Void losses (included within net rental income)	(2,017)	(1,721)
<b>Turnover From Social Housing Activities</b>	<b>2012 £'000</b>	<b>2011 £'000</b>

3(b) Other		
Supporting people	143	144
Lottery funding	140	133
	<u>283</u>	<u>277</u>

Turnover From Non-Social Housing Activities	2012 £'000	Restated 2011 £'000
3(c) Other		
Development fee income	59	133
Rechargeable works	58	160
Other income	27	32
Key worker accommodation	3,003	2,825
	<u>3,147</u>	<u>3,150</u>

4 Accommodation In Management	2012 No. Units	2011 No. Units
Other rented	1	2
Shared ownership	42	42
Key worker accommodation	573	590
Supported housing	3,278	3,037
	<u>3,894</u>	<u>3,671</u>

Supported housing units represent the number of tenancies, rather than the number of properties, as some properties are shared by up to four tenants.

**Accommodation Managed by Others**

	2012 No. Units	2011 No. Units
Supported housing	34	33
Other non-social housing	26	26
	<u>60</u>	<u>59</u>

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

<b>5</b>	<b>Surplus For The Year</b>	<b>2012</b> <b>£'000</b>	<b>Restated</b> <b>2011</b> <b>£'000</b>
	Is stated after charging:-		
	Auditors remuneration (including VAT)		
	In their capacity as auditors	15	12
	In respect of other services	4	2
	Payments under Operating Leases		
	- Offices	-	12
	- Housing Properties	2,978	2,861
	- Motor Vehicles	8	7
	Depreciation of Tangible Fixed Assets		
	- Housing Properties	1,830	1,698
	- Other	12	14
		4,619	3,642
<b>6</b>	<b>Surplus on Disposal of Housing Assets</b>	<b>2012</b> <b>£'000</b>	<b>2011</b> <b>£'000</b>
	Sale Proceeds	1,819	215
	Cost of Sales	(1,815)	(2)
	Surplus for Year	4	213
<b>7</b>	<b>Interest Receivable</b>	<b>2012</b> <b>£'000</b>	<b>2011</b> <b>£'000</b>
	Bank interest receivable	3	7
	Intercompany interest receivable	189	-
		192	7
<b>8</b>	<b>Interest Payable and Similar Charges</b>	<b>2012</b> <b>£'000</b>	<b>2011</b> <b>£'000</b>
	On bank loans:		
	Repayable wholly or partly in more than 5 years	3,902	3,549
	On finance leases and other loans:		
	Repayable within 5 years	2	10
	Intercompany interest payable on loans to associated companies	89	-
	Intercompany interest payable on finance leases from associated companies	568	-
	Amortisation of loan issue costs	41	23
	Pension scheme finance costs	17	60
		4,619	3,642
	Less : Interest capitalised @ 4.59%	(136)	(156)
		4,483	3,486

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

**9 Gift Aid**

	2012 £'000	2011 £'000
Payment received from Group parent as Gift Aid in accordance with s189 of the Corporation Tax Act 2010	400	-

**10 Tangible Fixed Assets - Housing Properties**

	2012				Restated 2011
	Housing Properties Completed	Housing Properties Under Construction	Shared Ownership Completed	Total	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost (net of SHG) or valuation</b>					
As at 1 April	124,391	2,066	1,914	128,371	110,809
Additions	539	8,680	-	9,219	20,036
Transferred on completion	7,171	(7,171)	-	-	-
Net disposals	(1,576)	-	-	(1,576)	(392)
Depreciation	(1,813)	-	(17)	(1,830)	(1,644)
Surplus/(Deficit) on revaluation	1,722	-	78	1,800	(438)
As at 31 March	130,434	3,575	1,975	135,984	128,371
<b>Cost or valuation is represented by:-</b>					
Gross cost	138,810	5,263	1,848	145,921	131,883
Less:					
Social housing and other capital grants	(26,415)	(1,688)	-	(28,103)	(21,604)
Depreciation	(10,912)	-	(55)	(10,967)	(9,601)
Revaluation reserve	101,483	3,575	1,793	106,851	100,678
	28,951	-	182	29,133	27,693
	130,434	3,575	1,975	135,984	128,371

The above valuation in respect of Housing Properties completed comprises:

	Housing Properties Completed		Shared Ownership	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Freehold Properties	120,755	115,160	1,975	1,914
Long Leasehold	9,679	9,231	-	-
Total	130,434	124,391	1,975	1,914

Housing properties are professionally valued on a rolling programme of revaluation. The last full professional valuation was carried out by Driver Jonas Deloitte, chartered surveyors, on the basis of open market value for social housing existing use - with sales (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 discount rate used was 6.5%.

The valuers estimated the aggregate existing use value - social housing of all completed properties at March 11 to be £123.6m however individual properties have been subject to valuation in the year with the value estimated at £0.07m.

The cost includes £136k of interest capitalised in the year (2011: £156k).

Property costs include an apportionment of staff time directly spent on the administration of development activities amounting to £635k (2011: £996k). The tangible fixed assets includes an amount of £6,450m (2011 restated: £6,450m) in respect of assets held under finance leases.

**Major Repairs, Renewals and Improvements**

	Restated	
	2012	2011
	£'000	£'000
Capitalised	600	1,063
Charged to revenue	1,096	564
	1,696	1,627

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

**11 Other Tangible Fixed Assets**

	Leasehold Office Properties	Fixtures & Fittings	2012 Total	2011 Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 April	289	590	879	861
Additions	-	-	-	18
Disposals	-	(568)	(568)	-
At 31 March	289	22	311	879
<b>Depreciation</b>				
At 1 April	9	576	585	571
Charge for the year	8	4	12	14
Disposals	-	(568)	(568)	-
At 31 March	17	12	29	585
<b>Net Book Value</b>				
At 31 March	272	10	282	294

**12 Fixed Asset Investment**

Progress Care Housing Association holds 33.3% (£333) of the equity share capital of Leeds Independent Living Accommodation Company Holdings Ltd, a private finance initiative commissioned by Leeds City Council to fund the re-provision of accommodation for independent living. This is a joint venture with two other shareholders, Gleeson PFI Investments Ltd and Jack Lunn (Properties) Ltd, each hold 33.3% of the equity share capital.

**13 Debtors**

	2012 £'000	Restated 2011 £'000
<b>Amounts falling due within one year :</b>		
Rent and service charge arrears	1,392	1,329
Less provision for bad debts	(138)	(114)
	1,254	1,215
Prepayments and accrued income	1,103	313
Amounts owed by group companies	2,678	888
Trade debtors	894	1,063
Less provision for bad debts	(100)	(257)
Grants receivable	2,284	2,125
Other debtors	-	17
	6,859	4,149
	8,113	5,364

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

<b>14</b>	<b>Current Asset Investments</b>	<b>2012</b>	<b>2011</b>
		<b>£'000</b>	<b>£'000</b>
	Bank deposits accessible on demand	1,449	1,325

<b>15</b>	<b>Creditors : Amounts falling due within one year</b>	<b>2012</b>	<b>2011</b>
		<b>£'000</b>	<b>£'000</b>
	Capital grants in advance	826	1,532
	Overdrafts	1,009	502
	Rent and services received in advance	259	231
	Trade creditors	2,112	2,668
	Amounts owed to group companies	1,594	-
	Taxation and social security payable	33	29
	Capital expenditure accruals	344	646
	Interest on housing loans	280	245
	Obligations under finance leases	2	2
		6,459	5,855

<b>16</b>	<b>Creditors : Amounts falling due after more than one year:</b>	<b>2012</b>	<b>Restated</b>
		<b>£'000</b>	<b>2011</b>
			<b>£'000</b>
	Housing loans	84,968	78,576
	Obligations under finance leases	7,835	7,837
		92,803	86,413

**Maturity of debt**

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

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
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	85,380	79,009
Total Loans	85,380	79,009
Less loan issue costs	(412)	(433)
	84,968	78,576

Building society loans are secured by fixed charges on the associations assets. They include fixed and variable rate loans, at various rates, between 2.24% and 5.65%.

Progress Care Housing Association has committed undrawn facilities of up to £36.5m as part of a joint facility with related companies.

Net finance lease obligations:	<b>2012</b>	<b>Restated</b>
	<b>£'000</b>	<b>2011</b>
		<b>£'000</b>
In one year or less	2	2
Between two and five years	9	9
In more than five years	7,826	7,828
	7,837	7,839

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

**17 Non-Equity Share Capital**

	2012 No. of Shares	2011 No. of Shares
Allotted Issued and Fully Paid:		
At 1 April	10	9
Issued during the year	2	6
Surrendered during the year	(2)	(5)
	<hr/>	<hr/>
At 31 March	10	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.

**18 Reserves**

	Revaluation Reserves £'000	Designated Reserves £'000	Revenue Reserves £'000	2012 £'000
Brought forward as previously stated	24,922	6,387	5,191	36,500
Prior year adjustment (see note 27)	2,717	-	3,098	5,815
Restated At 1 April 2011	<hr/>	<hr/>	<hr/>	<hr/>
	27,639	6,387	8,289	42,315
Surplus for the year ended 31 March	-	-	4,169	4,169
Gain/(loss) on revaluation	1,800	-	-	1,800
Realised on property sales	(306)	-	306	-
Actuarial (loss)/gain on pension scheme	-	-	(148)	(148)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March	29,133	6,387	12,616	48,136
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Designated Reserves include replacement fixtures and fittings, self-insurance and adaptations.

Progress Care Housing Association 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. Progress Care Housing Association 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.

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

**19 Employee Information**

	2012 No.	2011 No.
The average number of persons employed during the year was:		
Office staff	70	65
	70	65
Full time equivalents	60	56

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

	2012 £'000	Restated 2011 £'000
Wages and salaries	1,613	1,438
Social security costs	111	96
Other pension costs	170	168
	1,894	1,702
	1,894	1,702

**20 Cash Flow Statement Notes**

	2012 £'000	2011 £'000
<b>Returns on investments and servicing of finance</b>		
Interest received	192	7
Interest paid	(4,584)	(3,633)
	(4,392)	(3,626)
	(4,392)	(3,626)
<b>Financing</b>		
Loans received	9,391	6,200
Loans repaid	(3,020)	(864)
Issue costs amortised	100	31
Issue costs (incurred)	(79)	(52)
Intercompany loans	1,500	-
Capital element of finance lease receipt	(2)	-
	7,890	5,315
	7,890	5,315

**Restated**

	At 1 April £'000	Cash flows £'000	At 31 March £'000
<b>Analysis of net debt</b>			
Cash at bank and short term deposits	-	501	501
Overdraft	(502)	(507)	(1,009)
	(502)	(6)	(508)
Current asset investments	1,325	124	1,449
Debt due within one year	(2)	(1,500)	(1,502)
Debt due after one year	(86,413)	(6,390)	(92,803)
	(85,592)	(7,772)	(93,364)
<b>Total</b>	(85,592)	(7,772)	(93,364)

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

<b>21</b>	<b>Capital Commitments</b>	<b>2012</b>	<b>2011</b>
		<b>£'000</b>	<b>£'000</b>
	Expenditure contracted but not provided for in the financial statements	2,176	3,167
		2,176	3,167
		2,176	3,167
	Progress Care Housing Association expects these commitments to be financed with:		
	Grants	725	105
	Committed loan facilities	1,451	3,062
		2,176	3,167
		2,176	3,167

Any capital commitments are funded by agreed loans and grants.

The commitments under non-cancellable operating leases is analysed into the period in which each lease expires, are set out below:

	<b>Housing Properties</b>	
	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Up to one year	3,621	3,489
Between two and five years	11,522	10,123
	11,522	10,123

**22 Related Party Transactions**

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

**23 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

**24 Emoluments of the Board and Directors**

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

**25 Lottery Grant Funding**

Progress Care Housing Association was awarded grant in 2009 from the Big Lottery Fund. This is a restricted fund and is held for research programmes.

	<b>2012</b>	<b>Restated</b>
	<b>£'000</b>	<b>2011</b>
		<b>£'000</b>
Unutilised grant at 1 April	257	390
Utilised in period	(140)	(133)
	117	257
Unutilised at 31 March	117	257

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

**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		
<b>Total Group</b>	<b>1,466,810</b>	<b>1,481,301</b>	<b>200</b>	<b>207</b>

Financial Reporting Standard 17 disclosures

Actuarial Assumptions	At 31/03/12	At 31/03/11	Market			
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 %	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
<b>Total Market Value of Assets</b>		<b>24,006</b>	<b>100</b>		<b>22,345</b>	<b>100</b>
Present Value of Scheme Liabilities		31,689			29,221	
Net Pension Liability before tax asset		<u>(7,683)</u>			<u>(6,876)</u>	
PCHA Allocation		930			771	

The allocation is based on the number of direct employees.

The following disclosures relate to the Group as a whole (excl New Fylde Housing):

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	<u>31,689</u>	<u>29,221</u>
Fair Value of Plan Assets	<u>(24,006)</u>	<u>(22,345)</u>
<b>Deficit before deferred tax asset</b>	<b>7,683</b>	<b>6,876</b>
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)
<b>Total pension cost recognised in Income &amp; Expenditure</b>	<b>1,151</b>	<b>(338)</b>

**PROGRESS CARE HOUSING ASSOCIATION LIMITED**  
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**Statement of Total Recognised Surpluses and Deficits**

Actuarial (gains)/losses	1,126	(2,082)
<b>Total pension cost recognised in the Statement of Total Recognised Surpluses and Deficits</b>	<b>1,126</b>	<b>(2,082)</b>

**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
Curtailments	0	0	0	0
Settlements	0	0	0	0
Benefits/transfers paid	(3)	(557)	(5)	(495)
Business combinations	0	0	0	0
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
Business combinations	0	0	0	0
Settlements	0	0	0	0
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	S1PA CMI_2009 [1%] (103% Males, 96% Females)	S1PA CMI_2009 [1%] (103% Males, 96% Females)
Retired members	S1PA CMI_2009 [1%] (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	23.1 (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)**

<b>4,158</b>	<b>4,294</b>
(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 £0.25m in the Income & Expenditure account.

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

**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:

	<b>2011</b> <b>£'000</b>
Increased depreciation charge - Housing properties	(188)
Reduced major repairs expenditure previously expensed now capitalised as a component addition	199
	11

Analysis of Prior Year Adjustment to 31 March 2011:

	<b>Fixed Assets</b> <b>£'000</b>	<b>Revenue Reserve</b> <b>£'000</b>	<b>Revaluation Reserve</b> <b>£'000</b>
Properties leased under finance lease obligation	7,839	-	-
Reduction in costs and valuation of properties	(175)	3,923	(1,559)
Remove previously capitalised improvement works	-	(95)	95
Capitalisation of components	-	2,104	(2,104)
Increase in accumulated depreciation of components	-	(5,458)	5,458
	7,664	474	1,890



**PROGRESS CARE**  
HOUSING ASSOCIATION LIMITED

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

Registered with the Homes and Communities Agency (LH4188)

Charitable Industrial and Provident Society (28761R)



The registered office for Progress Housing Group Limited and its subsidiaries is:  
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Telephone: 01772 450600

Website: [www.progressgroup.org.uk](http://www.progressgroup.org.uk)

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