*Registered Industrial and Provident Society No 30045R*

*Registered Housing Association No L4465*

# Great Places Housing Group Limited
# Report and Financial Statements
# For the Year ended 31 March 2011

**GREAT PLACES HOUSING GROUP LIMITED**
**Year ended 31 March 2011**

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# ASSOCIATION INFORMATION

### *Board*

| | |
|---|---|
| Chairman | E. Stott |
| Deputy Chairman | L. Hansen |
| Other Members | A. Beeput<br>J. Clafton<br>T. Cook<br>D. Copley<br>C. Goulden<br>K. Evans<br>M. Faulkner<br>A. Harris<br>R. Kirkwood<br>S.J. Porter<br>T. Snape |

### *Executive Directors*

| | |
|---|---|
| Chief Executive | S.J.Porter |
| Deputy Chief Executive and Director of Development | M. Harrison |
| Director of Finance and Company Secretary | P. Elvy |
| Director of Performance and Innovation | M. Shannon |
| Director of Housing Services | G. Cresswell |

### *Registered office*

Southern Gate
729 Princess Road
MANCHESTER
M20 2LT

### *Web site*

www.greatplaces.org.uk

### *Registered Numbers*

TSA No: L4465
Industrial and Provident Society No: 30045R

### *External Auditors*

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB

### *Internal Auditors*

Mazars LLP
The Lexicon
Mount Street
Manchester
M2 5NT

### *Bankers*

The Royal Bank of Scotland plc
P.O. Box 356
38 Mosley Street
Manchester
M60 2BE

# OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

## Corporate Structure

Great Places Housing Group Limited ("GPHG" or the "Group") comprises the non asset owning, non charitable parent ("The Association") (which is an Industrial and Provident Society), together with two subsidiaries:

- Great Places Housing Association ("GPHA"), an Industrial and Provident Society with charitable status; and
- Plumlife Homes Limited ("Plumlife"), an Industrial and Provident Society not having charitable status.

GPHA has two active third tier subsidiaries: Cube Great Places Limited ("Cube") and Terra Nova Developments Limited ("Terra Nova").

The Group's head office is located in South Manchester and its properties are primarily located in Greater Manchester, Lancashire and South Yorkshire.

| **HOUSING PROPERTIES MANAGED** | **As at 31st March 2011** | **As at 31st March 2010** | **As at 31st March 2009** | **As at 31st March 2008** | **As at 31st March 2007** |
|---|---|---|---|---|---|
| | | | | | |
| Housing accommodation | 11,087 | 10,618 | 9,972 | 8,810 | 7,455 |
| Supported housing | 1,538 | 1,360 | 1,470 | 1,360 | 1,277 |
| Keyworker | 419 | 419 | 485 | 485 | 713 |
| Shared ownership/leasehold | 1,497 | 1,136 | 1,069 | 805 | 888 |
| Managed on behalf of others | 1,181 | 1,436 | 1,785 | 2,398 | 478 |
| **TOTAL** | **15,722** | **14,969** | **14,781** | **13,858** | **10,811** |
| | | | | | |
| Properties owned, managed by a third party | 76 | 76 | 168 | 127 | 135 |
| Properties under development | 642 | 882 | 556 | 580 | 905 |

## Activities

The Group's primary activities include:

- Management and development of general needs social and affordable housing for rent.
- Management and development of supported housing and extracare properties.
- Management of keyworker accommodation.
- Management and development of low-cost home ownership.
- Management of leasehold and privately owned property.
- Provision of related services such as financial inclusion and social enterprise activities.
- Provision of Homebuy agency and similar services.
- Regeneration of neighbourhood and communities.

As well as owning or managing almost 16,000 properties, the Group is a major developer of new affordable housing, a lead development partner under the Homes and Communities Agency (HCA) National Affordable Housing Programme and is also a HCA Delivery Panel Partner. The Group is currently bidding for a contract for Development of Affordable Homes with the HCA for the period 2011-2015.

## External influences

The Group delivers this diverse range of activities within a complex operating environment and ensures that it recognises and responds to the implications of changes in this environment.

Whilst the economic environment remains difficult, it is relatively stable, particularly compared to the extremes of 2008/2009. The Greek, Irish and Portuguese economies have been stabilised but along with other Euro-zone economies remain fragile. This ongoing situation affects the stability of the UK economy.

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

In the UK, the economic outlook has been addressed by the new coalition Government, with significant spending reductions enforced in order to drive down the structural deficit. This is affecting the Group in many ways, including:

The new affordable rent development regime will stretch the Group's capacity if we are to continue delivering new homes. The move to affordable rents for new properties and also for a proportion of any properties that become vacant, will, together with the planned programme of welfare benefit reforms really hit our current and future customers. We are already seeing the impact of reductions in Local Authorities' Supporting People budgets.

After a prolonged period of negative inflation in 2009, which led to rent reductions for 2010/11, we have seen inflation remain stubbornly high throughout 2010 and into early 2011. Rents in April 2011 increased by an average of around 5.6% primarily due to the September 2010 RPI figure of 4.6%.

We have now seen more than two years of historically low interest rates, but the upward pressure is becoming unrelenting, particularly given the inflation levels, and it is possible rates will rise in the next few months, the debate now being how far will they rise and how quickly.

The credit crunch continues: The Group has not required any new finance since the crunch hit, so whilst there is a sense of a gradual increase in supply of short term bank funding for Registered Providers ("RPs"), and an increasing range of Bond and Private Placement funding options, we have yet to test this in practise.

The mortgage market remains extremely difficult, with housebuyers struggling to secure even modest loans without significant deposits and first time buyer activity at record low levels . Housing waiting lists are longer than they have been for many years, but it is the lack of mortgage finance which is affecting house prices most significantly rather than supply and demand factors. This contributes to a significant reduction in the Group's ability to generate income from property sale activity.

The Group business plan analyses the impact upon the Group in more detail and is available in summary form on our website. Later sections of this report outline some of the Group's responses to this risk environment.

The Homes and Communities Agency and the Tenant Services Authority (TSA) were both established at the end of 2009, mainly through splitting the functions of the Housing Corporation. The Group swiftly established good working relationships with both new agencies. The TSA is now to be abolished with its responsibilities transferring to a sub committee of the HCA. The Group is keen to ensure that we continue to work well with our regulator in the new regime.

### Board members and executive directors

The present Board members and the executive directors of the Group are set out on page 1. The Board members are drawn from a wide background bringing together professional, commercial and local experience.

The executive directors are the Group Chief Executive and the other members of the Group's senior management team. They hold no interest in the Group's shares and act as executives within the authority delegated by the Board.

Of the executive directors, only Stephen Porter, the Group Chief Executive, is a member of the Board, having served on it throughout the year.

All of the executive directors served throughout the year.

Insurance policies indemnify Board members and officers against liability when acting for the Group.

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

### Pensions
The executive directors are members of the Social Housing Pension Scheme. They participate in the scheme on the same terms as all other eligible staff and the Group contributes to the scheme on behalf of its employees.

### Other benefits
The executive directors are entitled to other benefits such as the provision of a car (or car allowance) and health care insurance. Further information on the emoluments of the executive directors is included in note 10 to the audited financial statements.

### Vision, values, objectives and strategy

### The Great Places vision is "Strong, bright and real".
- We're strong – bold energetic, forceful, have sound finances and solid roots.
- We're bright – innovative fresh, new, colourful and stylish.
- We're real – feet on the ground, customer focussed, know where we come from, realistic, there's substance to what we do.

We remain committed to our core values:
- We know and value our customers and communities in which they live.
- We recognise our talented enthusiastic staff and all those who contribute to our success.
- We are fair open and accountable.

Our vision and values are reflected in the way we go about our work, how we deal with our customers and staff, and the sense of vibrancy and energy which can be felt in any of our offices or projects.

We maintain our ambition to be "the best Housing Association in the North". With an ability to change and adapt in challenging times, we embrace different ways of working, and embark on new projects with a positive attitude.

During the past year, and following consultation with customers, staff and Board members, we have revisited our corporate priorities to ensure they are current and relevant to 2011 and beyond. Underpinning all of our priorities are the overarching, cross-cutting objectives of value for money, equality and diversity and environmental issues. The seven areas identified as priorities are:
- Financially viable;
- Customer focussed services;
- Engaged staff;
- Invigorate deprived communities;
- Building new affordable homes;
- Well-maintained homes; and
- Continuous improvement.

These ambitions and objectives are set out the Group Corporate Plan that is reviewed and approved by the Board each year.

### Performance management
The Group manages its performance through a balanced scorecard approach which assesses the achievement of the Corporate Objectives through a range of quantitative and qualitative measures. Each objective is assessed against the relevant set of measures and an overall performance judgement made.

The table overleaf summarises some of the key outcomes from the 2010/11 year end balanced scorecard:

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

| *Objective* | *Indicative measures* | *Scorecard judgement* |
|---|---|---|
| Customer focussed services | Overall satisfaction<br>Repairs satisfaction<br>Satisfaction with complaints handling<br>% calls answered in 15 seconds | Just missed |
| Invigorate deprived communities | Tenancy turnover<br>Satisfaction with neighbourhood | Achieved |
| Value for money | Procurement initiatives implemented | Achieved |
| Engaged staff | L&D courses delivered<br>Best Companies result<br>Staff turnover and sickness absence | Achieved |
| Continuous improvement | Implementation of internal audit recommendation<br>Implementation of Short Notice Inspection recommendations | Achieved |
| Finances: Overall<br>Finances: Turnover<br>Finances: Operating Costs | Achievement of surplus<br>Budget, void loss & arrears<br>Achievement of budget | Achieved<br>Achieved<br>Just missed |
| Building new affordable homes | Meet HCA performance indicators<br>Achieve budget handovers | Achieved |
| Well maintained homes | Compliance with Decent Homes standard (excluding remaining Sheffield programme properties)<br>Satisfaction with general condition of property<br>Satisfaction with quality of home | Achieved |

The balanced scorecard is supplemented by benchmarking (comparing the Group to a family of similar North West RP's) using a range of KPI's produced by the TSA annually.

### Key projects delivered and other achievements in 2010/11 and new projects that are planned for 2011/12 and beyond

**Delivering (top quartile) customer service excellence**

- One of our key strategic projects spanning 2010/11 and 2011/12 is improving the quality of customer access to our services through the development of our TOPCAT customer interface;
- We have improved our Customer Service Excellence accreditation, originally obtained in November 2010, and reduced the number of partial compliances from 9 to 5. An action plan is in place to attain 100% compliance in 2011;
- Achieving increasingly high Quality Assessment Framework ("QAF") scores for our Supported Housing schemes;
- Rolling out our in-house Achieving Customer Excellence ("ACE") customer service training to all staff teams;
- Improving our approach to complaints handling and learning via our Complaints Learning Forum;
- Developing our internal approach to collating STATUS customer feedback, including our new "SatNav" reporting process;
- In light of continuing uncertainty around maintenance contractor viability and their ability to deliver the level of customer service that Great Places demands, we will be developing and then rolling out (target date September 2011) Project Magpie, our in-house maintenance team;
- Increasing our commitment to support our tenants into work, training and employment through Great Opportunities, our social enterprise team;

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

- Developing Great Communities to champion the needs of BME and emerging migrant communities;
- Developing our in house tenancy support service and developing a strategic approach to how we support our growing numbers of older tenants;
- Continuing our pursuit of best practice in fire safety monitoring and installation of appropriate fire detection and prevention equipment;
- Our Financial Inclusion team have exceeded their challenging targets, putting more money into our tenants pockets;
- Continuing to support our tenants to be involved at all levels including those on our Tenant Services Committee;
- Responding to the requirements of the TSA’s co-regulatory framework and developing local offers to tenants to ensure we meet their varying needs;
- Completing our recommendations from the recent Short Notice Inspection; (reviewed by our Internal Auditors and provisionally approved by TSA – “encouraging to see such good progress has been made”);
- Installing photovoltaic technology. The Project Solaris pilot will bring significant energy cost savings to around 600 tenants; and
- Strengthening our equality impact assessment process which ensures all new and updated policies are fair and equal for all.

**Making the Group work effectively**

- Creating a single Great Places culture across the group;
- Building on the completion of the ONE project which has ensured that housing services are delivered in a consistent way;
- A group wide approach to Community Development has improved the quality of services delivered and also the effectiveness of our fundraising activities;
- Benchmarking activities are helping us to better understanding our costs and hence to target areas for improvement;
- We are taking bigger strides towards achieving cost reflective and cost effective, value for money service charges;
- Enhancing our procurement processes and culture to help deliver new and improved services;
- A major project to re-procure Grounds maintenance services will consolidate and enhance the current fragmented provision;
- Continuing to improve the way we deliver our investment programme through the use of our new asset management system, to make sure we deliver the right works to the right properties at the right time;
- Implementing a successful training and development programme better coordinated through a central Learning and Development team; and
- Developing the high level corporate action plan to rationalise our planning process and to ensure we focus on the right things.

**Growing the Group**

- Bidding for a significant contract with the HCA for delivery of new homes in their 2011-15 Affordable Homes programme;
- Working towards the implementation of the Gateways to Oldham PFI;
- Being a member of the successful consortium selected to deliver the Sheffield Local Housing Company;
- Continuing our efforts to be the winning consortium for delivery of the Pendleton PFI;
- Reviewing our Older Persons strategy whilst learning from having developed a number of Extra Care schemes;
- Responding positively to Supporting People tenders, seeking to win new business and not just retain existing contracts; and
- Enhancing the quality of our regional Homebuy Agency service and proactively seeking to extend and expand this role in the face of the threat of a single national agency being set up.

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

### Risk management

While risk is inherent and unavoidable in every activity that any organisation undertakes, Great Places' risk management strategy is designed to manage risks and their potential for damage down to an acceptable level. Innovation and achievement always entail risk and we do not wish to turn the group into a risk-averse organisation.

An updated Risk Management policy has now been operational for over 12 months and our revised approach is focused on managing risks in the best possible way whilst remaining financially viable and commercially dynamic.

Rather than just doing risk, we now use risk management proactively to help us achieve our business ambitions and inform decision making and resource allocation. We ensure that everyone in the organisation understands the importance of risk management as part of the day to day decision making process.

The key difference from our old approach is that we now view risks generically across a broad spectrum, as actions or events that could help or hinder us in achieving our ambitions and corporate objectives. In other words we are now using risk to identify positive opportunities as well as negative threats.

We still assess risk in terms of the likelihood of something happening and the impact it would have on achieving our business ambitions if it did happen. This provides a risk score which is recorded in both the risk register and risk map. Additionally in the risk map, an evaluation is made on the scope for improvement in mitigating the risk and, where appropriate, further actions are identified, assigned to individuals and given a target date.

The risk process emphasises the importance of keeping the risk register and risk map continuously up to date and periodically reviewing risk exposure, capacity and appetite in the light of changing circumstances.

The management of risk to Great Places is reviewed and reported quarterly:

- To monitor whether or not the risk profile is changing;
- To provide assurance that risk management is working and is effective; and
- To identify when further action is necessary.

During a Short Notice Inspection, the Audit Commission commented that "Great Places has a comprehensive system for assessing risk and takes a proactive approach to reducing it.

The risk management policy clearly sets out how risks are identified and assessed. It clearly states how the different levels of risk will be monitored and risk management is closely linked to corporate objectives."

The risk map is presented overleaf.

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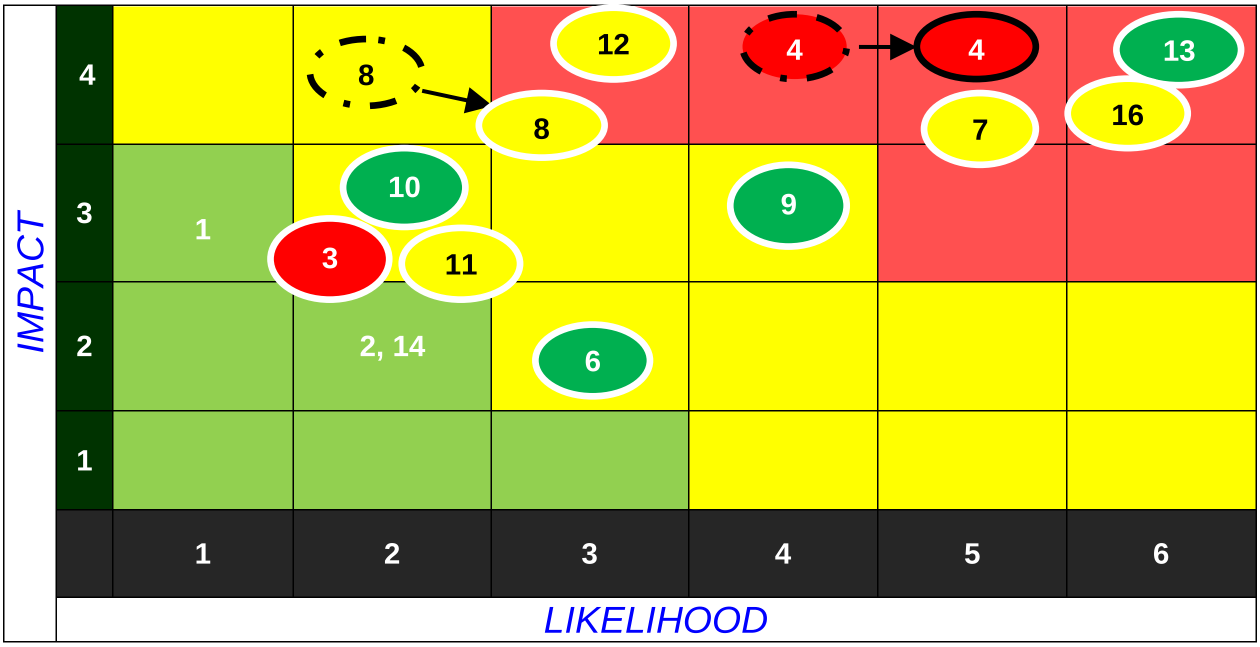


| | | | |
|---|---|---|---|
| | Current position | | Previous Position |

The colour of the flying saucer denotes the scope for improvement around that particular risk (no flying saucer means a risk is not currently a priority). The colour of the background denotes the risk appetite as explained below:

| Appetite | Risk mgt: actions & reporting | Flying Saucer | |
|---|---|---|---|
| Unacceptable – immediate corrective action required | Board expects senior managers to be actively managing on a continuous basis. Board or committee receives report at least at every meeting | 4 | Still substantial scope for improvement |
| Acceptable if actively monitored | Board content that day to day management of risks is delegated by Directors to a named individual, but expects them to be receiving prompt exception reports plus routine positive assurance reports every quarter | 12 | Moderate scope for improvement |
| Acceptable subject to routine monitoring | Board content that day to day management is delegated by Directors to a named individual, and that reporting to them is on an exception-only basis plus annual stewardship/assurance reporting | 10 | Limited/no scope for improvement |

In developing our new approach, we started with 15 key corporate risks of which 5 were opportunities, 9 were threats and 1 was uncertain (i.e. – depending on circumstances it could be a positive or negative risk).

Following our latest update, the risk register now contains 14 high level risks. From the original, one has been removed (Risk 5: Broadening our range of added value services), two have been merged (Risk 11: Performance management central to decision-making and Risk 15: Early warning of poor performance against corporate objectives) and a new risk (Risk 16: Maintaining Supported housing activities) has been added. Of the revised 14 risks, 4 are opportunities, 9 are threats and 1 is uncertain.

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

| **Risk No.** | **Description (O = opportunity, U = uncertainty, T = threat)** |
|---|---|
| 13 | Government policy issues adversely impact on Great Places (T) |
| 7 | Retain a significant Development programme (T) |
| 4 | Achieving high levels of customer satisfaction by delivering high quality homes & services (O) |
| 16 | Maintaining Supported Housing activities (T) |
| 12 | Financial market issues adversely impact on Great Places (T) |
| 8 | Our internal processes and systems don't keep pace with growth or other changes (T) |
| 9 | Our people don't stay motivated and don't keep pace with growth or other changes (T) |
| 11/15 | Ensuring that Performance Management is central to all decision making (O) |
| 10 | Over or under estimating our financial or organisational capacity (U) |
| 6 | We don't maintain an appropriate level of risk awareness (T) |
| 3 | Understanding of changing customer needs & expectations & using this to develop our services to meet future demand (O) |
| 2 | Inaccurate external perceptions which lead to a reputation we don't deserve (T) |
| 14 | Damaging publicity as a result of an adverse incident (T) |
| 1 | Missing opportunities to increase our stock numbers (O) |

During the year the Group has refreshed its fraud and misappropriation policy, introduced a new anti-money laundering policy and responded to the requirements of the Bribery Act.

One of the conditions of bidding for an Affordable rent development contract will be a requirement to meet the government's transparency agenda, and we expect to have to publish details of all costs over £500 related to that contract from mid-way through 2011.

### Financial position
Highlights of the Group's Income and Expenditure account and Balance Sheet are shown in Table 2 (page 11) and the following paragraphs explain key features of the Group's financial position at 31 March 2011.

### Accounting policies
The Group's principal accounting policies are set out on pages 24 to 28 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include: capitalisation of improvements; housing property depreciation; impairment and the treatment of shared ownership properties.

### Capital structure, treasury policy, cash flows and liquidity
The Group borrowed £34million during the year: With debt repayments, the net increase in debt was £32million: This funded the Group's ongoing development activity and a continuing major investment programme in Sheffield.

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

| **Table 1: Capital Structure** | | | | |
|---|---|---|---|---|
| **As at 31 March** | **2011** | **2010** | **2009** | **2008** |
| **Maturity** | **£'000** | **£'000** | **£'000** | **£'000** |
| Within one year | 1,697 | 2,508 | 1,408 | 1,517 |
| Between one and two years | 1,725 | 2,548 | 1,418 | 1,467 |
| Between two and five years | 5,411 | 7,786 | 4,391 | 4,701 |
| After five years | 284,001 | 247,641 | 238,461 | 167,966 |
| **TOTAL** | **292,834** | **260,483** | **245,678** | **175,651** |
| | | | | |
| Fixed | 194,551 (66%) | 199,372 (76%) | 147,414 (60%) | 126,642 (72%) |
| Variable | 98,283 (34%) | 61,111 (24%) | 98,264 (40%) | 49,009 (28%) |
| New facility (see narrative below) | 246,017 | 211,996 | 194,495 | 117,253 |
| Legacy debt | 46,817 | 48,487 | 51,183 | 58,398 |

The Group's borrowings are principally from banks and building societies, at both fixed and floating rates of interest.

In December 2007 the Group completed a refinancing exercise whereby the new facilities are arranged through GPHG and then on-lent to GPHA under a guarantee structure.

Interest rate swaps are used to provide a hedge against the Group's exposure to interest rate fluctuations. The Group's policy is to keep between 50 per cent and 70 per cent of its borrowings at fixed rates of interest, with this policy regularly updated to ensure it remains appropriate in the current fast moving financial climate.

Table 1 shows that at 31 March 2011 the Group had 66% fixed rate debt and 34% variable rate debt. Currently the Group's proportion of fixed rate debt is towards the higher end of the policy range, but will drift downward during 2011/12.

The fixed rate transactions include a mix of embedded and stand alone swaps. The stand alone swaps are transacted through International Swaps and Derivatives Association ('ISDA') agreements and as a result of movements in interest rates, at the year end, the Group has been required to provide £280,000 of cash as security to the relevant counterparties.

The fixed rates of interest range from 3.41% to 11.5%.

The Group's lending agreements require compliance with a number of financial and non-financial covenants, most notably interest cover and gearing, both of which are shown in Table 2 (page 11). The Group's position is monitored on an on-going basis. Our latest management accounting information and our future business plan projections confirmed that the Group was in compliance with its loan covenants at the balance sheet date and we expect to remain compliant in the foreseeable future.

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

### Cash flows

Cash flows during the year are shown in the consolidated cash flow statement (page 22). The major influence on the scale and timing of future borrowings is the Group's future development programme.

The Group business plan identifies gross funding requirements of £52m in 2011/12 and £44m in 2012/13 – a total of £96m. At March 2011 the remaining available facility is £81m. The Group will complete the drawdown of a new £20m EIB funding facility in the first quarter of 2012.

The Group will commence negotiation in respect of a new finance facility in the second quarter of 2011/12 and is confident that it will be able to secure finance sufficient for a further 3-5 year period.

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### Pension costs

The Group participates in two pension schemes, the Social Housing Pension Scheme (SHPS) and the South Yorkshire Pension Fund (SYPF).

SYPF is a final salary related scheme open to employees that work on the Sheffield stock transfer estates. SHPS provides a final salary related scheme for staff employed prior to April 2007 and a career average salary related scheme for staff employed after that date. Additionally from October 2010, a defined contribution scheme has also been offered. All the schemes offer excellent benefits for our staff. The Group has contributed to the schemes in accordance with levels, set by the actuaries, of between 4.4% and 8.2%, together with a further lump sum payment to address the historic deficit.

The most recent formal actuarial valuation of SHPS was undertaken as at 30 September 2008, at which date the scheme has reported a deficit of £663m (£283m at September 2005). SHPS deficit reduction plan introduced at that time includes a revised benefit structure, and increased contributions to cover the historic deficit.

## Table 2 – Group highlights, five-year summary

| For the year ended 31 March | 2011 £'000 | 2010 £'000 | 2009 £'000 | 2008 £'000 | 2007 £'000 |
|---|---|---|---|---|---|
| **Group Income & Expenditure account** | | | | | |
| Total turnover | 66,918 | 68,657 | 62,069 | 56,638 | 42,887 |
| Operating surplus | 14,882 | 13,071 | 12,897 | 12,315 | 9,554 |
| **Surplus for the year** | **5,164** | **4,059** | **4,204** | **4,613** | **3,404** |
| | | | | | |
| **Group Balance Sheet** | | | | | |
| Housing properties | 823,511 | 736,721 | 643,960 | 505,908 | 467,515 |
| Social housing grant | (454,203) | (407,867) | (358,275) | (292,928) | (276,707) |
| Depreciation | (22,120) | (19,192) | (16,170) | (13,600) | (12,552) |
| Other fixed assets | 7,813 | 8,098 | 7,548 | 6,712 | 6,611 |
| **Fixed assets** | **355,001** | **317,760** | **277,063** | **206,108** | **184,867** |
| | | | | | |
| Investments | 10 | 320 | 303 | (52) | 60 |
| Net current assets | 6,901 | 6,136 | 29,362 | 17,851 | 6,011 |
| **Total assets less current liabilities** | **361,912** | **324,216** | **306,728** | **223,907** | **190,938** |
| | | | | | |
| Creditors due after more than one year | 290,534 | 257,924 | 244,444 | 175,559 | 149,233 |
| Pension liability | 216 | 249 | 38 | 121 | - |
| Negative goodwill reserve | 5,026 | 5,078 | 5,131 | - | - |
| Reserves | 66,136 | 60,965 | 57,115 | 48,227 | 41,705 |
| | **361,912** | **324,216** | **306,728** | **223,907** | **190,938** |

| For the year ended 31 March | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| **Statistics** | | | | | |
| Surplus for the year as % of turnover | 7.7% | 5.9% | 6.8% | 8.1% | 7.9% |
| **Interest Cover** (operating surplus, add back surplus/deficit on sale of property in normal course of business, add back depreciation, impairment and gift aid) / (net interest payable) | 180% | 164% | 166% | 168% | 168% |
| **Gearing** (Total borrowings less cash at bank and in hand) / (Housing properties at cost less properties under construction less depreciation and impairment) | 36.3% | 36.9% | 35.6% | 33.7% | 30.7% |

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

### Impairment
The Group made impairment charges totalling £539k in 2010/11 (2009/10: £nil).

£208k related to Housing Properties – namely the Lovell Park former supported housing scheme in Leeds, which closed in 2010 following several years of discussion aimed at securing reprovision for the scheme.

£331k related to our offices in Talbot Toad, Blackpool (£250k) and Drake St, Rochdale (£81k).

The Talbot Road office remains our primary base on the Fylde Coast with approaching 2,000 properties managed from that location. The office was formerly the head office of Windmill Housing Association, which transferred its engagements to Great Places in 2008.

The Drake Street office was the former head office of Ashiana Housing Association and has not been used by the Group since the latter part of 2009. It has future redevelopment potential, and at present is leased to a third party.

### Internal controls assurance
The Board acknowledges its overall responsibility for establishing, maintaining and monitoring the whole system of internal control and for reviewing its effectiveness. This responsibility applies to all organisations and activities within the Group.

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

The process for identifying, evaluating and managing the significant risks faced by the Group as an ongoing process, is something the Group strives to continue to develop and improve. It has been in place throughout the period commencing 1 April 2010 up to the date of approval of the report and financial statements.

**Key principles within the control framework include:**

- Robust policies and procedures, with compliance monitored on a ongoing basis and with a regular review process;
- A strong, independent, outsourced Internal Audit function; and
- A commitment to a quality assurance approach for all our activities.

**Key elements within those principles include:**

- Approved terms of reference for the Board and delegated authorities for its committees and the executive team, including the Group Audit Committee;
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks supported by established risk assessment and appraisal procedures for all major new initiatives and development schemes;
- A three year, risk based, Internal audit programme delivered by an external provider: In the last 12 months the direct channel between the Internal Auditor and the Chief Executive has been reinforced, the management of the Internal Audit programme enhanced and the rate of implementation of Internal Audit Recommendations has reached new highs;
- Undertaking management review, quality assurance, benchmarking and other external review of performance and key internal and external processes;
- Robust strategic and business planning processes, with detailed financial budgets and forecasts, subject to external validation;
- Formal recruitment, retention, induction, training and development policies for all staff;
- A sophisticated approach to treasury management which is subject to regular internal audit as well as external review each year;

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

- Regular reporting to the appropriate Board, Committee or Management team, on key business objectives, targets and outcomes, including regular monitoring of loan covenants, cash flow requirements and future requirements for new loan facilities;
- Having up to date, approved policies for staff conduct, whistle-blowing, and for dealing with fraud and misappropriation, covering prevention, detection and reporting of fraud, and the recovery of assets; In the last year, the fraud and misappropriation policy has been updated, a new policy has been introduced to aid the recognition and prevention of money laundering, actions taken to increase staff awareness of these policies and actions taken to ensure the Group is ready for the introduction of the Bribery Act in July 2011;
- Registers for Fraud, Hospitality and Gifts that are maintained and which are regularly reviewed by the audit committee; and
- Regular monitoring of loan covenants, cash flow requirements and future requirements for new loan facilities.

The Board cannot delegate ultimate responsibility for the system of internal control, but has delegated authority to the audit committee to regularly review the effectiveness of the system of internal control.

The Board receives regular updates from the audit committee as well as the minutes of audit committee meetings. The audit committee has received the Chief Executive’s report regarding the effectiveness of the system of internal control for the Group and its subsidiaries, and the annual report of the internal auditor, has conducted its own review of the effectiveness of the systems currently in place, and has reported its findings to the Board.

The Board confirms that it is satisfied that there are ongoing processes in place to identify, evaluate, control and manage any significant risks faced by the organisation. These processes have been in place during the year under review, up to the date of the annual report and accounts and they are regularly reviewed by the Board.

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

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

Industrial and Provident Societies Acts and Registered Social Landlord legislation require the board to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under the Industrial and Provident Society legislation the directors must not approve the financial statements unless there are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Group and Association for that period.

In preparing these financial statements the Board members are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- State whether applicable United Kingdom Accounting Standards and the Statement of Recommended Practice: Accounting by Registered Social Landlords” (2008) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Association and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

2002, the Housing Act 1996 (to 31 March 2011), the Housing and Regeneration Act 2008 (from 1 April 2011) and the Accounting Requirements for Registered Social Landlords General Determination 2006. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by Registered Social Landlords (2008).

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

### NHF Code of Governance
We are pleased to report that the group complies with the principal recommendations of the NHF Code of Governance (revised).

### Donations
During the years ended 31 March 2011 and 2010 the group has made no political contributions and any charitable donations were made during the course of its ordinary activities.

### Going concern
After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. In particular, assurance is provided by the Group's business plan which demonstrates that the Group has funding facilities in place that will last for around eighteen months and that it is fully able to service its debt facilities whilst continuing to comply with all its funders' covenants. Therefore the board continues to adopt the going concern basis in the financial statements.

### Annual general meeting
The annual general meeting will be held on Thursday 29 September 2011 at Southerngate.

### Disclosure of information to auditors
At the date of making this report each of the Association's directors, as set out on page 1, confirm the following:

- so far as each director is aware, there is no relevant information needed by the Association's auditors in connection with preparing their report of which the Association's auditors are unaware; and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the Association's auditors in connection with preparing their report and to establish that the Association's auditors are aware of that information.

### External auditors
A resolution to re-appoint Grant Thornton UK LLP will be proposed at the forthcoming AGM.

### Statement of compliance
In preparing this Operating and Financial Review and Board report, the Board has followed the principles set out in the SORP 2008.

The report of the board was approved by the board on 28 July 2011 and signed on its behalf by:

Phil Elvy
**Company Secretary**

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GREAT PLACES HOUSING GROUP LIMITED

## Independent auditor's report to the members of Great Places Housing Group Limited

We have audited the financial statements of Great Places Housing Group Limited for the year ended 31 March 2011 which comprise the consolidated income and expenditure account, the association income and expenditure account, the statement of total recognised surpluses and deficits, the reconciliation of movements in group's and association's funds, the consolidated balance sheet, the association balance sheet, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the housing association's members, as a body, in accordance with regulations made under Section 4 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the housing 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 housing association and the housing 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 explained more fully in the Statement of the responsibilities of the Board on page 13, the Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

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

## Opinion on financial statements

In our opinion the financial statements:

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

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

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

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

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

## CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

### For the year ended 31 March 2011

| | Note | 2011 £'000 | 2010 £'000 |
|---|---|---|---|
| **Turnover: Group and share of joint venture** | | **67,557** | 70,059 |
| Less: share of joint venture's turnover | | **(639)** | (1,402) |
| **Group turnover** | 3 | **66,918** | 68,657 |
| **Operating costs** | 3 | **(52,036)** | (55,586) |
| **Operating surplus** | 4 | **14,882** | **13,071** |
| Surplus on sale of fixed assets – housing properties | 5 | **1,637** | 441 |
| Share of operating profit of joint venture | 14 | **25** | 67 |
| Interest receivable | 6 | **127** | 107 |
| Interest payable and similar charges | 7 | **(11,326)** | (9,442) |
| **Surplus on ordinary activities before taxation** | | **5,345** | 4,244 |
| Tax on surplus on ordinary activities | 9 | **(181)** | (185) |
| **Surplus for the financial year** | 24 | **5,164** | 4,059 |

All amounts relate to continuing activities.

Historical cost surpluses and deficits were identical to those shown in the income and expenditure account.

The notes on pages 23 to 50 form part of these financial statements.

## ASSOCIATION INCOME AND EXPENDITURE ACCOUNT

### For the year ended 31 March 2011

| | Note | 2011 £'000 | 2010 £'000 |
|---|---|---|---|
| **Turnover** | 3 | **10,441** | 11,357 |
| **Operating costs** | 3 | **(10,275)** | (10,994) |
| **Operating surplus** | 4 | **166** | 363 |
| Interest receivable and other income | 6 | **8,530** | 6,824 |
| Interest payable and similar charges | 7 | **(8,530)** | (6,810) |
| **Surplus on ordinary activities before taxation** | | **166** | 377 |
| Tax on surplus on ordinary activities | 9 | **(83)** | (137) |
| **Surplus for the financial year** | 24 | **83** | 240 |

All amounts relate to continuing activities.

Historical cost surpluses and deficits were identical to those shown in the income and expenditure account.

The notes on pages 23 to 50 form part of these financial statements.

## STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

### For the year ended 31 March 2011

| | Group | | Association | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Surplus for the financial year | 5,164 | 4,059 | 83 | 240 |
| Amortisation of negative goodwill | (52) | (53) | - | - |
| Actuarial gain/(loss) | 7 | (209) | - | - |
| Total recognised surplus relating to the year | 5,119 | 3,797 | 83 | 240 |

## RECONCILIATION OF MOVEMENTS IN GROUP'S AND ASSOCIATION'S FUNDS

### For the year ended 31 March 2011

| | Group | | Association | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Opening total funds | 66,043 | 62,246 | 319 | 79 |
| Total recognised surpluses relating to the year | 5,119 | 3,797 | 83 | 240 |
| Closing total funds | 71,162 | 66,043 | 402 | 319 |

## CONSOLIDATED BALANCE SHEET

### At 31 March 2011

| | Note | 2011 £'000 | 2010 £'000 |
|---|---|---|---|
| **Tangible fixed assets** | | | |
| Housing properties at cost | 12 | **823,511** | 736,721 |
| Social housing grant | 12 | **(454,203)** | (407,867) |
| Depreciation and impairment | 12 | **(22,120)** | (19,192) |
| | | **347,188** | 309,662 |
| Other tangible fixed assets | 13 | **7,813** | 8,098 |
| | | **355,001** | 317,760 |
| **Fixed Asset investments** | | | |
| Homebuy initiative | | **10,380** | 10,518 |
| Less: Social housing grant | | **(10,380)** | (10,208) |
| | | **-** | 310 |
| Investment in joint venture: | | | |
| Share of gross assets | | **155** | 610 |
| Share of gross liabilities | | **(145)** | (600) |
| | 14 | **10** | 10 |
| **Total investments** | | **10** | 320 |
| **Total fixed assets** | | **355,011** | 318,080 |
| **Current assets** | | | |
| Properties for sale and work in progress | 15 | **13,454** | 9,227 |
| Debtors | 16 | **19,541** | 13,274 |
| Investments | 17 | **335** | 8,699 |
| Cash at bank and in hand | | **10,817** | 15,471 |
| | | **44,147** | 46,671 |
| **Creditors:** Amounts falling due within one year | 18 | **(37,246)** | (40,535) |
| **Net current assets** | | **6,901** | 6,136 |
| **Total assets less current liabilities** | | **361,912** | 324,216 |
| **Creditors:** Amounts falling due after more than one year | 19 | **290,534** | 257,924 |
| **Net pension liability** | 11 | **216** | 249 |
| | | **290,750** | 258,173 |
| **Capital and reserves** | | | |
| Share capital | 23 | **-** | - |
| Negative goodwill reserve | 24 | **5,026** | 5,078 |
| Revenue reserve | 24 | **66,136** | 60,965 |
| **Consolidated funds** | | **71,162** | 66,043 |
| | | **361,912** | 324,216 |

The notes on pages 23 to 50 form part of these financial statements.

The financial statements were approved by the Board on 28 July 2011 and signed on its behalf by:

Board member          Board member          Secretary

## ASSOCIATION BALANCE SHEET

### At 31 March 2011

| | Note | 2011 £'000 | 2010 £'000 |
|---|---|---|---|
| Other tangible fixed assets | 13 | **1,963** | 1,701 |
| Total tangible fixed assets | | **1,963** | 1,701 |
| **Debtor**: Amounts falling due after one year | 16 | **246,019** | 204,817 |
| **Current assets** | | | |
| Debtors | 16 | **2,908** | 1,711 |
| Investments | 17 | **55** | 7,259 |
| Cash at bank and in hand | | **53** | - |
| | | **3,016** | 8,970 |
| **Creditors:** Amounts falling due within one year | 18 | **(4,579)** | (3,173) |
| **Net current (liabilities)/assets** | | **(1,563)** | 5,797 |
| **Total assets less current liabilities** | | **246,419** | 212,315 |
| **Creditors:** | | | |
| Amounts falling due after more than one year | 19 | **246,017** | 211,996 |
| **Capital and reserves** | | | |
| Share capital | 23 | **-** | - |
| Revenue reserve | 24 | **402** | 319 |
| **Association's funds** | | **402** | 319 |
| | | **246,419** | 212,315 |

The notes on pages 23 to 50 form part of these financial statements.

The financial statements were approved by the Board on 28 July 2011 and signed on its behalf by:

Board member Board member Secretary

# CONSOLIDATED CASH FLOW STATEMENT

## For the year ended 31 March 2011

| | Note | 2011 £'000 | 2010 £'000 |
|---|---|---|---|
| **Net cash inflow from operating activities** | (i) | **24,313** | 28,839 |
| **Returns on investments and servicing of finance** | | | |
| Interest received | | **127** | 107 |
| Interest paid | | **(10,217)** | (7,687) |
| | | **(10,090)** | (7,580) |
| **Taxation paid** | | | |
| Corporation tax paid | | **(170)** | (37) |
| **Transfer of engagements** | | **-** | - |
| **Capital expenditure** | | | |
| Purchase and construction of housing properties | | **(110,099)** | (86,404) |
| Social housing grant received | | **42,496** | 53,979 |
| Sale of housing properties (net) | | **10,773** | (572) |
| Purchase of other fixed assets | | **(1,043)** | (1,370) |
| | | **(57,873)** | (34,367) |
| **Management of liquid resources** | | | |
| Cash placed on fixed term deposit | | **(1,885)** | (1,885) |
| Cash withdrawn from fixed term deposit | | **10,249** | 286 |
| | | **8,364** | (1,599) |
| **Financing** | | | |
| Loans received | | **34,300** | 17,500 |
| Loans repaid | | **(1,949)** | (2,342) |
| Property leases repaid | | **(704)** | (56) |
| Loan issue costs incurred | | **(845)** | (913) |
| | | **30,802** | 14,189 |
| **Decrease in cash** | (iii) | **(4,654)** | (555) |

## CONSOLIDATED CASH FLOW STATEMENT

### For the year ended 31 March 2011

| | | 2011 £'000 | 2010 £'000 |
|---|---|---|---|
| **(i)** | **Reconciliation of operating surplus to net cash inflow from operating activities** | | |
| | **Operating surplus** | **14,882** | 13,071 |
| | Depreciation of tangible fixed assets | **5,483** | 3,864 |
| | Impairment of tangible fixed assets | **539** | - |
| | Amortisation of goodwill | **(52)** | (53) |
| | Amortisation of issue costs | **731** | 101 |
| | FRS17 service cost | **(37)** | - |
| | Income from joint venture | **25** | 67 |
| | | **21,571** | 17,050 |
| | **Working capital movements** | | |
| | Debtors | **(4,459)** | 803 |
| | Creditors | **6,721** | 1,971 |
| | Properties for sale | **480** | 9,015 |
| | **Net cash inflow from operating activities** | **24,313** | 28,839 |

| | | 2011 £'000 | 2010 £'000 |
|---|---|---|---|
| **(ii)** | **Reconciliation of net cash flow to movement in net debt** | | |
| | Decrease in cash | **4,654** | 555 |
| | Cash used to repay loans | **(1,949)** | (2,342) |
| | Cash received from loans | **34,300** | 17,500 |
| | Leases repaid | **(704)** | (56) |
| | Cash used to increase liquid resources | **8,364** | (1,599) |
| | Other non-cash movement | **-** | 741 |
| | **Change in net debt** | **44,665** | **14,799** |
| | Net debt at 1 April | **238,225** | 223,426 |
| | Net debt at 31 March | **282,890** | 238,225 |

| **(iii)** | **Analysis of changes in net debt** | At 1 April 2010 £'000 | Cash Flows £'000 | **At 31 March 2011 £'000** |
|---|---|---|---|---|
| | Cash and bank | 15,471 | (4,654) | **10,817** |
| | | 15,471 | (4,654) | **10,817** |
| | Debt | (260,483) | (32,351) | **(292,834)** |
| | Finance leases | (1,912) | 704 | **(1,208)** |
| | | (262,395) | (31,647) | **(294,042)** |
| | Current asset investments | 8,699 | (8,364) | **335** |
| | | (238,225) | (44,665) | **(282,890)** |

# NOTES TO THE FINANCIAL STATEMENTS

**31 March 2011**

## 1. Legal status

The Association is registered under the Industrial and Provident Societies Act 1965 and is registered with the TSA as a housing provider.

## 2. Accounting policies

### Basis of accounting

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

### Basis of consolidation

The Group accounts consolidate the accounts of the Association and all its subsidiaries at 31 March using merger accounting. Intra group transactions are eliminated on consolidation.

### Turnover

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

### Revenue recognition

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Revenue grants are receivable when the conditions for receipt of agreed grant funding are met.

### Taxation

The Association does not have charitable status and is therefore liable to corporation tax. An estimate of the corporation tax liability due in respect of the taxable surplus for a financial period is charged in the Income and Expenditure Account of the period and that amount is carried as a creditor until the liability is agreed with the Inland Revenue and is paid. Once the actual liability is agreed, any under or over provisioning is charged in or written back through the Income and Expenditure Account. Gift aid payments are made to minimise any corporation tax liability. GPHA, a subsidiary of Great Places Housing Group Limited has been granted exemption from taxation under the provision of Section 505 of the Income and Corporation Taxes Act 1988 because of its charitable status.

### Deferred taxation

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

In accordance with FRS 19, deferred tax is not provided for gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. 31 March 2011

### Accounting policies (continued)

### Value added tax (VAT)

The Group is VAT registered. However, excluding Terra Nova, a large proportion of its income (rents and service charges) is exempt for VAT purposes thus giving rise to a partial exemption calculation. An approved VAT shelter is in place for stock transferred from local authorities (note 31); VAT on works carried out under the VAT shelter is fully recoverable.

### Interest payable

Interest is capitalised on borrowings to finance developments up to the date of practical completion if it represents either:

a) interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance; or
b) interest on borrowings of the Group as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

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

### Pensions

The Group participates in three funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS), Pension Trust Growth Plan (PTGP) and the Local Government Pension Scheme (LGPS) administered by the South Yorkshire Pension Authority (SYPA) defined benefit pension scheme.

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

For the LGPS, the operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets and any other changes in fair value of the assets and liabilities, are recognised in the accounting period in which they arise. The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme costs are included net in other finance costs. Actuarial gains and losses are reported in the statement of total recognised surpluses and deficits.

### Supporting People ("SP") income and expenditure

This income includes charges for support services funded under SP and is recognised as it falls due under the contractual arrangements with Administering Authorities.

### Pre-contract costs

Costs incurred in bidding for and securing contracts for the supply of products and services under the Private Finance Initiative are recognised as expenses when incurred up to the date of announcement of preferred bidder. Where the Group is successful in attaining preferred bidder status, those costs that are incurred after attaining preferred bidder status and are directly attributable to the contract are recognised as an asset.

### Leased assets

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

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

Rentals paid under operating leases are charged to the income and expenditure account as incurred.

# NOTES TO THE FINANCIAL STATEMENTS

**31 March 2011**

## 2. Accounting Policies (continued)

### Housing properties

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

Works to existing properties are works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business.

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

### Donated land

Land donated by local authorities and others is added to cost at the market value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the increase in value between market value and cost is added to other grants. Where the donation is from a non-public source, the value of the donation is included as income.

### Social housing grant (SHG)

SHG is receivable from the HCA (and previously from the Housing Corporation) and is utilised to reduce the capital cost of housing properties, including land costs. SHG due from the HCA or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with the HCA. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

### Other grants

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

### Depreciation of housing properties

Freehold land is not depreciated. Depreciation of buildings is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight-line basis, over their estimated useful economic lives in the business. The depreciable amount is arrived at on the basis of original cost, less the proportion of SHG and other grants attributable at a rate of 1% - 2% per annum.

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

### Properties for sale

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

## NOTES TO THE FINANCIAL STATEMENTS

**31 March 2011**

### 2. Accounting Policies (continued)

#### Negative goodwill

In accordance with the requirement of the Statement of Recommended Practice: Accounting by Registered Social Landlords issued in January 2008 (SORP 2008), negative goodwill has been calculated as the shortfall of the cost of the acquired housing stock over the aggregate Existing Use Valuation – Social Housing of the acquired housing stock, and is disclosed separately on the face of the balance sheet within the 'capital and reserves' section. The board estimated the useful economic life to be that of the related housing stock and it is over that remaining period that the negative goodwill is written back to the income and expenditure account on a straight line basis to match the period in which the Association expects to benefit from the acquired housing stock. In the event of asset disposals and impairment, a proportion of the negative goodwill is recognised in the period in which the disposal occurs.

#### Impairment

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

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

#### Other tangible fixed assets

Other fixed assets are initially recognised at cost. Depreciation is provided on a straight line basis on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

| | |
|---|---|
| Freehold and leasehold office property | 1.67% - 2% |
| Office equipment, fixtures and fittings | 10 - 25% |
| Scheme fixtures and fittings | 33.33% |
| Computer and similar equipment | 25% |
| Motor vehicles | 25% |
| Leasehold office improvements | over term of lease |

#### Homebuy

The Group operates the Homebuy scheme, lending a percentage of the cost to home purchasers secured on the property. The loans are interest free and are repayable only on the sale of the property. On sale, the fixed percentage of the proceeds are repaid to the Group. The loans are financed by an equal amount of SHG.

#### Property managed by agents

Where the Group carries 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 of the group.

Where the agency carries the financial risk, the income and expenditure account includes only that income and expenditure which relates to the Group.

In both cases, where revenue grants are claimed by the Group, these are included as income in the income and expenditure account and expenditure to the extent that they are passed to the agent.

#### Joint venture accounting

Great Places Housing Association has an investment in a joint venture. On consolidation this has been accounted for under the Gross Equity Method of Accounting for Joint Ventures in accordance with FRS 9.

## NOTES TO THE FINANCIAL STATEMENTS

**31 March 2011**

### 2. Accounting Policies (continued)

#### Provisions

The Group only provides for contractual liabilities.

#### Service charge sinking funds

Service charge sinking funds (where funds are held on behalf of third parties) are held on the balance sheet in creditors.

#### Forfeited/cancelled shares

Shares in the Group issued to members are not transferable. Upon a shareholder ceasing to be a member, his/her share is forfeited and the value is credited to the revenue reserve.

#### Loan issue costs

The cost of raising loan finance is initially capitalised and offset against the loan principal and is amortised to the income and expenditure account on a straight line basis over the term of the loan.

## NOTES TO THE FINANCIAL STATEMENTS

### 3 Particulars of turnover, cost of sales, operating costs and operating surplus

**GROUP** **2011**

| | Turnover | Cost of Sales | Operating Costs | Operating surplus |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Social housing lettings** | **51,320** | **-** | **(40,275)** | **11,045** |
| **Other social housing activities** | | | | |
| Supporting people | 4,076 | - | (4,621) | (545) |
| Properties managed on behalf of other organisations | 2,539 | - | (938) | 1,601 |
| First tranche shared ownership sales | 1,354 | (1,132) | - | 222 |
| Homebuy direct income | 1,285 | - | (269) | 1,016 |
| Marketing income | 274 | - | (249) | 25 |
| Development activities | 3,083 | (251) | (2,885) | (53) |
| Other | 2,133 | - | (1,354) | 779 |
| | **14,744** | **(1,383)** | **(10,316)** | **3,045** |
| **Non-social housing activities** | | | | |
| Developments for sale | 423 | 202 | (6) | 619 |
| Market and commercially rented | 431 | - | (258) | 173 |
| | 854 | 202 | (264) | 792 |
| | **66,918** | **(1,181)** | **(50,855)** | **14,882** |

**GROUP** **2010**

| | Turnover | Cost of Sales | Operating Costs | Operating surplus |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Social housing lettings** | **47,504** | **-** | **(37,653)** | **9,851** |
| **Other social housing activities** | | | | |
| Supporting people | 4,468 | - | (4,892) | (424) |
| Properties managed on behalf of other organisations | 3,283 | - | (951) | 2,332 |
| First tranche shared ownership sales | 4,006 | (3,828) | - | 178 |
| Homebuy direct income | 729 | - | (311) | 418 |
| Marketing income | 186 | - | (79) | 107 |
| Development activities | 4,244 | (974) | (3,083) | 187 |
| Other | 1,216 | - | (671) | 545 |
| | **18,132** | **(4,802)** | **(9,987)** | **3,343** |
| **Non-social housing activities** | | | | |
| Developments for sale | 2,650 | (2,938) | - | (288) |
| Market and commercially rented | 371 | - | (206) | 165 |
| | 3,021 | (2,938) | (206) | (123) |
| | **68,657** | **(7,740)** | **(47,846)** | **13,071** |

**ASSOCIATION** **2011**

| | Turnover | Cost of Sales | Operating Costs | Operating surplus |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Management and development services | 10,441 | - | (10,275) | 166 |
| | **10,441** | **-** | **(10,275)** | **166** |

**2010**

| | Turnover | Cost of Sales | Operating Costs | Operating surplus |
|---|---|---|---|---|
| Management and development services | 11,357 | - | (10,994) | 363 |
| | **11,357** | **-** | **(10,994)** | **363** |

## NOTES TO THE FINANCIAL STATEMENTS

### 3 Particulars of turnover, cost of sales, operating costs and operating surplus (continued)

### Particulars of income and expenditure from social housing lettings

### GROUP

| | 2011 | | | | | 2010 |
|---|---|---|---|---|---|---|
| | General needs housing | Supported housing and housing for older people | Key worker housing | Low cost home ownership | Total | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Rent receivable net of identifiable service charges | 37,668 | 3,312 | 815 | 1,864 | 43,659 | 41,545 |
| Service income | 2,048 | 2,748 | 433 | 86 | 5,315 | 4,872 |
| Charges for support services | 209 | 429 | - | - | 638 | 605 |
| **Net rental income** | **39,925** | **6,489** | **1,248** | **1,950** | **49,612** | **47,022** |
| Other revenue grants | - | - | - | - | - | - |
| Other income | 1,236 | 204 | 266 | 2 | 1,708 | 482 |
| **Turnover from social housing lettings** | **41,161** | **6,693** | **1,514** | **1,952** | **51,320** | **47,504** |
| Management | 11,736 | 566 | 199 | 277 | 12,778 | 10,893 |
| Services | 3,376 | 2,222 | 709 | 146 | 6,453 | 7,077 |
| Routine maintenance | 7,181 | 850 | 127 | 44 | 8,202 | 9,217 |
| Planned maintenance | 1,129 | 247 | 14 | - | 1,390 | 1,114 |
| Major repairs expenditure | 5,218 | 743 | 451 | 1 | 6,413 | 5,331 |
| Bad debts | 443 | (299) | (2) | 3 | 145 | 500 |
| Property lease charges | 228 | 60 | - | - | 288 | 441 |
| Depreciation of housing properties | 2,869 | 200 | 823 | 432 | 4,324 | 2,987 |
| Depreciation of leased properties | 45 | - | - | - | 45 | 77 |
| Impairment of housing properties | - | 208 | - | - | 208 | - |
| Other costs | 28 | 1 | - | - | 29 | 16 |
| **Operating costs on social housing lettings** | **32,253** | **4,798** | **2,321** | **903** | **40,275** | **37,653** |
| **Operating surplus/(deficit) on social housing lettings** | **8,908** | **1,895** | **(807)** | **1,049** | **11,045** | **9,851** |
| Void losses | 309 | 305 | 297 | 2 | 913 | 1,189 |

## NOTES TO THE FINANCIAL STATEMENTS

### 4. Operating surplus

The operating surplus is arrived at after charging/(crediting):

| | Group | | Association | |
|---|---|---|---|---|
| | 2011 £'000 | 2010 £'000 | 2011 £'000 | 2010 £'000 |
| Depreciation of housing properties | 4,440 | 2,967 | - | - |
| Depreciation of leased properties | 45 | 77 | - | - |
| Impairment of housing properties | 208 | - | - | - |
| Impairment of other tangible fixed assets | 331 | - | - | - |
| Depreciation of other tangible fixed assets | 997 | 820 | 781 | 517 |
| Amortisation of negative goodwill | (52) | (53) | - | - |
| Auditors' remuneration (including VAT) | | | | |
| - for audit of the financial statements | 52 | 57 | 7 | 7 |
| - for other services relating to taxation | 6 | 6 | 3 | 1 |

### 5. Surplus on sale of fixed assets – housing properties

| | Group | | Association | |
|---|---|---|---|---|
| | 2011 £'000 | 2010 £'000 | 2011 £'000 | 2010 £'000 |
| Disposal proceeds (net of costs) | 5,632 | 2,229 | - | - |
| Carrying value of fixed assets | (2,575) | (962) | - | - |
| | 3,057 | 1,267 | - | - |
| Capital grant recycled (note 21) | (933) | (628) | - | - |
| Disposal proceeds fund (note 22) | (487) | (198) | - | - |
| | 1,637 | 441 | - | - |

### 6. Interest receivable and other income

| | Group | | Association | |
|---|---|---|---|---|
| | 2011 £'000 | 2010 £'000 | 2011 £'000 | 2010 £'000 |
| Interest receivable and similar income | 127 | 107 | - | 14 |
| Loan interest recharged to Group companies | - | - | 8,530 | 6,810 |
| | 127 | 107 | 8,530 | 6,824 |

### 7. Interest payable and similar charges

| | Group | | Association | |
|---|---|---|---|---|
| | 2011 £'000 | 2010 £'000 | 2011 £'000 | 2010 £'000 |
| Finance leases | 143 | 182 | - | - |
| Loans and bank overdrafts | 11,760 | 9,967 | 8,530 | 6,810 |
| Other finance costs | 11 | - | - | - |
| | 11,914 | 10,149 | 8,350 | 6,810 |
| Interest payable capitalised on housing properties under construction | (588) | (707) | - | - |
| | 11,326 | 9,442 | 8,530 | 6,810 |

Capitalised interest was charged at rates of 0.30% (2010: 0.22%) receivable and 4.283% (2010: 3.57%) payable.

## NOTES TO THE FINANCIAL STATEMENTS

### 8. Gift aid

A gift aid payment of £1,500,000 was made by Plumlife Homes Limited to Great Places Housing Association on 31 March 2011. A gift aid payment of £100,000 was approved in March 2011 to be made by Terra Nova Developments to its charitable parent, GPHA and is reflected in the financial statements. These are eliminated on consolidation.

### 9. Tax on surplus on ordinary activities

| | Group | | Association | |
|---|---|---|---|---|
| | **2011 £'000** | **2010 £'000** | **2011 £'000** | **2010 £'000** |
| **Current tax** | | | | |
| UK corporation tax charge for year | 205 | 165 | 111 | 100 |
| Adjustments in respect of prior years | - | (4) | - | 1 |
| | 205 | 161 | 111 | 101 |
| **Deferred tax** | | | | |
| Net origination and reversal of timing differences | (21) | 24 | (26) | 36 |
| Effect of tax rate change on opening balance | (3) | - | (2) | - |
| | 181 | 185 | 83 | 137 |
| **Current tax reconciliation** | | | | |
| Surplus on ordinary activities | 5,345 | 4,244 | 166 | 377 |
| Less: exempt due to charitable status of subsidiary association | (4,776) | (3,625) | - | - |
| | 569 | 619 | 166 | 377 |
| Whereon corporation tax at the standard rate of 28% (2010: 28%) | 159 | 174 | 46 | 106 |
| **Effects of:** | | | | |
| Expenses not deductible for tax purposes (primarily property depreciation and development expenditure) | 37 | 17 | 37 | 17 |
| Income not taxable for tax purposes – fixed assets | (39) | (16) | - | - |
| Chargeable gains | 27 | 9 | - | - |
| Other short term timing differences | (21) | 8 | (17) | 1 |
| Adjustments to tax charge in respect of previous periods | - | (6) | - | 1 |
| Marginal relief | (3) | (1) | - | - |
| Capital allowances in excess of depreciation | 45 | (24) | 45 | (24) |
| Current tax charge | **205** | **161** | **111** | **101** |

## NOTES TO THE FINANCIAL STATEMENTS

### 10. Directors and members

The directors of the Association are the members of the Board including the chief executive and those officers who are directors and who report directly to the Board or to the chief executive.

| | Group | | Association | |
|---|---|---|---|---|
| | 2011 £'000 | 2010 £'000 Restated | 2011 £'000 | 2010 £'000 Restated |
| Emolument of the Association's executive directors including pension contributions | 608 | 646 | 608 | 646 |
| Emoluments of the chief executive, who was also the highest paid executive director, excluding pension contributions | 155 | 154 | 155 | 154 |

The amounts shown above are in relation to the Group's executive directors who were paid solely in respect of the performance of their duties and exclude emoluments paid to other non executive members of the Great Places Housing Group Board and its subsidiary Boards during the year of £40,000 (2010: £49,000 restated).

The chief executive is an ordinary member of the Social Housing Pension Scheme. The scheme is a final salary scheme funded by contributions from the employer and employee. A contribution of £12,505 (2010: £20,934) was paid by the employer in addition to those made by the chief executive himself.

On 1 April 2010, the Social Housing Pension Scheme (SHPS) started to collect contributions in respect of historic pension deficits through a lump sum payment levied on the employer, rather than a percentage that could be directly attributed to individual SHPS members. As such the historic deficit pension contributions relating to the Directors cannot be ascertained and are not included in the 2011 figures above. Had this not been the case, the emoluments of the directors would have been unchanged.
Note: The comparative information has been restated to include the emoluments of G. Cresswell, previously disclosed in the accounts of Great Places Housing Association.

### 11. Employees

Average monthly number of employees expressed as full time equivalents:

| | Group | | Association | |
|---|---|---|---|---|
| | 2011 No | 2010 No | 2011 No | 2010 No |
| Administration | 97 | 101 | 85 | 86 |
| Development | 44 | 46 | 44 | 46 |
| Housing, support and care | 387 | 387 | 44 | 43 |
| | 528 | 534 | 173 | 175 |

**Employee costs:**

| | Group | | Association | |
|---|---|---|---|---|
| | 2011 £'000 | 2010 £'000 | 2011 £'000 | 2010 £'000 |
| Wages and salaries | 13,313 | 12,913 | 4,902 | 5,091 |
| Social security costs | 1,112 | 1,102 | 417 | 438 |
| Other pension costs | 1,114 | 915 | 492 | 444 |
| | 15,539 | 14,930 | 5,811 | 5,973 |

# NOTES TO THE FINANCIAL STATEMENTS

## 11. Employees (continued)

### a) Social Housing Pension Scheme (Group and Association)

Great Places Housing Group Limited together with its subsidiaries Great Places Housing Association and Plumlife Homes Limited, (together "the Group"), participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the state pension scheme. SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide".

The scheme operated a single benefit structure, final salary 1/60th accrual rate until 31st March 2007. From April 2007 three defined benefit structures have been available, namely:

- Final salary with a 1/60th accrual rate.
- Final salary with a 1/70th accrual rate.
- Career average revalued earnings (CARE) with a 1/60th accrual rate.

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

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

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

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

The Group has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31st March 2007, the CARE with a 1/60th accrual rate benefit structure for new entrants from 1st April 2007, and the CARE with a 1/80th accrual rate benefit structure for new entrants from 1st April 2010.

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

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

During the accounting period the Group paid contributions at the rate of 4.4% to 8.2%. Member contributions varied between 5.9% and 10.0% depending on their age. As at the balance sheet date there were 242 active members of the Scheme employed by the Group. The annual pensionable payroll in respect of these members was £6,839,000. The Group continues to offer membership of the Scheme to its employees.

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 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 total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

## NOTES TO THE FINANCIAL STATEMENTS

### 11. Employees (continued)

### a) Social Housing Pension Scheme (Group and Association)

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

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

| | % p.a. |
|---|---|
| Valuation Discount Rates | |
| Pre retirement | 7.8 |
| Non Pensioner Post retirement | 6.2 |
| Pensioner Post retirement | 5.6 |
| Pensionable earnings growth | 4.7 |
| Price inflation | 3.2 |
| Pension Increases | |
| Pre 88 GMP | 0.0 |
| Post 88 GMP | 2.8 |
| Excess over GMP | 3.0 |

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

The valuation was carried out using the following demographic assumptions:

Mortality pre retirement – PA92 Year of Birth, long cohort projection, minimum improvement 1%pa.

Mortality post retirement – 90% S1PA Year of Birth, long cohort projection, minimum improvement 1%pa.

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

| **Benefit structure** | **Long-term joint contribution rate (% of pensionable salaries)** |
|---|---|
| Final salary with 1/60th accrual rate | 17.8 |
| Final salary with 1/70th accrual rate | 15.4 |
| Career average revalued earnings (CARE) with a 1/60th accrual rate | 14.9 |
| Final salary with a 1/80th accrual rate | 13.5 |
| Career average revalued earnings (CARE) with a 1/80th accrual rate | 11.9 |

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 11. Employees (continued)

### a) Social Housing Pension Scheme (Group and Association)

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

Employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.0% to reflect the higher costs of a closed arrangement.

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

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

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

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

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Group has been notified by the Pensions Trust of the estimated employer debt on withdrawal from SHPS based on the financial position of the Scheme as at 30 September 2010. As of this date the estimated employer debt for the Group was £30.968M (2009: £34.356M).

## NOTES TO THE FINANCIAL STATEMENTS

### 11. Employees (continued)

### b) Pension Trust's Growth Plan (Group and Association)

The Group participates in the Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension plan.

Contributions paid into the Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

The rules of the Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/ investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Growth Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as a at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Plan state that the proportion of obligatory contributions to be borne by the member and the member's employer shall be determined by agreement between them. Such agreement shall require the employer to pay part of such contributions and may provide that the employer shall pay the whole of them.

As at the balance sheet date there were four active members of the Plan employed by the Group. The Group continues to offer membership of the Plan to its employees. The Group does not pay any contributions into the Growth Plan and the members' contribution rates are at their own choosing.

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

The valuation results at 30 September 2008 were completed in 2009 and have been formalised. The valuation of the Plan was performed by a professionally qualified actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

# NOTES TO THE FINANCIAL STATEMENTS

## 11. Employees (continued)

## b) Pension Trust's Growth Plan (Group and Association)

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

| | % p.a. |
|---|---|
| Investment return pre retirement | 7.6 |
| Investment return post retirement | |
| - Actives/Deferreds | 5.1 |
| - Pensioners | 5.6 |
| Bonuses on accrued benefits | 0.0 |
| Rate of price inflation | 3.2 |

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

The Scheme Actuary has prepared a funding position update as at 30 September 2010. The market value of the Plan's assets at that date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £825 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £45 million, equivalent to a funding level of 95%.

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

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30 September 2008) will be cleared within 10 years if the investment returns from assets are in line with the "best estimate" assumptions. "Best estimate" means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 8.4% per annum pre retirement, 5.1% per annum post retirement (actives and deferreds) and 5.6% per annum post retirement (pensioners).

The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation was forwarded to the Pensions Regulator on 18 December 2009, as is required by legislation.

The next full valuation will be carried out as at 30 September 2011.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

## NOTES TO THE FINANCIAL STATEMENTS

### 11. Employees (continued)

### b) Pension Trust's Growth Plan (Group and Association)

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Group has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2009. As of this date the estimated employer debt for the Group was £112,729.

### c) Local Government Pension Scheme administered by South Yorkshire Pensions Authority (Group)

The Group participates in the Local Government Pension Scheme (LGPS) administered by South Yorkshire Pensions Authority (SYPA), a defined benefit multi-employer benefit scheme administered under the Regulations governing the Local Government Pension Scheme. At 31 March 2011 there were 12 active members of the Scheme employed by the Group.

The Group's contribution to the LGPS for the year ended 31 March 2011 was £21,000 (2010: £21,000) and the employer's contribution rate is 7.6% (2010: 8.3%) of pensionable pay.

In accordance with accounting standards, the full requirements of FRS17 (Retirement Benefits) have been adopted.

A full actuarial valuation was carried out at 31 March 2010 and supplementary figures were provided for 31 March 2011 by a qualified independent actuary.

**Financial Assumptions:**

In calculating the scheme assets and liabilities, the fund actuary had to make a number of assumptions about events and circumstances in the future. These assumptions represent the best estimate of expected outcomes, but it is possible outcomes will differ from those indicated.

The main assumptions used by the actuary were:

| | As at 31/03/11 | As at 31/03/10 |
|---|---|---|
| Rate of increase in salaries | 4.7% | 5.0% |
| Discount rate for scheme liabilities | 5.5% | 5.7% |
| Rate of increase in pensions | 3.0% | 3.5% |
| Inflation (RPI) | 3.5% | 3.5% |
| Inflation (CPI) | 3.0% | 3.0% |

## NOTES TO THE FINANCIAL STATEMENTS

### 11. Employees (continued)

### c) Local Government Pension Scheme administered by South Yorkshire Pensions Authority (Group)

**Mortality Assumptions:**

The post retirement mortality assumptions used to value the benefit obligation are based on the PA92. Based on these assumptions the average future life expectations at age 65 are summarised below:

| | Males | Females |
|---|---|---|
| Current pensioners | 21.4 | 24.1 |
| Future pensioners | 22.8 | 25.7 |

**Expected return on assets**

| The expected return on assets are: | **2011** | **2010** |
|---|---|---|
| Equity | 7.5% | 7.5% |
| Government Bonds | 4.4% | 4.5% |
| Other Bonds | 5.1% | 5.2% |
| Property | 6.5% | 6.5% |
| Cash | 0.5% | 0.5% |

| **Amounts recognised in the balance sheet:** | **2011 £'000** | **2010 £'000** |
|---|---|---|
| Present value of funded obligations | (877) | (853) |
| Fair value of plan assets | 661 | 604 |
| Net liability | (216) | (249) |

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

| | **2011 £'000** | **2010 £'000** |
|---|---|---|
| Current service cost | 43 | 16 |
| Past service gain | (59) | - |
| Total (credit)/charge to operating costs | (16) | 16 |
| | | |
| Expected return on pension scheme assets | (39) | (27) |
| Interest on pension scheme liabilities | 50 | 34 |
| Total charge to other finance costs | 11 | 7 |

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

| | **2011 £'000** | **2010 £'000** |
|---|---|---|
| Opening defined benefit obligation | (853) | (463) |
| Service cost | (43) | (16) |
| Past service gain | 59 | - |
| Interest on pension liabilities | (50) | (34) |
| Actuarial gains/(losses) on liabilities | 27 | (323) |
| Member contributions | (17) | (17) |
| Closing defined benefit obligation | (877) | (853) |

## NOTES TO THE FINANCIAL STATEMENTS

### 11. Employees (continued)

### c) Local Government Pension Scheme administered by South Yorkshire Pensions Authority (Group)

| **Changes in fair value of plan assets:** | **2011 £'000** | **2010 £'000** |
|---|---|---|
| Opening fair value of plan assets | 604 | 425 |
| Expected return on plan assets | 39 | 27 |
| Actuarial gains/(losses) on assets | (20) | 114 |
| Employer contributions | 21 | 21 |
| Member contributions | 17 | 17 |
| Closing fair value of plan assets | 661 | 604 |

| **Analysis of the movement in deficit during the year** | **2011 £'000** | **2010 £'000** |
|---|---|---|
| Deficit in the fund at the beginning of year | (249) | (38) |
| Movement in year: | | |
| Current service costs | (43) | (16) |
| Past service gain | 59 | - |
| Employer contributions | 21 | 21 |
| Net return on assets | (11) | (7) |
| Actuarial (loss)/gain | 7 | (209) |
| Deficit at end of year | (216) | (249) |

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

| | **2011 £'000** | | **2010 £'000** | |
|---|---|---|---|---|
| Equities | 444 | 67.4% | 390 | 64.6% |
| Government Bonds | 97 | 14.6% | 93 | 15.4% |
| Other Bonds | 48 | 7.2% | 48 | 7.9% |
| Property | 65 | 9.8% | 55 | 9.1% |
| Cash/Liquidity | 7 | 1.0% | 18 | 3.0% |
| Total | 661 | 100% | 604 | 100.0% |

**Analysis of amounts recognised in Statement of Total Recognised Surpluses and Deficits**

| | **2011 £'000** | **2010 £'000** |
|---|---|---|
| Actuarial gains/(losses) | 7 | (209) |
| Cumulative actuarial (losses)/gains | (202) | (209) |
| Actuarial return on plan assets | 56 | 141 |

**Amounts for the current and previous periods are as follows:**

| | **2011 £'000** | **2010 £'000** | **2009 £'000** | **2008 £'000** | **2007 £'000** |
|---|---|---|---|---|---|
| Present value of defined benefit obligation | (877) | (853) | (463) | (592) | - |
| Fair value of scheme assets | 661 | 604 | 425 | 471 | - |
| Deficit on scheme | (216) | (249) | (38) | (121) | - |
| Experience losses on liabilities | (41) | - | - | (37) | - |
| Experience gains/(losses) on assets | (20) | 114 | (118) | 9 | - |

## NOTES TO THE FINANCIAL STATEMENTS

### 12. Tangible fixed assets – housing properties

### GROUP

| Housing properties | Social housing properties held for letting £'000 | Non-social housing properties held for letting £'000 | Housing properties for letting under construction £'000 | Completed shared ownership housing properties £'000 | Shared ownership housing properties under construction £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 April 2010 | 600,450 | 7,937 | 51,505 | 68,857 | 7,972 | 736,721 |
| Additions | 32,331 | - | 42,946 | 2,447 | 8,953 | 86,677 |
| Transfer to current assets | - | - | - | - | (4,707) | (4,707) |
| Works to existing properties | 14,824 | - | - | - | - | 14,824 |
| Interest capitalised | - | - | 249 | - | 339 | 588 |
| Schemes completed | 55,800 | - | (55,800) | 4,395 | (4,395) | - |
| Disposals | (8,487) | - | - | (2,105) | - | (10,592) |
| At 31 March 2011 | 694,918 | 7,937 | 38,900 | 73,594 | 8,162 | 823,511 |
| **Social housing grant** | | | | | | |
| At 1 April 2010 | 337,780 | 1,237 | 34,824 | 27,749 | 6,277 | 407,867 |
| Additions | 24,610 | - | 24,748 | 269 | 2,565 | 52,192 |
| Schemes completed | 31,903 | - | (31,903) | 3,070 | (3,070) | - |
| Disposals | (5,260) | - | - | (596) | - | (5,856) |
| At 31 March 2011 | 389,033 | 1,237 | 27,669 | 30,492 | 5,772 | 454,203 |
| **Depreciation and impairment** | | | | | | |
| At 1 April 2010 | 18,176 | 490 | - | 526 | - | 19,192 |
| Charged in year | 3,954 | 85 | - | 447 | - | 4,486 |
| Impairment | 208 | - | - | - | - | 208 |
| Released on disposal | (1,748) | - | - | (18) | - | (1,766) |
| At 31 March 2011 | 20,590 | 575 | - | 955 | - | 22,120 |
| **Net book value** | | | | | | |
| **At 31 March 2011** | **285,295** | **6,125** | **11,231** | **42,147** | **2,390** | **347,188** |
| **At 31 March 2010** | **244,494** | **6,210** | **16,681** | **40,582** | **1,695** | **309,662** |

## NOTES TO THE FINANCIAL STATEMENTS

### 12. Tangible fixed assets – properties (continued)

### GROUP

| Expenditure to works on existing properties | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Amounts capitalised | 14,824 | 22,444 |
| Amounts charged to income and expenditure account | 6,413 | 5,331 |
| | 21,237 | 27,775 |

| Social housing grant | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Total accumulated social housing grant received or receivable at 31 March: | | |
| Capital grant | 454,203 | 407,867 |
| Revenue grant | 22,147 | 22,291 |
| | 476,350 | 430,158 |

| Housing properties book value, net of depreciation and grants | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Freehold land and buildings | 315,319 | 274,927 |
| Long leasehold land and buildings | 31,869 | 34,735 |
| | 347,188 | 309,662 |

The net book value of housing properties assets includes £3,000 (2010: £818,000) in respect of properties held under finance leases. Depreciation charged in the year on these assets amounted to £45,000 (2010: £24,000).

### Impairment

An impairment charge of £208,000 (2010: £nil) was made in the year. This was in respect of the Lovell Park supported housing scheme in Leeds which was closed in 2009/10 and is planned to be disposed of in 2011/12.

### ASSOCIATION

The Association has no housing property assets.

## NOTES TO THE FINANCIAL STATEMENTS

### 13. Tangible fixed assets – other

**GROUP**

| | Leasehold improve ments | Freehold offices | Furniture, fixtures & fittings | Computers | Motor Vehicles | Total |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Cost** | | | | | | |
| At 1 April 2010 | 499 | 6,787 | 213 | 2,607 | 56 | 10,162 |
| Additions | - | - | - | 1,043 | - | 1,043 |
| Disposals | (148) | - | (145) | (311) | - | (604) |
| **At 31 March 2011** | **351** | **6,787** | **68** | **3,339** | **56** | **10,601** |
| **Depreciation and impairment** | | | | | | |
| At 1 April 2010 | 361 | 612 | 136 | 927 | 28 | 2,064 |
| Charged in year | 113 | 65 | 34 | 772 | 13 | 997 |
| Impairment | - | 331 | - | - | - | 331 |
| Released on disposal | (148) | - | (145) | (311) | - | (604) |
| **At 31 March 2011** | **326** | **1,008** | **25** | **1,388** | **41** | **2,788** |
| **Net book value** | | | | | | |
| **At 31 March 2011** | **25** | **5,779** | **43** | **1,951** | **15** | **7,813** |
| **At 31 March 2010** | **138** | **6,175** | **77** | **1,680** | **28** | **8,098** |

**ASSOCIATION**

| | Computers | Motor vehicles | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Cost** | | | |
| At 1 April 2010 | 2,607 | 36 | 2,643 |
| Additions | 1,043 | - | 1,043 |
| Disposals | (311) | - | (311) |
| **At 31 March 2011** | **3,339** | **36** | **3,375** |
| **Depreciation** | | | |
| At 1 April 2010 | 927 | 15 | 942 |
| Charge for the year | 772 | 9 | 781 |
| Released on disposal | (311) | - | (311) |
| **At 31 March 2011** | **1,388** | **24** | **1,412** |
| **Net book value** | | | |
| **At 31 March 2011** | **1,951** | **12** | **1,963** |
| **At 31 March 2010** | **1,680** | **21** | **1,701** |

## NOTES TO THE FINANCIAL STATEMENTS

### 14. Investment in joint venture

| | Group | | Association | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Investment in joint venture | 10 | 10 | - | - |

The above investment is in Reviva Urban Renewal Limited, a company which the Group has a one third interest in through its subsidiary Great Places Housing Association. The other parties to the joint venture are Mosscare Housing Limited and Irwell Valley Housing Association.

Reviva Urban Renewal Limited made a profit of £nil for the period (2010: £nil), the Group's share of which is £nil (2010: £nil). Reviva Urban Renewal declared a gift aid payment of £73,665 (2010: £200,060) in the year of which GPHA will receive one third.

### 15. Properties for sale and work in progress

| | Group | | Association | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Shared ownership properties: | | | | |
| - completed | 3,857 | 946 | - | - |
| - under construction | 5,272 | 4,476 | - | - |
| Other properties for sale | | | | |
| - completed | 120 | 531 | - | - |
| - under construction | - | - | - | - |
| Work in progress | 4,205 | 3,274 | - | - |
| | **13,454** | **9,227** | **-** | **-** |

### 16. Debtors

| | Group | | Association | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| **Due within one year** | **£'000** | **£'000** | **£'000** | **£'000** |
| Rent and service charges receivable | 5,679 | 5,077 | - | - |
| Less: | | | | |
| Provision for bad and doubtful debts | (2,778) | (2,153) | - | - |
| | 2,901 | 2,924 | - | - |
| Due from subsidiary undertakings | - | - | 2,059 | 1,021 |
| Trade debtors | 1,889 | 969 | 139 | 161 |
| Social housing grant receivable | 7,241 | 5,433 | - | - |
| Other debtors | 6,905 | 3,147 | 210 | 57 |
| Deferred tax | 7 | 12 | - | - |
| Prepayments and accrued income | 596 | 767 | 500 | 472 |
| | 19,539 | 13,252 | 2,908 | 1,711 |
| **Due after more than one year** | | | | |
| Due from subsidiary undertakings | - | - | 246,017 | 204,801 |
| Other debtors | 2 | 22 | 2 | 16 |
| | 2 | 22 | 246,019 | 204,817 |
| | 19,541 | 13,274 | 248,927 | 206,528 |

The debt due after more than one year from subsidiary undertakings of £246,017k (2010: £204,801k) is the on-lent Group loan facility which is included as debt falling due after more than one year (note 19), less £nil (2010: £7,195k) held as current asset investments (note 17).

## NOTES TO THE FINANCIAL STATEMENTS

### 17. Current asset investments

| | Group | | Association | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Other Investments | 335 | 8,699 | 55 | 7,259 |

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

| | Group | | Association | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Bank overdraft | - | - | - | 32 |
| Debt (note 20) | 1,552 | 2,403 | - | - |
| Obligations under finance leases (note 20) | 135 | 169 | - | - |
| Trade creditors | 1,420 | 1,364 | 191 | 295 |
| Rent and service charges received in advance | 2,517 | 2,998 | - | - |
| SHG received in advance | 5,619 | 12,082 | - | - |
| Amounts owed to group undertakings | - | - | 1,358 | 2 |
| Recycled capital grant fund (note 21) | 409 | 880 | - | - |
| Disposal proceeds fund (note 22) | 585 | 91 | - | - |
| Corporation tax | 205 | 165 | 111 | 100 |
| Deferred tax | 7 | 36 | 7 | 36 |
| Other taxation and social security | 597 | 463 | 400 | 278 |
| Leaseholder sinking funds | 2,211 | 1,322 | - | - |
| Other creditors | 3,174 | 3,030 | 1,732 | 1,638 |
| Accruals and deferred income | 18,815 | 15,532 | 780 | 792 |
| | **37,246** | **40,535** | **4,579** | **3,173** |

Cash balances totalling £2,211,000 (2010: £1,322,000) are held in trust for leaseholders.

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

| | Group | | Association | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Debt (note 20) | 287,788 | 254,700 | 246,017 | 211,996 |
| Obligations under finance leases (note 20) | 1,073 | 1,743 | - | - |
| Recycled capital grant fund (note 21) | 943 | 774 | - | - |
| Disposal proceeds fund (note 22) | 491 | 674 | - | - |
| Other creditors | 239 | 33 | - | - |
| | **290,534** | **257,924** | **246,017** | **211,996** |

### 20. Debt analysis

| | Group | | Association | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| **a) Loans are repayable as follows:** | **£'000** | **£'000** | **£'000** | **£'000** |
| Due within one year | 1,697 | 2,508 | - | - |
| Between one and two years | 1,725 | 2,548 | - | - |
| Between two and five years | 5,411 | 7,786 | - | - |
| After five years | 284,001 | 247,641 | 246,017 | 211,996 |
| | 292,834 | 260,483 | 246,017 | 211,996 |
| Less: Loan arrangement fees | (3,494) | (3,380) | - | - |
| | **289,340** | **257,103** | **246,017** | **211,996** |

## NOTES TO THE FINANCIAL STATEMENTS

| | Group | | Association | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| **b) Obligations under finance leases:** | | | | |
| Due within one year | 135 | 169 | - | - |
| Between one and two years | 138 | 170 | - | - |
| Between two and five years | 531 | 530 | - | - |
| After five years | 404 | 1,043 | - | - |
| | **1,208** | **1,912** | **-** | **-** |

**c) Debenture stocks**

Included in the loan balances above are the following balances:

| | Group | | Association | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| THFC (Indexed 2) Ltd. - | | | | |
| 5.5% Index-linked stock, 2024 | | | | |
| Balance as at 31 March | 572 | 572 | - | - |
| THFC Ltd - | | | | |
| 11.5% Debenture stock, 2016 | | | | |
| Balance as at 31 March | 1,500 | 1,500 | - | - |
| 8.625% Debenture stock, 2023 | | | | |
| Balance as at 31 March | 750 | 750 | - | - |

Fresh PLC, building society, bank and debenture loans are secured by fixed charges over individual properties.

The Debenture loans noted below are repayable by single payments as follows:

| Lender | Stock | Repayment date |
|---|---|---|
| THFC Ltd | 11.5% Debenture, 2016 | 27 October 2016 |
| THFC Ltd | 8.625% Debenture, 2023 | 13 October 2023 |

In December 2007, GPHG completed a refinancing exercise. As a result, several housing loans held by its subsidiary undertakings were repaid and refinanced through new Group facilities. The new facilities are loans to GPHG and then on-lent to its subsidiary GPHA under a guarantee structure. As such these loans are presented in GPHA as an intercompany loan.

In December 2007, GPHG entered into a number of swaps, the details of which are:

- Santander for a period of 25 years to 18 December 2032, the loan principal subject to the swap at 31 March 2011 is £10 million at a rate of 4.965%.
- Royal Bank of Scotland plc for a period of 30 years to 19th December 2037 the loan principal subject to the swap at 31 March 2011 is £20 million at a rate of 4.92%
- Lloyds Banking Group for a period of 25 years to 20th December 2032, the loan principal subject to the swap at 31 March 2011 is £15 million at a rate of 4.945%.
- Barclays Bank plc for a period of 40 years to 1 October 2047, the loan principal subject to the swap at 31 March 2011 is £26 million at a rate of 4.82%.

In April 2009, GPHG entered into the following swaps, the details which are:

- Lloyds Banking Group for a period of 20 years to April 2029, the value of the swap at 31 March 2011 is £16 million at a rate of 4.56%.

## NOTES TO THE FINANCIAL STATEMENTS

### 20. Debt analysis (continued)

In October 2009, GPHG entered into a number of swaps, the details of which are:

- Royal Bank of Scotland plc for a period of 15 years to November 2024, the loan principal subject to the swap at 31 March 2011 is £11 million at a rate of 4.28%.
- Barclays Bank plc for a period of 20 years to October 2029, the loan principal subject to the swap at 31 March 2011 is £5 million at a rate of 4.28%.
- Barclays Bank plc for a period of 25 years to October 2034, the loan principal subject to the swap at 31 March 2011 is £10 million at a rate of 4.22%.
- Barclays Bank plc for a period of 22 years to October 2031, the loan principal subject to the swap at 31 March 2011 is £10 million at a rate of 4.26%.
- Santander for a period of 26 years to October 2035, the loan principal subject to the swap at 31 March 2011 is £5 million at a rate of 4.195%.
- Santander for a period of 17 years to October 2026, the loan principal subject to the swap at 31 March 2011 is £5 million at a rate of 4.27%.

### 21. Recycled capital grant fund

| | Group | | Association | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| At 1 April | 1,654 | 2,608 | - | - |
| Grants recycled | 933 | 628 | - | - |
| Interest accrued | 10 | 12 | - | - |
| Development of properties | (1,245) | (1,081) | - | - |
| Major repairs and works to existing stock | - | (513) | - | - |
| At 31 March | **1,352** | **1,654** | **-** | **-** |

### 22. Disposal proceeds fund

| | Group | | Association | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| At 1 April | 765 | 1,089 | - | - |
| Net sales proceeds recycled | 487 | 198 | - | - |
| Interest accrued | 4 | 1 | - | - |
| Development of properties | (180) | (523) | - | - |
| At 31 March | **1,076** | **765** | **-** | **-** |

### 23. Non-equity share capital

| | **2011** | **2010** |
|---|---|---|
| | **£** | **£** |
| **Shares of £1 each issued and fully paid** | | |
| At 1 April | 13 | 10 |
| Shares issued during the year | - | 5 |
| Shares surrendered during the year | - | (2) |
| At 31 March | 13 | 13 |

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up.

## NOTES TO THE FINANCIAL STATEMENTS

### 24. Reserves

| **Group** | **Negative Goodwill Reserve £'000** | **Revenue Reserves £'000** | **Total Reserves £'000** |
|---|---|---|---|
| At 1 April 2010 | 5,078 | 60,965 | 66,043 |
| Surplus for the year | - | 5,164 | 5,164 |
| Actuarial surplus on pension scheme | - | 7 | 7 |
| Amortisation of negative goodwill | (52) | - | (52) |
| At 31 March 2011 | **5,026** | **66,136** | **71,162** |

| **Association** | **Revenue Reserves £'000** |
|---|---|
| At 1 April 2010 | 319 |
| Surplus for the year | 83 |
| At 31 March 2011 | 402 |

### 25. Financial commitments

| **a) Capital expenditure commitments were as follows:** | **Group 2011 £'000** | **Group 2010 £'000** | **Association 2011 £'000** | **Association 2010 £'000** |
|---|---|---|---|---|
| Expenditure contracted for but not provided in the accounts | 62,566 | 68,917 | - | - |
| Expenditure authorised by the Board, but not contracted | 5,435 | 34,914 | - | - |
| | **68,001** | **103,831** | **-** | **-** |

It is anticipated that these commitments will be funded by sale proceeds, social housing grant, operating cash flows and loan funding, over the remaining life of the development programme as expenditure on that programme continues.

**b) Operating leases:**
The payments which the Group and Association is committed to make in the next year under operating leases are as follows:

| | **Group 2011 £'000** | **Group 2010 £'000** | **Association 2011 £'000** | **Association 2010 £'000** |
|---|---|---|---|---|
| **Other:** | | | | |
| Within one year | 23 | 34 | 23 | 34 |
| One to five years | 37 | 18 | 37 | 18 |
| | **60** | **52** | **60** | **52** |

### 26. Contingent liabilities and cross guarantees

Following the refinancing exercise in December 2007 by Great Places Housing Group Limited ('GPHG'), cross guarantees are in place with Great Places Housing Association ('GPHA'). The new facilities are loans to GPHG and then on-lent to GPHA under a guarantee structure ie the loans are secured against the assets of both the Association and those of GPHA.

### 27. Related parties

The GPHG Limited Board has one tenant Board member and one tenant leaseholder; There are also tenant Board members on the Boards of Group subsidiaries. Their tenancies are on normal commercial terms and they cannot use their position to their advantage.

The Group has taken advantage available under Financial Reporting Standard 8 not to disclose transactions with Group Companies. There are no other related party transactions to disclose.

## NOTES TO THE FINANCIAL STATEMENTS

### 28. Accommodation in management and development

**Group and Association**

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

| | Group | | Association | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **No.** | **No.** | **No.** | **No.** |
| General housing | 11,087 | 10,618 | - | - |
| Supported housing | 1,538 | 1,360 | - | - |
| Key worker housing | 419 | 419 | - | - |
| Low cost home ownership | 1,497 | 1,136 | - | - |
| **Total owned** | **14,541** | **13,533** | **-** | **-** |
| Accommodation managed for others | 1,181 | 1,436 | - | - |
| **Total managed** | **15,722** | **14,969** | **-** | **-** |
| Accommodation in development at the year end | 642 | 882 | - | - |

### 29. Accommodation managed by others

**Group and Association**

At the end of the year accommodation owned by the Group and Association but managed by others on its behalf was as follows:

| | Group | | Association | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **No.** | **No.** | **No.** | **No.** |
| Housing accommodation | 76 | 76 | - | - |

### 30. Group structure

Great Places Housing Group Limited (the "Association") is the parent entity and controlling party of a Group with the following subsidiaries:

Plumlife Homes Limited
Great Places Housing Association ('GPHA')
Cube Great Places Limited (a direct subsidiary of GPHA)
Terra Nova Developments Limited (a direct subsidiary of GPHA)

Great Places Housing Association is registered under the Industrial and Provident Societies Act 1965 and is a registered charitable social landlord.

Plumlife Homes Limited is registered under the Industrial and Provident Societies Act 1965 and is a registered non-charitable social landlord.

The undernoted subsidiaries are registered under the Companies Act 2006, are registered in England and are limited by shares:

| | |
|---|---|
| Terra Nova Developments Limited | Percentage held or controlled - 100% |
| Cube Great Places Limited | Percentage held or controlled - 100% |

Of the subsidiaries, Great Places Housing Association, Cube Great Places Limited, Plumlife Homes Limited and Terra Nova Developments Limited traded during the year.

## NOTES TO THE FINANCIAL STATEMENTS

### 31. Stock Transfer Obligations – Wybourn and Richmond Park Estates

Immediately prior to entering into the Stock Transfer Agreement between Sheffield City Council ("the council") and Great Places Housing Association Limited ("the company"), the council and company entered into a contract for the company to perform the refurbishment works required to bring the properties into an agreed state. The contract was for a fixed sum equal to the expected cost of the works i.e. £53.6m. At transfer the company contracted with the council to acquire the benefit of the agreed refurbishment works (£53.6m) plus the housing properties at a price equal to the agreed value of the property in its unenhanced condition (£Nil). The nature of the works under the initial agreement was specified and a right of set off exists between the contracts. These contracts have enabled the company to recover VAT on repair/improvement costs that would otherwise have been expensed.

At the time of the transfer the company paid over no cash to the council for the acquisition of the properties in their unenhanced condition being the value of the council's obligation to carry out the refurbishment works (£53.6m), less the amount due to be incurred by the company under the Development Agreement in relation to the anticipated cost of the repairs/improvements (£53.6m).

The impact of these two transactions is that whilst the council has a legal obligation to the company to complete the refurbishment works; this work has been contracted back to the company who are also legally obligated. The underlying substance of the transaction is therefore that the company has acquired the properties in their existing condition at their agreed value, and will complete certain repairs/improvements in line with guarantees to Tenants of not less than £53.6m. In the opinion of the board members, the commercial effect of these transactions when viewed as a whole does not, in practice, create separate assets and liabilities for reporting purposes. Therefore, in accordance with FRS 5 the resulting debit and credit balances, relating to the legal obligation of the council to complete the refurbishment works for the company and the equal and opposite legal obligation of the company to perform the refurbishment works for the council, have been offset and are not recorded in the balance sheet.

At 31 March 2011 £50.2 million (2010: £36.6 million) of the refurbishment works had been completed.

### 32. Post Balance Sheet Event

On 7 July 2011, GPHG entered into an arrangement with Keepmoat Homes Limited and Sheffield City Council.

Under the arrangement, GPHG (through acquiring a 10% interest in a newly incorporated company, KPG (SHC) Limited) now has a 5% interest in Sheffield Local Housing Company Limited – a newly formed vehicle through which it is hoped around 2,500 new homes will be developed for outright sale, intermediate sale (shared ownership) and affordable rent, over a period of potentially 10 years or more.

An initial consideration of £60 was paid to acquire the 5% indirect interest in Sheffield Local Housing Company Limited. Over an extended period (ten years or more), GPHG may invest £1.2million of additional capital into the venture. It will do so within the framework of the Group's existing business plan and facilities.

As part of the arrangement, the Group has an exclusivity agreement under which it has rights to acquire and manage the social housing elements of the project.