

**Arcon Housing Association Limited**

**Consolidated Financial Statements for the Year Ended 31 March 2012**

**Arcon Housing Association Limited**

**Board Report  
For the Year Ended 31 March 2012**

**Chairman:** Ms D Blake

**Secretary:** Mr P Schilizzi

**Board Members:** Mr K Hadfield  
Mr T Brown  
Mrs L Simmons  
Mr R Baker  
Mrs H Whittingham  
Mr B Nield  
Mr D Carmichael (appointed 26<sup>th</sup> September 2011)  
Mrs J Wong (appointed 10<sup>th</sup> February 2012)

**Officers**

**Chief Executive:** Mr P Schilizzi

**Finance Director:** Mrs A Southern

**Property Director:** Mr J Bradley

**Housing Director:** Mr D Lovelady

**Auditors:** Beever and Struthers  
Chartered Accountants  
St Georges House  
215/219 Chester Rd  
Manchester  
M15 4JE

**Bankers:** Barclays Bank PLC  
15 Colmore Row  
Birmingham  
B3 2BH

Lloyds TSB England & Wales Plc  
Stockport and Oldham

**Solicitors:** Brabners Chaffe Street LLP  
Solicitors  
55 King Street  
Manchester  
M2 4LQ

**Registered Office:** 12 Lloyd Street  
Manchester  
M2 5ND

## **Arcon Housing Association Limited**

### **Board Report For the Year Ended 31 March 2012**

#### **Financial Statements**

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

#### **Activities**

The principal activity of the Group continued to be the provision of social housing for rent.

#### **Results**

The results for the year are set out in the financial statements on pages 6 to 33.

#### **Review of business**

The Arcon Housing Association Group is committed to maintaining its property stock to the highest possible standard and also to use reserves, grant and private finance to develop new units of mixed tenure housing in the future. During the year, the Association successfully acquired 45 properties under the Mortgage Rescue scheme, completed a new development at Harrop Street and acquired Pagnall Court as a stock transfer from another housing association with the aim of providing a high quality local service to tenants. To further reinforce its commitment to develop new properties, the Group increased its loan facilities with Barclays Bank which will support over the next year the creation of a mixed portfolio of properties including affordable housing, shared ownership and specialist housing. To facilitate this development programme the Association's Asset Management Strategy allows for the condition and location of its property stock to be periodically assessed to establish whether a voluntary or open market sale of a limited number of selected properties would be advantageous in terms of reducing long term liabilities, promoting mixed tenure and generating sales proceeds. The proceeds of these sales are primarily used for new developments and so underpin future viability by generating organic growth and replacement of old properties with new. In the year £374,000 was generated from open market and voluntary sales in the Group.

Arcon has continued to explore opportunities for business expansion and efficiencies through partnering and joint venture arrangements with other organisations but remains firmly committed to retaining corporate independence as the best way of fulfilling all of its strategic objectives. As part of this process the Association is a member of the Northern Lights Group (NLG) through which we have been successful in obtaining grant of £1 million under the Affordable Homes Programme 2011-15 to develop 46 new homes. Through NLG and also the Community Housing Associations (North West) Group, Arcon will also investigate other opportunities to deliver an enhanced, efficient service to its tenants. Arcon remains committed to delivering value for money in the provision of services to tenants and continuously strives to improve performance in terms of both cost and quality.

Arcon has continued its commitment to delivering a quality service to its tenant. The work of the Tenant Scrutiny Committee in particular has led to improvements in voids management. This commitment is reinforced by Arcon's drive to improve efficiency and value for money across the organisation.

The Association has adopted the NHF Codes for members Excellence in Governance (with the exception that no maximum fixed terms of office are set for Board members), Excellence in Service delivery and accountability and Excellence in Standards of conduct.

#### **Financial risk management objectives and policies**

The Group uses conventional forms of working capital to finance its day to day activities and as such the figures appearing in the accounts reflect the absolute value of amounts recoverable and payable. The Board of Management receive regular reports on these figures in order to manage the Group's requirements.

#### **Fixed Assets**

The movement in fixed assets is set out in Note 8 and 9 of the financial statements.

## **Arcon Housing Association Limited**

### **Board Report For the Year Ended 31 March 2012**

#### **Payments to Creditors**

The Association intends to pay all creditors for goods and services supplied within agreed terms and conditions between both parties.

#### **Political and Charitable Donations**

During the year the Group made no political contributions and any charitable contributions were made within the Group's normal activities.

#### **Directors**

The elected directors of the Group who served during the year are as stated on page 1. Each elected Board Member holds one fully paid share of £1.

The directors of the Group are defined as the Board of Management.

#### **Auditors**

In accordance with the Industrial and Provident Societies Acts 1965 to 1978 a resolution to re-appoint the Association's auditors Messrs. Beever and Struthers will be proposed at the Annual General Meeting.

#### **Statement of the Board's Responsibilities in Respect of the Accounts**

The Industrial and Provident Societies Acts require the Board to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Group and Association and of the surplus of the Group and Association for that period. In preparing these accounts the Board are required to:-

1. Select suitable accounting policies and then apply them consistently.
2. Make judgements and estimates that are reasonable and prudent.
3. State whether applicable accounting standards have been followed.
4. Prepare the accounts on the going concern basis unless it is inappropriate.

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 to enable it to ensure that the accounts comply with the Industrial and Provident Societies Acts and Housing Acts. It is also responsible for safeguarding the assets of the Group and Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, by establishing and maintaining a satisfactory system of control over the Association's accounting records, cash holdings and all its receipts and remittances.

In so far as the Board is aware:-

1. There is no relevant audit information of which the company's auditor is unaware, and;
2. The Board has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the auditor is aware of that information.

#### **Statement on the Association's System of Internal Control**

##### **Full Compliance**

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

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

**Board Report  
For the Year Ended 31 March 2012**

**Full Compliance (Continued)**

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

The process adopted by the board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework includes:

- *Identification and evaluation of key risks*  
Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and on-going process of management review in each area of the Group and Association's activities. This process is co-ordinated through a regular reporting framework by the Audit & Risk Management Committee. The senior management team regularly considers reports on significant risks facing the Association and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.
- *Monitoring and corrective action*  
A process of control self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.
- *Control environment and control procedures*  
The board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. The board has adopted the code of governance *Competence and Accountability 2004*. This sets out the Group and Association's policies with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud detection and prevention.
- *Information and financial reporting systems*  
Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

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

The Board has received the Chief Executive's annual report, has conducted its annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of risk management and the control process.

The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Group and Association. This process has been in place throughout the year under review, up to the date of the annual report, and is regularly reviewed by the Board.

**By order of the Board**

**Chairman:**

**Date: 26<sup>th</sup> June 2012**

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

### ARCON HOUSING ASSOCIATION

We have audited the group and Association's financial statements which comprise the income and expenditure account, the statement of recognised surpluses and deficits, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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 group and Association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group and Association and the group and 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 the Auditor**

As explained more fully in the Statement of Board's Responsibilities set out on page 3, the Board is responsible for the preparation of the 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**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

In our opinion the financial statements:

- give a true and fair view of the state of the group and Association's affairs as at 31 March 2012 and of the group and Association's income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Regulations) 1969, 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 require us to report to you if, in our opinion:

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

**Beever and Struthers**  
**Chartered Accountants and Statutory Auditors**  
St George's House  
215 – 219 Chester Road  
Manchester  
M15 4JE

**Date:**

**Arcon Housing Association Limited**

**Group Income and Expenditure Account  
For the Year Ended 31 March 2012**

	Notes	2012 £'000	2011 £'000 Restated
<b>Turnover</b>	2	<b>4,425</b>	3,991
Operating costs	2	<u>(3,432)</u>	<u>(3,279)</u>
<b>Operating surplus</b>		<b>993</b>	712
Surplus on sale of housing properties	22	<b>59</b>	139
Interest receivable	4	<b>10</b>	7
Interest payable and similar charges	5	<u>(471)</u>	<u>(428)</u>
<b>Surplus on ordinary activities for the year</b>	6	<b>591</b>	430
Tax on surplus on ordinary activities	7	<u>-</u>	<u>-</u>
<b>Surplus on ordinary activities after tax</b>		<b>591</b>	430
Transfer from revaluation reserves	16	<u>32</u>	<u>32</u>
<b>Surplus for the year after transfers</b>	16	<b>623</b>	462
Revenue reserves brought forward	16	<u>13,226</u>	<u>12,764</u>
<b>Revenue reserves carried forward</b>	16	<u>13,849</u>	<u>13,226</u>

All amounts relate to continuing activities. The above surplus is the historical cost surplus.

**Group Statement of Total Recognised Surpluses and Deficits  
For the Year Ended 31 March 2012**

		2012 £'000	2011 £'000
Surplus for the year		<b>591</b>	430
Prior period adjustment	28	<u>( 1,607)</u>	<u>7,094</u>
Total recognised surplus/(deficit) for the year		<u>(1,016)</u>	<u>7,524</u>

**Arcon Housing Association Limited**

**Company Income and Expenditure Account  
For the Year Ended 31 March 2012**

	Notes	2012 £'000	2011 £'000 Restated
<b>Turnover</b>	2	<b>4,260</b>	3,829
Operating costs	2	<u>(3,337)</u>	<u>(3,187)</u>
<b>Operating surplus</b>		<b>923</b>	642
Surplus on sale of housing properties	22	<b>59</b>	119
Interest receivable	4	<b>9</b>	6
Interest payable and similar charges	5	<b>(395)</b>	(350)
Covenanted Income from Subsidiary		<u><b>40</b></u>	<u>31</u>
<b>Surplus on ordinary activities for the year</b>	6	<b>636</b>	448
Tax on surplus on ordinary activities	7	<u>-</u>	<u>-</u>
<b>Surplus on ordinary activities after tax</b>		<b>636</b>	448
Revenue reserves brought forward	16	<u><b>11,965</b></u>	<u>11,517</u>
<b>Revenue reserves carried forward</b>	16	<u><b>12,601</b></u>	<u>11,965</u>

All amounts relate to continuing activities. The above surplus is the historical cost surplus.

**Company Statement of Total Recognised Surpluses and Deficits  
For the Year Ended 31 March 2012**

		2012 £'000	2011 £'000
Surplus for the year		<b>636</b>	448
Prior period adjustment	28	<u>(1,607)</u>	<u>7,359</u>
Total recognised surplus/(deficit) for the year		<u><b>(971)</b></u>	<u>7,807</u>



**Arcon Housing Association Limited**

**Group Balance Sheet  
As at 31 March 2012**

	Notes	2012 £'000	2011 £'000 Restated
<b>Fixed Assets</b>			
Tangible assets	8	54,220	46,147
Less: Social Housing Grants		<u>(27,657)</u>	<u>(23,454)</u>
		26,563	22,693
Other Fixed Assets	9	<u>88</u>	<u>159</u>
		26,651	22,852
<b>Current Assets</b>			
Debtors	10	979	453
Housing Properties for Sale		62	89
Investments	11	291	905
Cash at bank and short term deposits	11	<u>609</u>	<u>299</u>
		1,941	1,746
<b>Less: Creditors</b>			
Amounts falling due within one year	12	<u>(1,019)</u>	<u>(1,213)</u>
<b>Net Current Assets</b>		<u>922</u>	<u>533</u>
<b>Total Assets less Current Liabilities</b>		<u>27,573</u>	<u>23,385</u>
<b>Creditors</b>			
Amounts falling due after more than one year	13	13,065	9,468
<b>Capital and reserves</b>			
Called-up share capital		-	-
Revaluation reserve	15	659	691
Revenue reserves	16	<u>13,849</u>	<u>13,226</u>
	16	27,573	23,385

The financial statements on pages 6 to 34 were approved by the Board on 26<sup>th</sup> June 2012 and were signed on its behalf by:

**Board Member:**

**Board Member:**

**Secretary:**

**Arcon Housing Association Limited**

**Company Balance Sheet  
As at 31 March 2012**

	Notes	2012 £'000	2011 £'000 Restated
<b>Fixed Assets</b>			
Tangible assets	8	51,074	42,802
Less: Social Housing Grants		<u>(27,657)</u>	<u>(23,454)</u>
		23,417	19,348
Other Fixed Assets	9	<u>88</u>	<u>159</u>
		23,505	19,507
<b>Current Assets</b>			
Debtors	10	984	457
Housing Properties for Sale		62	89
Investments	11	81	843
Cash at bank and short term deposits	11	<u>435</u>	<u>6</u>
		1,562	1,395
<b>Less: Creditors</b>			
Amounts falling due within one year	12	<u>(848)</u>	<u>(1,054)</u>
<b>Net Current Assets</b>		<u>714</u>	<u>341</u>
		-----	-----
<b>Total Assets less Current Liabilities</b>		<u>24,219</u>	<u>19,848</u>
		=====	=====
<b>Creditors</b>			
Amounts falling due after more than one year	13	11,618	7,883
<b>Capital and reserves</b>			
Called-up share capital	15	-	-
Revenue reserves	16	<u>12,601</u>	<u>11,965</u>
		24,219	19,848
		=====	=====

The financial statements on pages 6 to 34 were approved by the Board on 26<sup>th</sup> June 2012 and were signed on its behalf by:

**Board Member:**

**Board Member:**

**Secretary:**

**Arcon Housing Association Limited**

**Group Cash Flow Statement  
For the Year Ended 31 March 2012**

	Notes	2012 £'000	2011 £'000 Restated
<b>Net cash flow from operating activities</b>		<b>1,081</b>	1,524
<b>Returns on investments and servicing of finance</b>	21	<b>(460)</b>	(422)
<b>Capital Expenditure</b>			
Acquisition and construction of housing properties		(9,221)	(4,225)
Social Housing Grant received		3,889	1,527
Purchase of other fixed assets		11	(19)
Sale of housing properties/other assets		<u>587</u>	<u>481</u>
Net cash outflow on capital expenditure		<b>(4,734)</b>	(2,236)
<b>Net cash flow before management of liquid resources and financing</b>		<b>(4,113)</b>	(1,134)
<b>Management of liquid resources</b>	21	<b>614</b>	485
<b>Financing</b>	21	<u>3,809</u>	<u>723</u>
<b>Increase in cash</b>	21	<u><b>310</b></u>	<u>74</u>
<b>Reconciliation of operating surpluses to net cash inflow from operating activities</b>			
Operating surplus		993	712
Depreciation charges		725	902
Change in debtors		(407)	(187)
Change in creditors		<u>(230)</u>	<u>97</u>
Net cash flow from operating activities		<u><b>1,081</b></u>	<u>1,524</u>
<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase/(Decrease) in the period		310	74
Cash used to increase liquid resources		(614)	(485)
Change in loans		<u>(3,809)</u>	<u>(723)</u>
Change in net debt		<b>(4,113)</b>	(1,134)
Net debt at 1 April 2011		<u><b>(8,134)</b></u>	<u>(7,000)</u>
Net debt at 31 March 2012		<u><b>(12,247)</b></u>	<u>(8,134)</u>

## Arcon Housing Association Limited

### Notes to the Financial Statements For the Year Ended 31 March 2012

#### 1. Principal Accounting Policies

The Association is incorporated under the Industrial & Provident Societies Act 1965 and is registered with the Homes and Communities Agency as a Registered Provider (RP) as defined by the Housing and Regeneration Act 2008.

#### Basis of Accounting

The financial statements have been prepared in accordance with applicable Accounting Standards and Statements of Recommended Practice. The accounts comply with the Housing Act 1996, the Accounting Requirements for Registered Social Landlords General Determination 2000 and the Statement of Recommended Practice published by the National Housing Federation in 2010. The accounts are prepared on the historical cost basis of accounting.

#### Basis of Consolidation

Profits or losses on any intra-group transactions have been eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation have been eliminated. The accounts of the following companies have been included within the consolidation:

Arcon Housing Association Limited  
Arcon Developments Limited

#### Turnover

Turnover represents rental income receivable, grants from local authorities and the Homes and Communities Agency, Shared Ownership first tranche sales and other income.

#### Fixed Assets and Depreciation

Tangible fixed assets, except freehold land, are stated at cost, less accumulated depreciation which is charged at the following rates over the expected economic useful life of the asset:-

Office furniture and equipment	15% straight line
Motor vehicles	25% on written down value
Computer equipment	33 1/3% straight line
Leasehold improvements	10% straight line

Freehold land is not depreciated.

The useful economic lives of all tangible fixed assets are reviewed annually.

#### Housing Properties and Depreciation

Housing properties for rent are stated at cost less accumulated depreciation and related social housing grant. Houses are transferred to completed properties when they are ready for letting.

Freehold land is not depreciated.

Housing properties in the course of construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

All properties are reviewed for impairment annually.

When housing properties are to be transferred to another association, the net costs, after SHG, are dealt with in current assets.

Shared ownership properties are included in housing properties at cost, net of the first tranche sales proceeds and any provision needed for depreciation or impairment.

Properties let at full market rent and held for their investment value are included at open market valuation.

Where a housing property comprises two or more major components with substantially different useful economic lives, each component is accounted for separately and depreciated over its individual useful economic life. Expenditure relating to the subsequent replacement or renewal of components is capitalised as incurred.

## Arcon Housing Association Limited

### Notes to the Financial Statements For the Year Ended 31 March 2012

#### 1. Principal Accounting Policies (Continued)

Depreciation is charged on a straight-line basis after taking into account social housing grant over the assets expected economic useful life as shown below:-

Component	UEL
New build housing structure	125 years
Rehabilitation social housing building structures	40-60 years
External works	40 years
Roofs	60 years
Windows	40 years
Electrical	30 years
Bathrooms	30 years
Boilers	10 years
Heating systems (excluding boilers)	30 years
Kitchens	20 years
Lifts	30 years

#### Social Housing and Other Grants

Where developments have been financed wholly or partly by social housing and other grants, the cost of those developments has been reduced by the amount of the grant received. Social housing grant received for items of cost written off in the Income and Expenditure Account are matched against those costs as part of turnover.

Social housing grant can be recycled by the RP under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Homes and Communities Agency. However, SHG may have to be repaid if certain conditions are not met.

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

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

#### Capitalisation of Interest and Administration Costs

Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress.

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into its intended use.

#### Pension Costs

The Association operates a defined contribution pension scheme for which costs are charged to the income and expenditure account on an accruals basis.

#### Provisions

The Association only provides for contractual liabilities.

## **Arcon Housing Association Limited**

### **Notes to the Financial Statements For the Year Ended 31 March 2012**

#### **1. Principal Accounting Policies (Continued)**

##### **Deferred Tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date.

##### **Recycling of Capital Grant**

Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund, which appears as a creditor until spent.

##### **Loan finance issue costs**

These are written off evenly over the life of the related loan. Loans are stated in the Balance Sheet at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts written off. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs, are recognised in the income and expenditure account in the year in which the redemption took place.

##### **Financial Instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets on the company after deducting all of its liabilities.

##### **Revaluation reserve**

The revaluation reserve arising on consolidation of Arcon Developments Limited is due to the market rented properties being included at valuation. The reserve will be released as the properties are depreciated over their economic useful lives, based on 125 years from original completion date.

##### **Value Added Tax**

The Group charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. All amounts disclosed in the accounts are inclusive of VAT to the extent that it is suffered by the Group and not recoverable.

##### **Corporation Tax**

The Association has exempt charitable status and is therefore not liable to pay Corporation Tax. The Association's subsidiary, Arcon Developments, is liable to pay Corporation Tax at the rate applicable at 31 March 2012.

**Arcon Housing Association Limited,**

**Notes to the Financial Statements  
For the Year Ended 31 March 2012**

**2. Turnover, Operating Costs and Operating Surplus**

**Group Business Activity**

	Turnover	2012 Operating Costs	Operating Surplus
	£'000	£'000	£'000
Social Housing Lettings	3,571	2,871	700
Shared Ownership Activities	100	49	51
First tranche Shared Ownership sales	170	157	13
Intermediate Rent	250	92	158
Specialist Housing Activities	161	148	13
Market Rents	<u>173</u>	<u>115</u>	<u>58</u>
<b>Total</b>	<b><u>4,425</u></b>	<b><u>3,432</u></b>	<b><u>993</u></b>
		2011	
	Turnover	Operating Costs	Operating Surplus/ (Deficit)
	£'000	£'000	£'000
Social Housing Lettings	3,377	2,833	545
Shared Ownership Activities	89	49	40
First tranche Shared Ownership sales	130	95	35
Intermediate Rent	36	41	(5)
Specialist Housing Activities	181	144	37
Market Rents	<u>178</u>	<u>118</u>	<u>60</u>
<b>Total</b>	<b><u>3,991</u></b>	<b><u>3,279</u></b>	<b><u>712</u></b>

**Arcon Housing Association Limited,**

**Notes to the Financial Statements  
For the Year Ended 31 March 2012**

**2. Turnover, Operating Costs and Operating Surplus (Continued)**

**Company Business Activity**

	<b>Turnover £'000</b>	<b>2012 Operating Costs £'000</b>	<b>Operating Surplus £'000</b>
Social Housing Lettings	3,600	2,901	699
Shared Ownership Activities	79	39	40
Intermediate Rent	250	92	158
First tranche Shared Ownership sales	170	157	13
Specialist Housing Activities	<u>161</u>	<u>148</u>	<u>13</u>
<b>Total</b>	<b><u>4,260</u></b>	<b><u>3,337</u></b>	<b><u>923</u></b>
		2011	
	Turnover £'000	Operating Costs £'000	Operating Surplus/ (Deficit) £'000
Social Housing Lettings	3,413	2,868	545
Shared Ownership Activities	69	39	30
Intermediate Rent	36	41	(5)
First tranche Shared Ownership sales	130	95	35
Specialist Housing Activities	<u>181</u>	<u>144</u>	<u>37</u>
<b>Total</b>	<b><u>3,829</u></b>	<b><u>3,187</u></b>	<b><u>642</u></b>



**Arcon Housing Association Limited**

**Notes to the Financial Statements  
For the Year Ended 31 March 2012**

**3 Income and Expenditure from Business Activities**

<b>Group</b>	<b>Social Housing</b>	<b>Shared Ownership</b>	<b>Specialist Housing</b>	<b>Intermediate Rent</b>	<b>Market Rent</b>	<b>Total 2012</b>	<b>Total 2011</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b> Restated
<b>Income</b>							
Net Rents receivable	3,314	95	161	250	173	<b>3,993</b>	3,599
Net Service Charge Receivable	204	5	-	-	-	<b>209</b>	210
Shared Ownership 1 <sup>st</sup> tranche sales	-	170	-	-	-	<b>170</b>	130
Management Agent Income	21	-	-	-	-	<b>21</b>	14
Other Income	<u>32</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>32</u></b>	<u>38</u>
<b>Total Income</b>	<b><u>3,571</u></b>	<b><u>270</u></b>	<b><u>161</u></b>	<b><u>250</u></b>	<b><u>173</u></b>	<b><u>4,425</u></b>	<b><u>3,991</u></b>
<b>Expenditure</b>							
Housing management	835	9	57	21	22	<b>944</b>	902
Routine maintenance Planned	708	-	18	10	29	<b>765</b>	717
Major repairs expenditure	154	-	9	-	2	<b>165</b>	162
Services	237	-	-	-	7	<b>244</b>	166
Business development & admin	194	1	-	-	1	<b>196</b>	198
Rent losses from bad debts	90	22	8	12	-	<b>132</b>	128
Depreciation of housing properties	9	-	-	17	-	<b>26</b>	17
Shared Ownership 1 <sup>st</sup> tranche Sales	644	17	56	32	54	<b>803</b>	894
	<u>-</u>	<u>157</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>157</u></b>	<u>95</u>
<b>Total Expenditure</b>	<b><u>2,871</u></b>	<b><u>206</u></b>	<b><u>148</u></b>	<b><u>92</u></b>	<b><u>115</u></b>	<b><u>3,432</u></b>	<b><u>3,279</u></b>
<b>Operating Surplus</b>	<b><u>700</u></b>	<b><u>64</u></b>	<b><u>13</u></b>	<b><u>158</u></b>	<b><u>58</u></b>	<b><u>993</u></b>	<b><u>712</u></b>
Rent losses from voids	<u>26</u>	<u>9</u>	<u>12</u>	<u>-</u>	<u>2</u>	<b><u>49</u></b>	<u>37</u>

**Arcon Housing Association Limited**

**Notes to the Financial Statements  
For the Year Ended 31 March 2012**

**3 Income and Expenditure from Business Activities (Continued)**

<i>Company</i>	<b>Social Housing £'000</b>	<b>Shared Ownership £'000</b>	<b>Specialist Housing £'000</b>	<b>Intermediate Rent £'000</b>	<b>Total 2012 £'000</b>	Total 2011 £'000 Restated
<b>Income</b>						
Net Rent Receivable	3,314	74	161	250	<b>3,799</b>	3,403
Net Service Charge Receivable	204	5	-	-	<b>209</b>	208
Shared Ownership 1 <sup>st</sup> tranche Sales	-	170	-	-	<b>170</b>	130
Management Agent Income	50	-	-	-	<b>50</b>	50
Other Income	<u>32</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>32</u></b>	<u>38</u>
<b>Total Income</b>	<b><u>3,600</u></b>	<b><u>249</u></b>	<b><u>161</u></b>	<b><u>250</u></b>	<b><u>4,260</u></b>	<b><u>3,829</u></b>
<b>Expenditure</b>						
Housing management	865	7	57	21	<b>950</b>	912
Routine maintenance	708	-	18	10	<b>736</b>	685
Planned maintenance	154	-	9	-	<b>163</b>	158
Major repairs expenditure	237	-	-	-	<b>237</b>	160
Services	194	1	-	-	<b>195</b>	197
Business development & admin	90	18	8	12	<b>128</b>	124
Rent losses from bad debts	9	-	-	17	<b>26</b>	16
Depreciation of housing properties	644	13	56	32	<b>745</b>	840
Shared Ownership 1 <sup>st</sup> tranche sales	<u>-</u>	<u>157</u>	<u>-</u>	<u>-</u>	<b><u>157</u></b>	<u>95</u>
<b>Total Expenditure</b>	<b><u>2,901</u></b>	<b><u>196</u></b>	<b><u>148</u></b>	<b><u>92</u></b>	<b><u>3,337</u></b>	<b><u>3,187</u></b>
<b>Operating Surplus</b>	<b><u>699</u></b>	<b><u>52</u></b>	<b><u>13</u></b>	<b><u>158</u></b>	<b><u>923</u></b>	<b><u>642</u></b>
Rent losses from voids	<u>26</u>	<u>9</u>	<u>12</u>	<u>-</u>	<b><u>47</u></b>	<u>31</u>

**Arcon Housing Association Limited**

**Notes to the Financial Statements  
For the Year Ended 31 March 2012**

**4. Interest Receivable**

	<b>2012</b>	2011
	<b>£'000</b>	£'000
<b>Group</b>		
Gross interest receivable	<b>10</b>	7
Less: notional RCGF interest	<u>-</u>	<u>-</u>
	<b><u>10</u></b>	<b><u>7</u></b>

	<b>2012</b>	2011
	<b>£'000</b>	£'000
<b>Company</b>		
Gross Interest Receivable	<b>9</b>	6
Less: notional RCGF Interest	<u>-</u>	<u>-</u>
	<b><u>9</u></b>	<b><u>6</u></b>

**5. Interest Payable and Similar Charges**

	<b>2012</b>	2011
	<b>£'000</b>	£'000
<b>Group</b>		
On loans	<b>471</b>	428
Less: Interest returned	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>471</u></b>	<b><u>428</u></b>

	<b>2012</b>	2011
	<b>£'000</b>	£'000
<b>Company</b>		
On loans	<b><u>395</u></b>	<u>350</u>
<b>Total</b>	<b><u>395</u></b>	<b><u>350</u></b>

**Arcon Housing Association Limited**

**Notes to the Financial Statements  
For the Year Ended 31 March 2012**

**6. Surplus for the year before taxation**

**Group**

	<b>2012</b>	2011
	<b>£'000</b>	£'000
Is stated after charging/(crediting):		
Auditors remuneration (including VAT)		
In their capacity as auditors		
Parent	12	6
Subsidiaries	1	2
In respect of other services		
Tax advice	-	1
Depreciation		
Housing Stock	802	894
Other Assets	59	74
Surplus on sale of housing properties	(59)	(139)
(Surplus)/Deficit on disposal of motor vehicles	<u>11</u>	<u>-</u>

**Company**

	<b>2012</b>	2011
	<b>£'000</b>	£'000
Is stated after charging/(crediting):		
Auditors remuneration (including VAT)		
In their capacity as auditors		
Parent	12	6
In respect of other services		
Tax advice	-	1
Depreciation		
Housing Stock	745	840
Other Assets	59	74
Surplus on sale of housing properties	(59)	(119)
(Surplus)/Deficit on disposal of motor vehicles	<u>11</u>	<u>-</u>

**7. Taxation**

**Group**

a. Analysis of charge in year	<b>2012</b>	2011
	<b>£'000</b>	£'000
Current Tax		
UK corporation tax on profits of the year	-	-
Adjustment in respect of previous year	<u>-</u>	<u>-</u>
Total current tax	-	-
Deferred Tax		
Origination and reversal of timing differences	<u>-</u>	<u>-</u>
Tax on profit on ordinary activities	<u>-</u>	<u>-</u>

**Arcon Housing Association Limited**

**Notes to the Financial Statements  
For the Year Ended 31 March 2012**

**7. Taxation (Continued)**

b. Factors affecting the tax charge for the year	<b>2012</b>	2011
	<b>£'000</b>	£'000
Surplus/(deficit) on ordinary activities in the year	<b>601</b>	430
Tax arising on profit on ordinary activities at the standard rate of corporation tax of 21% (2010: 21%)	<b>156</b>	90
Effects of:		
Expenses not deductible for tax purposes		
Income not taxable	<b>(156)</b>	(90)
Capital allowances less than depreciation charge	-	-
Surplus on disposal of properties not taxable due to	-	-
Indexation on capital gains	-	-
Other short term timing differences	-	-
Utilisation of tax losses and other deductions	-	-
Adjustment in respect of previous year	-	-
	<u>-</u>	<u>-</u>
	-	-
	<u>-</u>	<u>-</u>

**Company**

The Association obtained exempt charitable status on 9 October 2006.

**Arcon Housing Association Limited**

**Notes to the Financial Statements  
For the Year Ended 31 March 2012**

<b>8. Group Tangible Fixed Assets</b>	<b>Social Housing Properties £'000</b>	<b>Shared Ownership £'000</b>	<b>Market Rent Properties £'000</b>	<b>Intermediate Rent Properties £'000</b>	<b>Affordable Rent Properties £'000</b>	<b>Specialist Housing Properties £'000</b>	<b>Properties Under Construction £'000</b>	<b>Total £'000</b>
<b>Cost/Valuation</b>								
At start of the year	42,254	2,947	3,068	2,377	-	2,494	227	<b>53,367</b>
Prior period adjustment	(3,229)	4	-	334	-	-	-	<b>(2,891)</b>
Additions	1,566	65	7	5,999	-	44	1,500	<b>9,181</b>
Transferred on Completion	-	365	-	-	364	-	(729)	<b>-</b>
Transfer of Property	(36)	25	-	-	-	-	-	<b>(11)</b>
Disposals	<u>(303)</u>	<u>-</u>	<u>(144)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>(447)</u></b>
At end of year	<b>40,252</b>	<b>3,406</b>	<b>2,931</b>	<b>8,710</b>	<b>364</b>	<b>2,538</b>	<b>998</b>	<b>59,199</b>
<b>Depreciation and Impairment</b>								
At start of the year	5,319	56	201	-	-	367	-	<b>5,943</b>
Prior period adjustment	(1,562)	-	-	-	-	(52)	-	<b>(1,614)</b>
Charge for year	504	17	50	32	6	56	-	<b>665</b>
Disposals	<u>(6)</u>	<u>-</u>	<u>(9)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>(15)</u></b>
At end of year	<b>4,255</b>	<b>73</b>	<b>242</b>	<b>32</b>	<b>6</b>	<b>371</b>	<b>-</b>	<b>4,979</b>
<b>Cost/valuation less depreciation at end of the year</b>	<b>35,997</b>	<b>3,333</b>	<b>2,689</b>	<b>8,678</b>	<b>358</b>	<b>2,167</b>	<b>998</b>	<b>54,220</b>
<b>Social Housing Grant</b>								
At start of the year	21,045	543	-	1,254	-	177	105	<b>23,124</b>
Prior period adjustment	42	(42)	-	330	-	-	-	<b>330</b>
Received in Year	132	-	-	3,449	-	-	469	<b>4,050</b>
Disposals during year	(153)	-	-	-	-	-	-	<b>(153)</b>
Transferred on Completion	-	90	-	-	120	-	(210)	<b>-</b>
Transfer of property	(13)	13	-	-	-	-	-	<b>-</b>
Use of RCGF	<u>94</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>212</u>	<b><u>306</u></b>
At end of year	<b>21,147</b>	<b>604</b>	<b>-</b>	<b>5,033</b>	<b>120</b>	<b>177</b>	<b>576</b>	<b>27,657</b>
<b>Net Book Value at end of the Year</b>	<b><u>14,850</u></b>	<b><u>2,729</u></b>	<b><u>2,689</u></b>	<b><u>3,645</u></b>	<b><u>238</u></b>	<b><u>1,990</u></b>	<b><u>422</u></b>	<b><u>26,563</u></b>
Net book value at start of the year	<u>14,181</u>	<u>2,394</u>	<u>2,867</u>	<u>1,127</u>	<u>-</u>	<u>2,002</u>	<u>122</u>	<u>22,693</u>

**Arcon Housing Association Limited**

**Notes to the Financial Statements  
For the Year Ended 31 March 2012**

<b>8. Company Tangible Fixed Assets</b>	<b>Social Housing Properties £'000</b>	<b>Shared Ownership £'000</b>	<b>Intermediate Rent Properties £'000</b>	<b>Affordable Rent properties £'000</b>	<b>Specialist Housing Properties £'000</b>	<b>Properties under construction £'000</b>	<b>Total £'000</b>
<b>Cost</b>							
At start of the year	42,254	2,458	2,377	-	2,494	227	<b>49,810</b>
Prior period adjustment	(3,229)	4	334	-	-	-	<b>(2,891)</b>
Additions	1,566	82	5,999	-	44	1,500	<b>9,191</b>
Transfer of Property	(36)	25	-	-	-	-	<b>(11)</b>
Transferred on Completion	-	365	-	364	-	(729)	<b>-</b>
Disposals	<u>(303)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>(303)</u></b>
At end of year	<b>40,252</b>	<b>2,934</b>	<b>8,710</b>	<b>364</b>	<b>2,538</b>	<b>998</b>	<b>55,796</b>
<b>Depreciation and Impairment</b>							
At start of the year	5,319	45	-	-	367	-	<b>5,731</b>
Prior period adjustment	(1,562)	-	-	-	(52)	-	<b>(1,614)</b>
Charge for year	504	13	32	6	56	-	<b>611</b>
Disposal	<u>(6)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>(6)</u></b>
At end of year	<b>4,255</b>	<b>58</b>	<b>32</b>	<b>6</b>	<b>371</b>	<b>-</b>	<b>4,722</b>
<b>Cost less depreciation at end of the year</b>	<b>35,997</b>	<b>2,876</b>	<b>8,678</b>	<b>358</b>	<b>2,167</b>	<b>998</b>	<b>51,074</b>
<b>Social Housing Grant</b>							
At start of the year	21,045	543	1,254	-	177	105	<b>23,124</b>
Prior period adjustment	42	(42)	330	-	-	-	<b>330</b>
Received in Year	132	-	3,449	-	-	469	<b>4,050</b>
Disposals during year	(153)	-	-	-	-	-	<b>(153)</b>
Transferred on Completion	-	90	-	120	-	(210)	<b>-</b>
Transfer of Property	(13)	13	-	-	-	-	<b>-</b>
Use of RCGF	<u>94</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>212</u>	<b><u>306</u></b>
At end of year	<b>21,147</b>	<b>604</b>	<b>5,033</b>	<b>120</b>	<b>177</b>	<b>576</b>	<b>27,657</b>
<b>Net Book Value at end of the Year</b>	<b><u>14,850</u></b>	<b><u>2,272</u></b>	<b><u>3,645</u></b>	<b><u>238</u></b>	<b><u>1,990</u></b>	<b><u>422</u></b>	<b><u>23,417</u></b>
Net book value at start of the year	<u>14,181</u>	<u>1,916</u>	<u>1,127</u>	<u>-</u>	<u>2,002</u>	<u>122</u>	<u>19,348</u>

**Arcon Housing Association Limited**

**Notes to the Financial Statements  
For the Year Ended 31 March 2012**

**8. Tangible Fixed Assets (Continued)**

<b>Group</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
<b>Housing Properties comprise:</b>		
Freeholds	23,267	19,852
Long leaseholds	<u>3,296</u>	<u>2,841</u>
	<u><b>26,563</b></u>	<u><b>22,693</b></u>

	<b>2012 £'000</b>	<b>2011 £'000</b>
<b>Works to existing properties comprise:</b>		
Capital expenditure	874	731
Revenue expenditure	<u>243</u>	<u>166</u>
	<u><b>1,117</b></u>	<u><b>897</b></u>

Development administration costs capitalised in the year totalled £32,693 (2011: £31,066)

<b>Company</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
<b>Housing Properties comprise:</b>		
Freeholds	20,515	16,926
Long leaseholds	<u>2,902</u>	<u>2,422</u>
	<u><b>23,417</b></u>	<u><b>19,348</b></u>

	<b>2012 £'000</b>	<b>2011 £'000</b>
<b>Works to existing properties comprise:</b>		
Capital expenditure	862	729
Revenue expenditure	<u>237</u>	<u>160</u>
	<u><b>1,099</b></u>	<u><b>889</b></u>

Development administration costs capitalised in the year totalled £32,693 (2011: £31,066).



**Arcon Housing Association Limited**

**Notes to the Financial Statements  
For the Year Ended 31 March 2012**

<b>9. Group &amp; Company Tangible Fixed Assets - Other</b>	<b>Office Furniture &amp; Equipment £'000</b>	<b>Motor Vehicles £'000</b>	<b>Computer Equipment £'000</b>	<b>Leasehold Improvements £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
At start of the year	101	167	154	291	712
Additions	-	-	34	-	34
Disposals	<u>-</u>	<u>(137)</u>	<u>(112)</u>	<u>-</u>	<u>(249)</u>
At end of the year	<b>101</b>	<b>30</b>	<b>76</b>	<b>291</b>	<b>498</b>
<b>Depreciation</b>					
At start of the year	100	106	138	210	554
Charge for year	1	9	21	29	60
Disposals	<u>-</u>	<u>(92)</u>	<u>(112)</u>	<u>-</u>	<u>(204)</u>
At end of the year	<b>101</b>	<b>23</b>	<b>47</b>	<b>239</b>	<b>410</b>
<b>Net Book Value at end of the year</b>	<b><u>-</u></b>	<b><u>7</u></b>	<b><u>29</u></b>	<b><u>52</u></b>	<b><u>88</u></b>
Net book value at start of the year	<u>1</u>	<u>61</u>	<u>16</u>	<u>81</u>	<u>159</u>

**10. Debtors**

<b>Group</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
<b>Amounts falling due within one year:</b>		
Rent arrears	<b>192</b>	154
Less: provision for bad debts	<u><b>(70)</b></u>	<u>(45)</u>
	<b>122</b>	109
Other debtors	<b>61</b>	76
Social Housing Grant	<b>266</b>	105
Asset Management Sales	-	11
Mortgage Rescue Client Account	<b>405</b>	
Prepayments and accrued income	<u><b>125</b></u>	<u>152</u>
	<b><u>979</u></b>	<b><u>453</u></b>

**Arcon Housing Association Limited**

**Notes to the Financial Statements  
For the Year Ended 31 March 2012**

**10. Debtors (continued)**

<b>Company</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
<b>Amounts falling due within one year:</b>		
Rent arrears	187	148
Less: provision for bad debts	<u>(68)</u>	<u>(43)</u>
	119	105
Other debtors	60	74
Social Housing Grant	266	105
Asset Management Sales	-	11
Mortgage Rescue Client Account	405	-
Prepayments and accrued income	125	153
Amounts owed by subsidiaries	<u>9</u>	<u>9</u>
	<b><u>984</u></b>	<b><u>457</u></b>

**11. Cash at Bank and Short Term Deposits**

<b>Group</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
Money market investments	291	905
Cash at bank	<u>609</u>	<u>299</u>
	<b><u>900</u></b>	<b><u>1,204</u></b>
<b>Company</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
Money market investments	81	843
Cash at bank	<u>435</u>	<u>6</u>
	<b><u>516</u></b>	<b><u>849</u></b>

## Arcon Housing Association Limited

### Notes to the Financial Statements For the Year Ended 31 March 2012

#### 12. Creditors

<b>Group</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year:</b>		
Trade creditors	32	31
Accruals and deferred income	576	844
Loan repayments in one year or less	347	273
Loan Issue Costs	(25)	(6)
Rents in advance	74	56
Deferred Income	5	5
Other creditors	<u>10</u>	<u>10</u>
	<b><u>1,019</u></b>	<b><u>1,213</u></b>

<b>Company</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year:</b>		
Trade creditors	32	31
Accruals and deferred income	543	816
Loan repayments in one year or less	210	142
Loan Issue Costs	(25)	(6)
Rents in advance	73	56
Deferred Income	5	5
Other creditors	<u>10</u>	<u>10</u>
	<b><u>848</u></b>	<b><u>1,054</u></b>

#### 13. Creditors

<b>Group</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due after more than one year:</b>		
Loans repayable by instalments:-		
In one year or more but less than two years	371	259
In two years or more and less than five years	2,474	835
In five years or more	<u>10,171</u>	<u>8,112</u>
	<b>13,016</b>	<b>9,206</b>
Less Loan Issue Costs	<u>(191)</u>	<u>(135)</u>
	<b>12,825</b>	<b>9,071</b>
Recycled capital grant fund	220	372
Deferred Income	<u>20</u>	<u>25</u>
	<b><u>13,065</u></b>	<b><u>9,468</u></b>

**Arcon Housing Association Limited**

**Notes to the Financial Statements  
For the Year Ended 31 March 2012**

**13. Creditors (continued)**

**Company**

	<b>2012</b>	2011
	<b>£'000</b>	£'000
<b>Amounts falling due after more than one year:</b>		
Loans repayable by instalments:		
In one year or more but less than two years	228	122
In two years or more and less than five years	2,006	385
In five years or more	<u>9,335</u>	<u>7,114</u>
	<b>11,569</b>	7,621
Less Loan Issue Costs	<u>(191)</u>	<u>(135)</u>
	<b>11,378</b>	7,486
Recycled capital grant fund	220	372
Deferred Income	<u>20</u>	<u>25</u>
	<b><u>11,618</u></b>	<b><u>7,883</u></b>

Housing loans are secured by specific charges on the RPs housing properties and are repayable at varying rates of interest.

<b>The interest rate profile of the Group at 31 March 2012 was:</b>	<b>Total</b>	<b>Variable</b>	<b>Fixed Rate</b>	<b>Weighted</b>
	<b>£'000</b>	<b>Rate</b>	<b>£'000</b>	<b>Average</b>
		<b>£'000</b>	<b>£'000</b>	<b>Rate</b>
				<b>%</b>
Deferred terms - Instalment loans	5,265	82	5,183	6.06%
Non-instalment loans	<u>8,099</u>	<u>6,750</u>	<u>1,349</u>	<u>3.68%</u>
	<u>13,364</u>	<u>6,832</u>	<u>6,532</u>	<u>4.91%</u>

<b>The interest rate profile of the Company at 31 March 2012 was:</b>	<b>Total</b>	<b>Variable</b>	<b>Fixed Rate</b>	<b>Weighted</b>
	<b>£'000</b>	<b>Rate</b>	<b>£'000</b>	<b>Average</b>
		<b>£'000</b>	<b>£'000</b>	<b>Rate</b>
				<b>%</b>
Instalment loans	3,680	82	3,598	10.067%
Non-instalment loans	<u>8,099</u>	<u>6,750</u>	<u>1,349</u>	<u>3.684%</u>
	<u>11,779</u>	<u>6,832</u>	<u>4,948</u>	<u>4.971%</u>

**Arcon Housing Association Limited**

**Notes to the Financial Statements  
For the Year Ended 31 March 2012**

**14. Recycled capital grant fund**

<b>Group and Company</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
At start of the year	372	388
Grants recycled	154	114
Interest charged	<u>-</u>	<u>-</u>
	526	502
Grant utilised	<u>(306)</u>	<u>(130)</u>
<b>At end of the year</b>	<b><u>220</u></b>	<b><u>372</u></b>

**15. Called up Share Capital**

<b>Group</b>	<b>2012 £</b>	<b>2011 £</b>
<b>Allotted Issued and Fully Paid:</b>		
At start of the year	30	32
Issued during the year	3	-
Shares cancelled	<u>(2)</u>	<u>(2)</u>
<b>At end of the year</b>	<b><u>31</u></b>	<b><u>30</u></b>
<b>Company</b>	<b>2012 £</b>	<b>2011 £</b>
<b>Allotted Issued and Fully Paid:</b>		
At start of the year	29	31
Issued during the year	3	-
Shares cancelled	<u>(2)</u>	<u>(2)</u>
<b>At end of the year</b>	<b><u>30</u></b>	<b><u>29</u></b>

The shares do not have a right to any dividend or distribution in a winding-up, and are not redeemable. Each share has full voting rights.

**Arcon Housing Association Limited**

**Notes to the Financial Statements  
For the Year Ended 31 March 2012**

<b>16. Revaluation reserve</b>	<b>2012</b>	2011
	<b>£'000</b>	£'000
<b>Group</b>		
At start of the year	<b>691</b>	723
Arising during the year	-	-
Released during the year	<u>(32)</u>	<u>(32)</u>
At end of the year	<u><b>659</b></u>	<u>691</u>

The revaluation reserve arises on consolidation of Arcon Developments Limited who hold properties at market value.

		<b>2012</b>
<b>Other Reserves</b>	Revenue	<b>Total</b>
	£'000	£'000
<b>Group</b>		
At start of the year	14,833	<b>14,833</b>
Prior period adjustment (note 28)	(1,607)	<b>(1,607)</b>
Transfer from Revaluation Reserve	32	<b>32</b>
Surplus for the year after tax	<u>591</u>	<u><b>591</b></u>
At end of the year	<u><b>13,849</b></u>	<u><b>13,849</b></u>

		<b>2012</b>
	Revenue	<b>Total</b>
	£'000	£'000
<b>Company</b>		
At start of the year	13,572	<b>13,572</b>
Prior period adjustment (note 28)	(1,607)	<b>(1,607)</b>
Surplus for the year after tax	<u>636</u>	<u><b>636</b></u>
At end of the year	<u><b>12,601</b></u>	<u><b>12,601</b></u>

The Association has considered the recommendation in the Accounting Determination in relation to the disclosure of transfers to and from reserves in the income and expenditure account. It considers the disclosure of the movements on the face of the income and expenditure account provides the reader of the accounts with a more complete understanding.

## Arcon Housing Association Limited

### Notes to the Financial Statements For the Year Ended 31 March 2012

#### 17. Capital Commitments

<b>Group</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Capital expenditure that has been contracted for but has not been provided for in the financial statements	2,312	409
Capital expenditure that has been authorised by the board of management but has not yet been contracted for	<u>2,516</u>	<u>3,133</u>
	<u><b>4,828</b></u>	<u><b>3,542</b></u>
<b>Company</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Capital expenditure that has been contracted for but has not been provided for in the financial statements	2,312	409
Capital expenditure that has been authorised by the board of management but has not yet been contracted for	<u>2,472</u>	<u>2,983</u>
	<u><b>4,784</b></u>	<u><b>3,392</b></u>

The Association's Asset Management Strategy provides for open market sales where appropriate after appraising potential options. The proceeds from these sales are used to fund the major improvement programme and also invest in new housing stock. Other funding sources in the year will include Social Housing Grant and additional borrowings from Barclays Bank and Lloyds TSB.

#### 18. Pension Obligations - Group & Company

The RP operates a defined contribution pension scheme. The charge for the period is £87,088 (2011: £84,200) and at the balance sheet date there were contributions outstanding of £9,021 (2011: £9,510).

<b>19. Directors' Emoluments – Group &amp; Company</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
The aggregate emoluments paid to or receivable by Directors.	<u>301</u>	<u>289</u>
The emoluments paid to the highest paid Director of the Association excluding pension contributions:	<u>86</u>	<u>84</u>

Directors are defined as the members of the Board, the Chief Executive and any other person who is a member of the Senior Management Team or its equivalent.

Expenses paid to Committee members within the group in the year amounted to £2,333 (2011: £3,930).  
Expenses paid to Committee members within the Company in the year amounted to £2,333 (2011: £3,930).

## Arcon Housing Association Limited

### Notes to the Financial Statements For the Year Ended 31 March 2012

#### 20. Employee Information – Group & Company

The average weekly number of persons employed during the year was:

	2012 Number	2011 Number
Office staff	20	20
Wardens, caretakers and cleaners	<u>2</u>	<u>2</u>
	<u>22</u>	<u>22</u>

	2012 £'000	2011 £'000
Staff costs		
Wages and salaries	728	693
Social Security costs	84	78
Other pension costs	<u>87</u>	<u>84</u>
	<u>899</u>	<u>855</u>

#### 21. Group Cash Flow Statement Notes

	2012 £'000	2011 £'000
<b>Returns on investments and servicing of finance</b>		
Interest received	10	7
Interest paid (including capitalisation)	<u>(470)</u>	<u>(429)</u>
	<u>(460)</u>	<u>(422)</u>
<b>Financing</b>		
Issue of ordinary shares	-	-
Loans received	4,250	1,500
Loans repaid	(365)	(777)
Issue costs incurred	<u>(76)</u>	<u>-</u>
	<u>3,809</u>	<u>723</u>



**Arcon Housing Association Limited**

**Notes to the Financial Statements  
For the Year Ended 31 March 2012**

<b>21. Group Cash Flow Statement Notes (Continued)</b>	<b>At start £'000</b>	<b>Cashflows £'000</b>	<b>At end £'000</b>
<b>Change in net debt</b>			
Cash in hand, at bank	299	310	<b>609</b>
Current asset investments	905	(614)	<b>291</b>
Debt due within 1 year	(267)	(55)	<b>(322)</b>
Debt due after 1 year	<u>(9,071)</u>	<u>(3,754)</u>	<u><b>(12,825)</b></u>
<b>Total</b>	<u><b>(8,134)</b></u>	<u><b>(4,113)</b></u>	<u><b>(12,247)</b></u>

	<b>At start £'000</b>	<b>Cashflows £'000</b>	<b>At end £'000</b>
<b>Reconciliation of cash movements</b>			
Money market investments	401	(401)	<b>-</b>
Short term cash deposits	<u>504</u>	<u>(213)</u>	<u><b>291</b></u>
<b>Total</b>	<u><b>905</b></u>	<u><b>(614)</b></u>	<u><b>291</b></u>

**22. Sale of Properties – Group & Company**

<b>Group</b>	<b>Total 2012 £'000</b>	<b>Total 2011 £'000</b>
Proceeds of Right to Buy Sales	-	-
Proceeds of Other Sales	374	395
Less: Costs of sales	<u>(315)</u>	<u>(256)</u>
	<u><b>59</b></u>	<u><b>139</b></u>
<b>Company</b>	<b>Total 2012 £'000</b>	<b>Total 2011 £'000</b>
Proceeds of Right to Buy Sales	-	-
Proceeds of Other Sales	242	247
Less: Costs of Sales	<u>(183)</u>	<u>(128)</u>
	<u><b>59</b></u>	<u><b>119</b></u>

**Arcon Housing Association Limited**

**Notes to the Financial Statements  
For the Year Ended 31 March 2012**

<b>23. Units/Bedspaces</b>	<b>2012</b>	2011
	<b>Number</b>	Number
<b>Group</b>		
Social Housing	<b>955</b>	950
Shared Ownership	<b>35</b>	30
Intermediate Rent	<b>67</b>	21
Affordable Rent	<b>3</b>	0
Specialist Housing	<b>40</b>	38
Market Rent	<b>25</b>	26
Managed for other bodies	<b>34</b>	34
	<b><u>1,159</u></b>	<u>1,099</u>

	<b>2012</b>	2011
	<b>Number</b>	Number
<b>Company</b>		
Social Housing	<b>955</b>	950
Shared Ownership	<b>30</b>	25
Intermediate Rent	<b>67</b>	21
Affordable Rent	<b>3</b>	-
Specialist Housing	<b>40</b>	38
Market Rent	<b>-</b>	-
Managed for other bodies	<b>64</b>	65
	<b><u>1,159</u></b>	<u>1,099</u>

<b>24. Social Housing Grant – Group &amp; Company</b>	<b>2012</b>	2011
	<b>£'000</b>	£'000
The total accumulated SHG received or receivable at the balance sheet date from both capital and revenue sources	<b><u>27,166</u></b>	<u>23,116</u>

**25. Changes in Estimates of Property Lives – Group & Company**

The Association reviews the life of its housing properties annually. It has reviewed these lives in this year and decided that estimates used in the previous financial year were correct.

**26. Related Party Transactions**

On 4<sup>th</sup> August 2006, Arcon Housing Limited sold 32 market rent properties to Arcon Developments Limited. Arcon Developments Limited is a wholly owned subsidiary of the Association.

During the period the Association managed its subsidiary company and charged management fees of £35,136 (2011: £35,908). The Association also purchased one property from its subsidiary for £155,000.

At 31<sup>st</sup> March 2012 the balance due from Arcon Developments Limited was £8,801 (2011: £9,036).

**27. Legislative Provisions**

Arcon Housing Association Limited is registered under the Industrial and Provident Societies Act 1965 and is registered with the Homes and Communities Agency as a Registered Provider as defined by the Housing and Regeneration Act 2008. It obtained exempt charitable status on 9<sup>th</sup> October 2006.

Arcon Developments Limited is registered under the Companies Act 2006.

## Arcon Housing Association Limited

### Notes to the Financial Statements For the Year Ended 31 March 2012

#### 28. Prior Period Adjustment

The RP has adopted the Statement of Recommended Practice (SORP): accounting by registered social housing providers Update 2010 in the previous financial year. A review of this implementation has resulted in the provisions for component accounting being adjusted this year.

Housing properties are now analysed by major component. Planned repairs undertaken in recent years and representing additions to components are now capitalised. Brought forward accumulated depreciation has been adjusted accordingly.

The financial impact of these changes is as follows:

<b>Group &amp; Company</b>	<b>2012</b>
	<b>£'000</b>
The transfer of spend to capital housing improvements from major repairs and routine maintenance	(3,221)
Grossing up of capital expenditure for understated Social Housing Grant	330
Grossing up of Social Housing Grant for understatement	(330)
The effect of adoption of component accounting on deprecation charged	<u>1,614</u>
Total relating to revenue (note 16)	<u><u>(1,607)</u></u>

<b>Group</b>	<b>2011</b>
	<b>£'000</b>
The transfer of spend from capital housing improvements to major repairs and routine maintenance	12,097
The transfer of revenue utilisation of RGGF to capital grant	(914)
The effect of adoption of component accounting on depreciation charged	<u>(4,089)</u>
Total relating to revenue (note 16)	<u><u>7,094</u></u>

<b>Company</b>	<b>2011</b>
	<b>£'000</b>
The transfer of spend from major repairs and routine maintenance to capital housing improvements	12,280
The transfer of revenue utilisation of RGGF to capital grant	(914)
The effect of adoption of component accounting on depreciation charged	<u>(4,007)</u>
Total relating to revenue (note 16)	<u><u>7,359</u></u>