

PINNACLE HOUSING LIMITED

**DIRECTORS' REPORT AND FINANCIAL
STATEMENTS**

For the year ended 31 March 2011

Company number 2246643

PINNACLE HOUSING LIMITED

For the year ended 31 March 2011

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PINNACLE HOUSING LIMITED

DIRECTOR'S REPORT For the year ended 31 March 2011

FINANCIAL STATEMENTS

The directors present their report and the financial statements for the year ended 31 March 2011, which have been prepared under the historical convention and the accounting policies set out therein.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The Company's principal activity is housing management and estates services.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £1,603,000 (2010: £1,582,000). The directors do not recommend the payment of a dividend (2010: nil).

FINANCIAL INSTRUMENTS

The Company does not actively use financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures. The nature of its financial instruments means that they are not subject to price risk or liquidity risk.

DIRECTORS

The directors during the year were as follows:

S Glazebrook
NH Euesden
JL Saunders
R O'Sullivan
NP Wright
AM Lee
A Frith
A Cook
J Gibson (appointed 4 May 2010)

CORPORATE RESPONSIBILITY AND GOVERNANCE

The Board of Directors recognises the importance of high standards of corporate responsibility and governance. This is evidenced through the following:

Charity and community activities

Pinnacle strongly believes in giving something back to the communities in which we work. We actively support and contribute to a number of exciting community projects and initiatives nationwide. By working closely and in partnership with residents, community groups, local charities and businesses we are able to maximize the potential of people and places. Just a few of the projects and initiatives supported and contributed to by Pinnacle Housing Limited in the year are as follows.

PINNACLE HOUSING LIMITED

DIRECTORS' REPORT **For the year ended 31 March 2011**

Pinnacle worked with residents in Brockley to secure funding for and develop a community orchard; created a new 'grow your own' vegetable patch in Canning Town with residents of the Ruscoe Road Sheltered Scheme Residents Association; in Bayswater, we responded to residents' requests for more colour in their inner-city meadow by having a 'plant a wild flower week' involving local schools, housing staff, community groups and residents.

Pinnacle actively tries to bring communities together and increase levels of resident engagement, particularly within the hard to reach sections of society, some examples of this are: in the midlands we worked with a local community group to transform their local playing field after their own gardening equipment was stolen; we continue to sponsor the successful community youth cricket project run by Surrey Cricket Club on estates in Lambeth, we have also sponsored a few talented children from the scheme to go onto a development centre; alongside the Canvey Island schools partnership in Essex, we are working with school children to develop a bespoke educational computer game which will tackle ASB on the island; we have created a pilot apprenticeship scheme in Essex to provide young people with training and work experience in grounds maintenance.

In October 2010, we held another successful conference for our residents. The conference was attended by 150 residents from across the UK and allowed them to share ideas, learn about government initiatives that may affect communities and debate on key issues.

Employees

The Company's policy is one of equal opportunity in the selection, training, career development and promotion of employees regardless of age, gender, ethnic origin, religion and whether disabled or otherwise, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through the in house newspaper and newsletters, briefing groups and the distribution of the annual report.

Health and Safety

Pinnacle Housing recognises the importance of effective health and safety management and is committed to providing a secure, safe and healthy environment for both employees and residents. The Company has specific Health and Safety personnel who advise management and monitor activities to ensure appropriate levels are maintained.

Quality, standards and customer services

The Company strives to deliver its services with the highest quality in standards and safety. Its operational governance is demonstrated by the following standards and awards: ISO9001, ISO14001, OHAS18001, CHAS, Member of British Safety Council and a Customer Service Excellence award.

PINNACLE HOUSING LIMITED

DIRECTORS' REPORT For the year ended 31 March 2011

Environment

The environment is increasingly important in the areas we operate and we believe we can act as a catalyst to change how residents view and treat their surroundings. Improvements have been made in reducing the energy consumption at our sites, implementing extensive recycling processes and through the introduction of driver training we have reduced fuel consumption. Also through regular meetings with our staff and residents we identify the causes of issues and address the underlying problem in order to ensure long term and sustainable improvements.

KEY PERFORMANCE INDICATORS

During this financial year, there has been a 9% increase in turnover and a 3% increase in operating profit. Despite uncertainty in the Public Sector with the general election, the subsequent spending review and the emergency budget, the Company secured a number of new contracts and bolstered its order book. With the fiscal pressures on Local Authorities and Registered Providers of social housing increasing in the coming years, the Company believes the outsourced housing opportunities will increase and it is in a good position to take advantage of this.

The renewal of current contracts and the winning of new contracts – during the year the Company was successful in winning nine new contracts worth a combined £3.0m turnover per annum. Two contracts were successfully renewed with a combined turnover per annum of £4.8m, an increase of £2.2m on the old contract values due to an increase in the scope of work for those clients. However one contract with an annual value of £3.6m came to an end and was not renewed.

To ensure customer and resident satisfaction is high, monthly meetings are held with customers and resident representatives who, together with surveys and focus groups, provide continuous feedback on performance. Pinnacle Housing also organise an annual conference where resident representatives have the opportunity to provide further feedback. In this way Pinnacle Housing is able to assess customer and tenant satisfaction and this together with the evidence from surveys and more general feedback confirms high levels of satisfaction.

PRINCIPAL RISKS AND UNCERTAINTIES

To manage the potential risk of losing business, the Company continues to work in partnership with its customers to provide a high level of service and develop strong relationships.

The Company has secured long term contracts worth over £170m over periods of up to 25 years, principally in the social housing sector. This visibility of future revenue streams is a core strength of the business. The outsourcing market is an attractive market due to long term contracts and visibility of earnings, therefore it will always be subject to strong competition. The Company seeks to maintain its competitive advantage by ensuring it delivers first class services to its clients for a price that represents value for money for the taxpayer. The culture it instils in its employees means that the service its customers receive separates it from the competition, which is reflected in the tenant's satisfaction results year after year.

PINNACLE HOUSING LIMITED

DIRECTORS' REPORT For the year ended 31 March 2011

OUR PEOPLE

The Company is fortunate to have at its core, employees who share a common belief that prosperity for its stakeholders will be achieved through the delivery of excellent service. Our position in our markets is built on a perception that our people have respect for each other and our customers, and that from this respect comes a sustainable delivery capability. We will continue to strive to deliver for our people and for our clients for to succeed will be our most potent weapon in creating a valuable, sustainable and respected business.

DISCLOSURE OF INFORMATION PROVIDED TO AUDITOR

Each of the directors has confirmed that:

- (a) so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors 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 law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the Board on

8th July

2011.



Alex Frith
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINNACLE HOUSING LIMITED

For the year ended 31 March 2011

We have audited the financial statements of Pinnacle Housing Limited for the period ended 31 March 2011 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet 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 Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company'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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual 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 Company's affairs as at 31 March 2011 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PINNACLE HOUSING LIMITED**

For the year ended 31 March 2011

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

PKF(UK)LLP

Andrew Huddleston (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditor

London, UK

8/7/

2011

PINNACLE HOUSING LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2011

	Notes	2011	2010
		£'000's	£'000's
Turnover		38,038	34,838
Raw materials and consumables		(1,899)	(1,664)
Other external charges		(4,410)	(3,424)
Staff costs	17	(20,773)	(20,148)
Depreciation of tangible fixed assets	6	(375)	(382)
Operating charges		(8,647)	(7,348)
Operating profit	2	1,934	1,872
Interest receivable and similar income	3	343	509
Interest payable and similar charges	4	(89)	(115)
Profit on ordinary activities before taxation		2,188	2,266
Tax on profit on ordinary activities	5	(585)	(684)
Profit for the financial year		1,603	1,582

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

All operations are continuing.

PINNACLE HOUSING LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 March 2011

	Notes	2011 £'000's	2010 £'000's
Profit for the year		1,603	1,582
Actuarial profit/(loss) on pension assets and liabilities	19	552	(383)
Tax on actuarial profit/(loss) on pension assets and liabilities		(155)	107
Total recognised gains and losses for the year		2,000	1,306

PINNACLE HOUSING LIMITED
(Company number 2246643)
BALANCE SHEET

As at 31 March 2011

	Notes	2011		2010	
		£'000's	£'000's	£'000's	£'000's
FIXED ASSETS					
Tangible fixed assets	6		609		670
CURRENT ASSETS					
Work in progress		354		97	
Debtors	7	11,124		11,746	
Cash at bank		4,343		2,617	
		15,821		14,460	
CREDITORS: amounts falling due within one year	8	(6,748)		(6,987)	
Net current assets			9,073		7,473
Total assets less current liabilities			9,682		8,143
CREDITORS: amounts falling due after more than one year	9		(137)		(81)
Net pension asset/(liability)	19		85		(432)
Net assets			9,630		7,630
CAPITAL AND RESERVES					
Called up share capital	11		50		50
Profit and loss account	12		9,580		7,580
Total equity shareholder's funds	13		9,630		7,630

These financial statements were approved and authorised for issue by the board and were signed on its behalf on 8th July 2011.



Alex Frith
Director

PINNACLE HOUSING LIMITED

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with applicable Accounting Standards.

Cash flow statement

The company is exempt from the requirement to prepare a cashflow statement under Financial Reporting standard No.1 on the grounds that the cashflows of the Company are consolidated into the cashflow statement presented by Pinnacle PSG Group Limited, the company's immediate parent company.

Turnover

Turnover represents fees and commissions receivable for housing management services and consultancy services and is recognised over the period for which the services are delivered.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, less depreciation. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful life, as follows:

Fixtures and equipment	- over 3 to 5 years
Leasehold property	- over 5 years or over the life of the lease
Motor vehicles	- over 3 to 5 years

Stocks – work in progress

Work in progress arising is stated at the lower of cost and net realisable value. Cost comprises staff salary costs and expenses reimbursable by clients together with an appropriate proportion of overheads based on normal activity levels. Net realisable value represents estimated selling price after allowing for further costs expected to be incurred to completion.

Finance and operating leases

Leasing agreements, which transfer to the company substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the useful lives of the equivalent owned assets. Rentals paid under operating leases are charged against income on a straight line basis over the lease term.

PINNACLE HOUSING LIMITED

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES (continued)

Deferred taxation

Provision is made for deferred taxation on all material timing differences. Deferred tax assets are recognised where their recovery is considered more likely than not. Deferred tax assets and liabilities have not been discounted.

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

Pension scheme arrangements

Employees participate in two defined contribution pension schemes. The Company's pension contributions under these schemes are charged against income in the year in which the obligation to make contributions arises.

The Company also operates a defined benefit scheme, which is contracted out of the state scheme. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. The Company recognises the net assets or liabilities of the scheme in the balance sheet, net of any related tax liability or asset. The changes in scheme assets and liabilities, based on actuarial advice, are recognised as follows:-

- The current service costs, based on the most recent actuarial valuation, are deducted in arriving at operating profit.
- The interest cost, based on the present value of scheme liabilities and the discount rate at the beginning of the year and amended for changes in scheme liabilities during the year, is included as interest.
- The expected return on scheme assets, based on the fair value of scheme assets and expected rates of return at the beginning of the year and amended for changes in scheme assets during the year, is included as interest.
- Actuarial gains and losses, representing differences between the expected return and actual return on scheme assets, differences between the actuarial assumptions underlying the scheme liabilities and actual experience during the year, and changes in actuarial assumptions, are recognised in the statement of total recognised gains and losses.
- Past service costs are spread evenly over the period in which the increases in benefit vest and are deducted in arriving at operating profit. If an increase in benefits vests immediately, the cost is recognised immediately.
- Gains or losses arising from settlements or curtailments not covered by actuarial assumptions are included in operating profit.

The Company provides no other post retirement benefits to its employees.

PINNACLE HOUSING LIMITED

NOTES TO THE ACCOUNTS

2 OPERATING PROFIT

is stated after charging:	2011	2010
	£'000's	£'000's
Operating lease rentals - other	292	250
- hire of plant and machinery	1,322	1,018
Depreciation - owned assets	254	309
- assets held under finance leases	121	73
Auditor's remuneration - for audit services	16	16

3 INTEREST RECEIVABLE AND SIMILAR INCOME

	2011	2010
	£'000's	£'000's
Inter group interest receivable	342	323
Interest receivable from bank deposits	1	186
	343	509

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2011	2010
	£'000's	£'000's
Other interest payable	2	4
Bank charges	16	16
Finance leases	34	20
Net finance cost on pension scheme assets and liabilities	37	75
	89	115

PINNACLE HOUSING LIMITED

NOTES TO THE ACCOUNTS

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge in the year

	2011	2010
	£'000's	£'000's
Current Tax		
United Kingdom corporation tax at 28% (2010: 28%) on profits for the year	(17)	-
Group relief payment	(599)	(690)
Over provision in respect of prior years	99	-
Total current tax	(517)	(690)
Deferred Tax		
Origination and reversal of timing differences	(21)	33
Adjustment in respect of FRS 17 disclosures	(47)	(27)
Total deferred tax	(68)	6
Tax charge on profit on ordinary activities	(585)	(684)

(b) Factors affecting tax charge for year

The tax assessed in each year varies from the standard rate of corporation tax in the UK in the relevant years. The differences are explained below:

	2011	2010
	£'000's	£'000's
Profit on ordinary activities before tax	2,188	2,266
Profit on ordinary activities before tax multiplied by standard rate of UK corporation tax of 28% (2010: 28%)	(613)	(634)
Non deductible expenses	(11)	(14)
Depreciation charge in excess of capital allowances & other timing differences	(39)	(69)
Tax adjustments in respect of FRS 17 disclosures	47	27
Short term timing differences	-	-
Profits group relieved	599	690
Current tax charge for year	(17)	-

PINNACLE HOUSING LIMITED

NOTES TO THE ACCOUNTS

6 TANGIBLE FIXED ASSETS

	Leasehold Land & Buildings £'000's	Fixtures and Equipment £'000's	Motor Vehicle £'000's	Total £'000's
Cost				
At 1 April 2010	82	2,009	204	2,295
Additions	-	326	-	326
Disposals	-	(18)	(12)	(30)
Group transfers/reclassifications	-	(1)	-	(1)
At 31 March 2011	82	2,316	192	2,590
Depreciation				
At 1 April 2010	66	1,400	159	1,625
Charge for the year	11	334	30	375
Disposals	-	(9)	(9)	(18)
Group transfers/reclassifications	-	(1)	-	(1)
At 31 March 2011	77	1,724	180	1,981
Net Book Value				
At 31 March 2011	5	592	12	609
At 31 March 2010	16	609	45	670

Included within the net book value of fixtures and equipment is £294,000 (2010: £153,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £121,000 (2010: 73,000). In addition, assets held under finance leases were disposed of with cost £4,000 (2010: £22,000) and depreciation £3,000 (2010: £22,000). Leased asset additions in the period were £263,000 (2010: £196,000).

7 DEBTORS

	2011 £'000's	2010 £'000's
Amounts receivable within one year:		
Trade debtors	4,823	3,629
Amounts owed by related undertakings	5,751	7,411
Other debtors	17	14
Prepayments and accrued income	391	529
Deferred taxation asset (see note 10)	142	163
	11,124	11,746

PINNACLE HOUSING LIMITED

NOTES TO THE ACCOUNTS

8 CREDITORS: amounts falling due within one year

	2011	2010
	£'000's	£'000's
Trade creditors	1,081	1,218
Obligations under finance leases	129	55
Amounts owed to parent undertaking	2,172	1,803
Amounts owed to fellow group undertakings	-	710
Corporation tax	17	-
Other taxes and social security	1,824	1,419
Other creditors	353	214
Accruals and deferred income	1,172	1,568
	6,748	6,987

The bank facility is secured by guarantees and debentures from the Company, its parent company and all its fellow subsidiaries.

9 CREDITORS: amounts falling due after one year

Amounts falling due after more than one year:

	2011	2010
	£'000's	£'000's
Obligations under finance leases	137	81
	137	81

Finance leases

Future minimum payments under finance leases are as follows:

	2011	2010
	£'000's	£'000's
Within one year	154	72
In more than one year, but no more than 5 years	153	89
Total gross payments	307	161
Less finance charges included above	(41)	(25)
	266	136

PINNACLE HOUSING LIMITED

NOTES TO THE ACCOUNTS

10 DEFERRED TAXATION

Deferred taxation provided in the accounts is as follows:

	2011 £'000's	2010 £'000's
Tax effect of timing differences because of:		
Excess of depreciation over capital allowances	142	163
Short term timing differences	-	-
Total deferred tax asset	142	163

The movement in the deferred taxation asset is as follows:

	2011 £'000's	2010 £'000's
At 1 April	163	130
(Charged)/credited to the profit and loss account	(21)	33
At 31 March	142	163

11 CALLED UP SHARE CAPITAL

	2011		2010	
	Number	£'000's	Number	£'000's
Allotted and fully paid				
£0.05 Ordinary shares	1,000,000	50	1,000,000	50

12 PROFIT AND LOSS ACCOUNT

	2011 £'000's	2010 £'000's
At 1 April	7,580	6,274
Profit for the year	1,603	1,582
Actuarial profit/(loss) on pension scheme, net of tax	397	(276)
At 31 March	9,580	7,580

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011 £'000's	2010 £'000's
Profit on ordinary activities after tax for the year	1,603	1,582
Other recognised gains/(losses)	397	(276)
Net increase in shareholder's funds	2,000	1,306
Opening shareholders' funds	7,630	6,324
Closing shareholders' funds	9,630	7,630

PINNACLE HOUSING LIMITED

NOTES TO THE ACCOUNTS

14 FINANCIAL COMMITMENTS

Operating leases

At 31 March 2011 the Company had annual commitments under non-cancellable operating leases as follows:

	2011		2010	
	Land and Buildings £'000's	Other £'000's	Land and Buildings £'000's	Other £'000's
Expiry date:				
Within one year	60	102	61	60
Between two and five years	56	384	159	166
After five years	93	-	226	15
Total	209	486	446	241

15 CONTINGENT LIABILITIES

In the general course of business, Bank of Scotland have provided bonds on behalf of Pinnacle Housing Limited in favour of a number of local authorities totalling £534,000 (2010: £409,000), to guarantee performance by Pinnacle Housing Limited of its obligations under management contracts.

In the normal course of business claims arise that are subject to a process of negotiation that in some cases can be protracted over a significant period of time. Provision has been made for all amounts which the directors consider likely to be payable in respect of such claims. In accordance with FRS 12 details of claims are not disclosed as the Directors believe this may prejudice ongoing discussions.

The Company has issued guarantees in favour of Bank of Scotland to support the indebtedness of Pinnacle Regeneration Group Limited and its subsidiaries. The exposure to this guarantee at the balance sheet date was £5,516,806 (2010: (£4,538,372)).

16 DIRECTORS EMOLUMENTS

	2011	2010
	£	£
Aggregate emoluments and benefits	498,362	379,540
Company pension contributions to money purchase scheme	63,028	52,646
	561,390	432,186
Highest paid director		
Aggregate emoluments and benefits	181,262	181,875
Company pension contributions to money purchase scheme	12,464	10,400
	193,726	192,275

Retirement benefits under a money purchase pension scheme are accruing in respect of 4 directors (2010: 3 directors).

PINNACLE HOUSING LIMITED

NOTES TO THE ACCOUNTS

16 DIRECTORS EMOLUMENTS (continued)

N Euesden and A Frith are directors of Pinnacle PSG Limited, the Company's parent company. Their services were deemed to relate mostly to work carried out for Pinnacle PSG Limited and the related costs were therefore included in the administrative expenses of Pinnacle PSG Limited.

The services of N Wright, AM Lee and A Cook were deemed to relate mostly to work carried out for Pinnacle PSG Limited and the related costs were therefore included in the administrative expenses of Pinnacle PSG Limited.

17 EMPLOYEES

(1) Number of employees

The average weekly number of operational employees (including directors) employed by the Company during the year was 1,542 (2010: 1,432).

(2) Employment costs

	2011	2010
	£'000's	£'000's
Wages and salaries	18,819	18,287
Social security costs	1,418	1,387
Other pension costs (note 19) defined benefit	221	242
defined contribution	315	232
	<hr/> 20,773	<hr/> 20,148

18 PENSIONS

The Company participates in three pension schemes.

There are two defined contribution schemes. One is a Group Personal Pension for which employee contributions are a minimum of 2.5% of salary, and employer contributions are 7% of salary for non-executives and 10% of salary for executives. The other is an executive pension plan, which has only two members, into which the company contributes 12% of salary for one member and 10% of salary for the other.

One of the three schemes is a defined benefit scheme. The assets of the scheme are held separately in independently administered funds. Payments to this scheme during the period have been made in accordance with the actuarial valuation on 31 March 2009 at which date the fund was in deficit.

The 31 March 2009 valuation was prepared by an independent qualified actuary using the methods and assumptions set out in the Statement of Funding Principles for the purposes of the statutory funding objective, which was introduced by the Pension Act 2004. The principal financial assumptions were price inflation at 3.1%, salary increases at 4.1%, a discount rate in the period before retirement of 6.2% per annum for active members and 5.2% per annum for deferred members, and a discount rate in the period after retirement of 4.7% per annum. The market value of the scheme's assets at 31 March 2009 was £3,200,000.

PINNACLE HOUSING LIMITED

NOTES TO THE ACCOUNTS

19 EMPLOYEE BENEFIT OBLIGATIONS

This reporting statement covers the retirement benefits provided from the Citrus Pension Scheme (formerly know as LAWDC's Pension Scheme) which is a defined pension scheme.

The last full independent actuarial valuation of the plan was undertaken as at 31 March 2009. The results of the valuations have been updated to reflect current conditions at 31 March 2011 in accordance with FRS 17. The valuation has been updated to reflect the change in the measure of inflation from RPI to CPI.

(a) Amounts included within the financial statements

The amounts recognised in the balance sheet are as follows:

	2011	2010
	£'000's	£'000's
Present value of plan liabilities	(5,220)	(5,104)
Fair value of scheme assets	5,338	4,504
Surplus/(deficit)	118	(600)
Related deferred tax (liability)/asset	(33)	168
Net asset/(liability)	85	(432)

The amounts recognised in profit and loss account are as follows:

	2011	2010
	£'000's	£'000's
Current service cost	315	242
Interest cost	290	248
Expected return on pension scheme assets	(253)	(173)
Net Cost	352	317

Changes in the amounts recognised in the statement of total recognised gains and losses are as follows:

	2011	2010
	£'000's	£'000's
Actuarial gains/(losses)	552	(383)

Changes in the present value of the defined benefit liabilities are as follows:

	2011	2010
	£'000's	£'000's
Opening defined benefit liability	5,104	3,409
Service cost	315	242
Employee contributions	107	120
Interest cost	290	248
Actuarial (gains)/losses	(507)	1,286
Benefits paid	(89)	(201)
Closing defined benefit liability	5,220	5,104

PINNACLE HOUSING LIMITED

NOTES TO THE ACCOUNTS

19 EMPLOYEE BENEFIT OBLIGATIONS (continued)

Changes in the fair value of scheme assets are as follows:

	2011 £'000's	2010 £'000's
Opening fair value of scheme assets	4,504	3,096
Expected return	253	173
Actuarial gains	45	903
Contributions by employers	518	414
Contributions by members	107	119
Benefits paid	(89)	(201)
Closing fair value of scheme assets	5,338	4,504

The Company contributions during the accounting period amounted to £518,000 (2010: £413,000) and the agreed company contribution rate for the coming year is 18% pa of pensionable salaries until 2017. Estimated employer contributions for the next accounting period are £572,000. This is subject to review at the formal actuarial valuation at 31 March 2012.

The cumulative amount of actuarial losses taken to the statement of total recognised gains and losses at 31 March 2011 was £1,466,000 (2010: £2,018,000).

The fair value of the scheme assets as a percentage of the total scheme assets and target allocations are set out below:

	2011	2010
Equities and property	60%	56%
Bonds	32%	36%
Other	8%	8%

PINNACLE HOUSING LIMITED

NOTES TO THE ACCOUNTS

19 EMPLOYEE BENEFIT OBLIGATIONS (continued)

(b) Disclosure of principal assumption

	2011	2010
Discount rate at 31 March	5.5%	5.5%
Expected return on scheme assets at 31 March	5.3%	5.8%
Future salary increases	3.6%	3.5%
Increases to pensions in payment accrued to date (RPI)	3.6%	3.5%
Increases to pensions in payment accrued to date (CPI)	2.8%	n/a
Rate of increase of deferred pensions/inflation	3.6%	3.5%

Mortality

The average life expectancy assumed now for an individual at the age of 63 and projected to apply in 2010 for an individual then at the age of 63 is as follows:

Retiring	2011	2010
Today: Non-manual worker		
Males	21.2	21.1
Females	25.9	25.9
Retiring in	2011	2010
20 years: Non-manual worker		
Males	23.7	23.6
Females	27.6	27.6
Retiring	2011	2010
Today: Manual worker		
Males	21.2	21.1
Females	25.9	25.9
Retiring in	2011	2010
20 years: Manual worker		
Males	23.7	23.6
Females	27.6	27.6

The expected return on assets is derived from the assumptions of the long term expected returns on each asset class, these are shown below:

	2011	2010
Equities	6.8%	7.0%
Corporate bonds	5.5%	5.5%
Bonds	4.9%	5.0%
Cash	0.5%	0.5%

PINNACLE HOUSING LIMITED

NOTES TO THE ACCOUNTS

19 EMPLOYEE BENEFIT OBLIGATIONS (continued)

(c) Historical pension scheme information

	2011	2010	2009	2008	2007
	£'000's	£'000's	£'000's	£'000's	£'000's
Defined benefit liability	(5,220)	(5,104)	(3,409)	(3,076)	(3,494)
Scheme assets	5,338	4,504	3,096	3,235	3,099
Surplus/(deficit)	118	(600)	(313)	159	(395)
Experience adjustment on scheme liabilities-					
Gain/(loss)	507	(1,286)	148	999	788
Experience adjustment on scheme assets- gain/(loss)	45	903	(966)	(495)	38

20 RELATED PARTIES

The Company has taken advantage of the exemptions available under Financial Reporting Standard 8, 'Related Party Disclosures', not to disclose any transactions or balances with entities that are 100% controlled by Pinnacle PSG Limited.

At the year end Pinnacle Housing Limited was due £5,751,000 (2010: £7,411,000) from Pinnacle Regeneration Group Limited in respect of working capital support provided by the Company. During the period the Company charged Pinnacle Regeneration Group Limited £22,000 (2010: £18,000) in respect of property maintenance services. During the period Pinnacle Regeneration Group Limited charged the Company £nil (2010: £891,000) in respect of group services.

At the year end Pinnacle Housing Limited was due £nil (2010: £nil) from Pinnacle People Limited, a PRG group subsidiary, in respect of payroll services provided to the Company during the year. Pinnacle Housing Limited was charged £7,000 (2010: £173,000) by Pinnacle People Limited in respect of the supply of temporary staff.

At the year end Pinnacle Housing Limited was due £nil (2010: £nil) from Pinnacle People Recruitment Limited, a PRG group subsidiary, in respect of temporary staff provided to the Company during the year. Pinnacle Housing Limited was charged £1,006,000 (2010: £379,000) by Pinnacle People Recruitment Limited in respect of the supply of temporary staff.

22 IMMEDIATE PARENT UNDERTAKING

The immediate parent undertaking is Pinnacle PSG Limited who own 100% of the ordinary share capital of the Company. The ultimate parent undertaking is Pinnacle Regeneration Group Limited.

Following a new equity injection into Pinnacle Regeneration Group Limited on 9th June 2011, Greenmark Enterprises Limited, New Hampshire Enterprises Limited and Agarwood Enterprises Limited, all incorporated in the British Virgin Islands, collectively have the right to appoint the majority of directors to the Board of Pinnacle Regeneration Group Limited. Pinnacle Regeneration Group Limited has no single controlling party.

These financial statements are consolidated into the financial statements of Pinnacle PSG Limited and Pinnacle Regeneration Group Limited. The financial statements of these companies are available from 1st Floor, 6 St Andrew Street, London, EC4A 3AE.