

NEW CHARTER BUILDING COMPANY LIMITED

(Company Number 3807120)

REPORT

&

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH 2003

NEW CHARTER BUILDING COMPANY LIMITED

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NEW CHARTER BUILDING COMPANY LIMITED

Board of Management

Chair	Stephen Hall	
Vice Chair	Bill Skilki	
Other Members	Julie Hardman Geoffrey Howarth Ian Munro Vincent Ricci	(from 24 th September 2002)

Chief Executive Ian Munro

Executive Officers

Group Director of Finance &
Deputy Chief Executive Martin Frost

Group Company Secretary &
Director of Legal Services Danny McLoughlin

Director of Building Andrew Stafford

Registered Office Frederick House
Dukinfield Road
HYDE SK14 4QD

Auditors KPMG LLP
St James Square
MANCHESTER M2 6DS

Internal Auditors Deloitte & Touche
PO Box 500
201 Deansgate
MANCHESTER M60 2AT

Principal Bankers Cooperative Bank plc
PO Box 101
Balloon Street
MANCHESTER M60 4EP

NEW CHARTER BUILDING COMPANY LIMITED

DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH 2003

PRINCIPAL ACTIVITIES

The principal activity of the Company is the provision of a building maintenance operation within the Tameside district. New Charter Building Company is a Company limited by guarantee.

FUTURE DEVELOPMENT

The Company was established for the purpose of receiving the Building Maintenance DSO of Tameside Metropolitan Borough Council, and for the provision of a building maintenance operation within the New Charter Housing Group.

EMPLOYMENT PRACTICES

The Group has an Equal Opportunities Policy, applicable to each company, which is fully compliant with all discrimination legislation and ensures that all applicants for jobs with any company receive a full and fair consideration based upon their aptitudes and abilities and regardless of any disability.

The company, is fully compliant with all discrimination legislation and, in particular, the Disabilities Discrimination Act, 1995. Wherever possible, if an employee should suffer a disability during their period of employment, the company will make reasonable adjustments to enable the employee to continue with their employment and any associated training etc.

Through its Equal Opportunities Policy, the company ensures that all persons with a disability have access to training, career development and promotion. Through related policies, the company is committed to ensuring that all employees shall be free from discrimination of any kind.

The company has regularly informed employees of issues relevant to their employment through meetings with Trade Union representatives and through direct means of communication. During the course of the year's trading, the company has continued to apply its policy on Trade Union recognition and met regularly with Trade Union workforce representatives. Furthermore, the company, through the Group, has established an Employees Forum which will consist of management and workforce representatives and is scheduled to meet on a regular basis to discuss relevant work issues.

Meetings are held regularly with senior managers to inform them of the financial and economic factors affecting the business through the medium of the Business Plan. The main Objectives of the Business Plan and internal and external factors affecting the same, regularly form the basis of discussion with workforce representatives and managers who then disseminate to all employees. This system of communication is to be strengthened with the advent of the Employee Forum.

REVIEW OF THE YEAR

The challenges facing the Group remain consistent - delivery of the pledges we made to tenants in 1999 within the resources that are available to us.

The promises made to Tameside MBC tenants remain fundamental to the Group and provide the foundation of our business. These were:

• Rents	- rent increases no more than RPI + 1%
• Repair	- ambitious programme of improvement over 10 years
	- significant improvements in maintenance services
• Representation	- more involvement by tenants in management of their homes
• Rights	- preservation of previous secure tenants rights

2002/03 has seen consistent improvement in performance across the Group in nearly all areas. This dedication to continuous improvement has been further exemplified by applying principles of systems thinking to all our services during the course of the year.

The end of the third year of trading by the Company, operating within and supporting the policies of the New Charter Group of Companies has produced an end result commensurate to the aims and objectives that it set out to deliver in April 2002.

The audited accounts detail the financial status of the Company as at the 31st March 2003 and reflect the continuing trend of performance since the Company's formation in March 2000.

Pre-tax profits have increased by some 264% from the previous year on a turnover level increase of less than 6%. This surplus exceeded the Business Plan expectations.

This financial performance is indicative of the focused and targeted management policies across all elements of the Repairs and Maintenance function. It should be noted that the elemental key performance indicators delivered a service level that reflected a top quartile input to the customers of New Charter.

Last year's report clearly set out the objectives for 2002/03 and the reviews of Procurement, Service Levels, Planned and Cyclical Maintenance that took place throughout the year have been resolutely pursued and with the empowerment principle also being adopted, confidence has been boosted both internally within the Management Team and externally by the measured increase in satisfaction levels of the Customers.

The strong backing of our Partners within the Group is evident with closer and stronger links being forged with the Trade Unions, Tenants Groups, Property Services and Client representatives at all levels.

During the year Service Streaming and the WIN Programme were launched and now form the hub of concentrated activity within the Group and New Charter Building Company. Support from all the parties within the Trust for these two innovations will move the whole organisation forward from the higher platform that has been constructed over the last three years.

Specific points of note that have influenced better results this year within the Company and which have contributed to the increased success rate and are considered necessary to highlight are as follows.

The numbers of employees stand at the lowest level within New Charter Building Company since transfer from Tameside MBC and as a consequence staff costs have been significantly reduced.

Absences through sickness and the marked reduction in accident levels have contributed to the much improved trading account situation and the controlled Management mechanisms relative to absences have equally had a positive impact on the rate of return on the capital invested in Human Resources.

Training of employees has been spread across a wider range of skills with a similar number of training days being authorised. Training and development of people is a key indicator of employee retention and a key factor in the Group's potential to remain competitive and ultimately profitable in the longer term. Whilst training days provide a short-term loss as regards output, the long-term benefits ensure the skill needs to compete are guaranteed.

An extension of the local youth policy receives support via the Trident Scheme, which under the "Skills for Life" programme has seen New Charter Building offer two-weekly work opportunities to over forty students from the Tameside Education Partnership.

Attention to the local economy plays its part in the strategic thinking of New Charter Building Company. Approximately 83% of the total workforce resides within the Tameside boundaries with 93% of the Apprentice intake following suit. This vested interest extends to external agencies and the materials supply chain whenever possible and on the proviso that these services match the principles of Best Value.

The Apprentice intake has been considered a huge success and is to be continued as part of the changing employee profile of the Company as is the Company's support for the local youth programme operated by Nexus, which has resulted in one young person being offered a full time fixed term contract of employment.

Tighter financial controls have been implemented as the balance sheet details. Stock levels have decreased indicating the smoother path of the supply chain.

The level of external business has significantly increased from that carried out in previous years. This is a managed strategic policy of business procurement targeted at low risk clients that will support the employee employment profile in future years. At current levels it does not restrict our ability to service

the main core business requirement of our Group Partners and affords a learning curve to our skill base across all operatives of what the future has in store.

The added value to this additional income stream is that it increases personal confidences of all staff and the Company's growing reputation amongst external clients has supported and contributed to the rate of return.

Repeat business and a growing demand for our services from other Housing Associations contributes to the feel-good factor that our reputation is expanding by recommendation rather than costly marketing techniques.

To be successful in the external market place, there has to be an awareness of the strengths of the competition and to this end the Management within the Building Company has been productive throughout the year attending seminars up and down the country on fact-finding missions designed to benchmark our strengths and improve upon our weaknesses.

The Company is aware that it cannot remain static and controlled growth based upon the fact-finding missions have led to new clients making initial contacts, which now require further development. Growth in this area of new business offsets the loss of income brought about by the 'Right-to-Buy' activity that has reduced the stock level over the years.

Whilst carrying out these management changes and policy requisites the average cost of repairs has again reduced, a reflection of the increased output from a reduced labour force that has formed the backbone to the strategic policy setting of New Charter Building Company Management policies.

The proportion of the turnover level in the investment programme is up some 17% on the previous year and this delivered increase served the need to enhance the Asset Cover Ratio. The channeling of more of the available investment funds into the Improvement Programme and the success and confidence that this investment was delivered, offers an opportunity for obtaining future additional borrowings should the necessity arise.

Throughout the year the business has progressed remarkably well with most, if not all, targets being met. Customer surveys reflect the continual improvement across a wide range of parameters within the Group and specific repair and maintenance surveys reflect the same patterns of New Charter Building Company.

The Company is well placed to further enhance performance levels through 2003/04 with the Order Book being at its highest ever level.

The Customers also reflect the growing confidence in New Charter Building Company's ability to deliver being the preferred choice of Contractor. Coupling this confidence with the WIN Programme anticipated outcomes; future prospects this coming year are high.

Financial Position

During the year a post tax profit of £425,404 accrued. The profit level is after returning £287,000 surplus to the Borrowing Group (New Charter Housing North and New Charter Housing South) as per the adopted Group Financial Strategy and a gift aid charitable donation of £100,000 to Groundwork Trust. Income generated external from the Group has continued to grow, whilst operating expenses have been tightly managed and controlled, leading to a significant increase in trading profit for the period, when compared against previous accounting periods.

It has been determined that a minimum annual sum of £100,000 of the surplus be retained for reinvestment within the Company. The additional surplus generated is being retained within the Company in order to fund future Group initiatives, such as Disaster Recovery, additional information infrastructure costs and any further Corporation Tax Liability.

The improving financial position of the Company must be built upon to ensure steady growth, this base will provide the framework for developing the strategic direction and give assurance that the profitability can be maintained and delivered in line with the Group Business Plan.

DIRECTORS

The Directors of the Company who served during the period were:

	<u>Appointed</u>	<u>Resigned</u>
Stephen Hall – Chair	4 th October 1999	
Bill Skilki – Vice Chair	4 th October 1999	
Julie Hardman	19 th June 2001	
Geoffrey Howarth	24 th September 2002	
Michael Humphreys	4 th October 1999	7 th October 2002
Ian Munro	18 th July 2001	
Vincent Ricci	5 th March 2002	

AUDITORS

At the Board meeting of New Charter Housing Trust Ltd on 25th April 2000 the Directors appointed KPMG to act as Auditors for the Group and for each of the Companies therein. KPMG were reappointed at the Annual General Meeting of the Company held on 22nd November 2001. Following the conversion of KPMG into a limited liability partnership the Board of the Company, on 10th July 2002, accepted the resignation of KPMG and appointed KPMG LLP as Auditors. KPMG LLP were re-appointed as Auditors at the Annual General Meeting of the Company on 29th October 2002

The Auditors, KPMG LLP, are willing to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

STATEMENT OF DIRECTORS RESPONSIBILITIES

Company Law requires the Directors to prepare statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period. In preparing those financial statements the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimated 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention of fraud and other irregularities.

Internal Financial Controls

The Board acknowledge their ultimate responsibility for ensuring that the Company has in place a system of controls that is appropriate to the various business environments within which it operates. These controls are designed to give reasonable assurance with respect to:

- The reliability of financial information used within the Company or for publication;
- The maintenance of proper accounting records
- The safeguarding of assets against unauthorized use or disposition.

It is the Board's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable assurance but not absolute assurance against material financial misstatement or loss.

In undertaking this responsibility the Board should ensure that:

- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorized use of the Company's assets;
- Experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- Forecasts and budgets are prepared which allow the Board and management to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated, as appropriate;
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant Committees comprising Board members;
- The Audit Committee reviews reports from management, from the internal auditors and from the external auditors, to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Company. The Audit Committee makes regular reports to the Board;
- Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

On behalf of the Board, the Audit Committee has reviewed the effectiveness of the system of internal control in existence in the Company for the year ended 31st March 2003, and has approved the following statement of the Group Chief Executive.

Internal Control

No system of internal control can possibly seek to eliminate all risks. The system adopted at New Charter is designed to manage risk insofar as possible given the present understanding of the internal and external risks faced by the Group.

The system is based around a thorough understanding of New Charter's business and operational environment and management of the risk which arises.

I can report that there have been no significant changes in levels of risk during the course of the year nor have there been any significant failings during the period. There has been no evidence of fraudulent activity.

Control Measures

I have reviewed the systems of internal control and I am satisfied that these have remained in place throughout the financial year 2002/03. The system can be characterised as follows: -

- *The Group has a well-designed and robust business planning process, which sets out clearly business aims and objectives and has outcomes against which progress can be demonstrated.*
- *Boards and Committees have a clear understanding of risk and risk management and have demonstrated a desire to ensure risk management features in all deliberations.*
- *The Audit Committee has continued to meet on a regular basis to consider reports from Officers and Auditors.*
- *Internal and External Auditors have unfettered access to Audit Committee members.*
- *Audit Committee have agreed and monitored an annual audit programme, which has been determined against an analysis of known and anticipated risk.*
- *Audit Committee and Trust Board have approved the continuation of the arrangement whereby internal audit is contracted out.*
- *Risk management mapping has been carried out during the course of the year involving senior and middle management and non-executive directors.*
- *The fraud-register and whistle blowing policy have both remained in operation throughout the year.*
- *Management reports on operational and financial matters have continued to be provided to all relevant Boards and Committees.*
- *There has been timely and regular reporting of key business information and performance indicators at Management and Board meetings.*
- *Management letter from External Auditor in respect of 2001/02 accounts fully endorsed and being actioned.*
- *External regulator has indicated continuing compliance with all regulatory requirements.*
- *Continuing development of continual improvement culture across the Group.*

Very few significant control weaknesses were identified during the course of the year. Any that have been found were either promptly attended to or clear plans developed to minimise risk.

My conclusion is that systems of internal control provide assurance that risk is understood and managed.

There are no areas of exceptional or undue concern within the business.

IH Munro.....

8th June 2003

Group Chief Executive

The report of the Board of Management was approved and signed on its behalf by Ian Munro (Director), and Julie Hardman, (Director) on 4th September 2003

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Mr D O McLoughlin
Group Company Secretary
New Charter Housing Trust Limited
Frederick House
Dukinfield Road
HYDE SK14 4PL



St James' Square
Manchester
M2 6DS

Report of the independent auditors, KPMG LLP, to the members of New Charter Building Company Limited

We have audited the financial statements on pages 13 to 24.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 the Directors and auditors

The company's Directors are responsible for preparing the Annual report and, as described on page 7, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors are established in the United Kingdom by statute, the Auditing Practices Board, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the directors' remuneration and transactions with the Company is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2003 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

*Chartered Accountants
Registered Auditors*

NEW CHARTER BUILDING COMPANY LTD
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDING 31 MARCH 2003

	2003	2002
	£	£
Turnover	22,160,180	20,938,572
Cost of sales	(16,927,673)	(15,736,354)
Gross Profit	<u>5,232,507</u>	<u>5,202,218</u>
Net operating expenses	(4,557,859)	(4,968,222)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION	<u>3</u> 674,648	<u>233,996</u>
Interest payable and similar charges	<u>2</u> (62,755)	<u>(66,036)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	611,893	167,960
TAXATION		
Taxation on ordinary activities	<u>5</u> (184,660)	<u>(64,417)</u>
PROFIT FOR THE YEAR	<u>427,233</u>	<u>103,543</u>
ACCUMULATED PROFIT BROUGHT FORWARD	120,661	17,118
ACCUMULATED PROFIT CARRIED FORWARD	<u><u>547,894</u></u>	<u><u>120,661</u></u>

All of the above results derive from continuing operations.

There were no recognised gains or losses other than those shown in the Profit and Loss account for the year.

The notes on pages 15 to 24 form an integral part of the financial statements.

NEW CHARTER BUILDING COMPANY LIMITED

BALANCE SHEET

AS AT 31 MARCH 2003

		2003		2002
		£	£	£
FIXED ASSETS				
Tangible fixed assets	6	145,920		87,490
CURRENT ASSETS				
Stock	7	480,265		532,702
Debtors	8	<u>3,450,726</u>		<u>2,828,173</u>
		3,930,991		3,360,875
CREDITORS				
Amounts falling due within one year	9	<u>(3,117,846)</u>		<u>(2,916,533)</u>
NET CURRENT LIABILITIES		813,145		444,342
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>959,065</u>		<u>531,832</u>
CREDITORS				
Amounts falling due after more than one year	10	(411,171)		(411,171)
NET ASSETS		<u><u>547,894</u></u>		<u><u>120,661</u></u>
CAPITAL AND RESERVES				
Profit and Loss Account	11	547,894		120,661
		<u><u>547,894</u></u>		<u><u>120,661</u></u>

The financial statements on pages 13 to 24 were approved on behalf of the Board on the 4th September 2003 and were signed by :

I Munro	(Director)
J Hardman	(Director)
D O McLoughlin	(Group Company Secretary)

The notes on pages 15 to 24 form an integral part of the financial statements.

NEW CHARTER HOUSING BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies which have been applied consistently is set out below.

Basis of Accounting

The financial statements have been prepared under the historical cost convention as amended for the valuation of housing properties, and comply with the Companies Act 1985.

Recent Accounting Standards

The transitional requirements of Financial Reporting Standard 17 (FRS17) Accounting for Retirement Benefits have been adopted. Further details are set out in note 14.

Financial Reporting Standard 18 (FRS18) Accounting Policies has been adopted.

After careful review the directors are satisfied that the current Accounting Policies are the most appropriate and therefore no changes in Accounting Policies are required.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year. Turnover includes attributable profits and is stated after providing for any foreseeable losses on contracts.

Other Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected useful economic lives of the assets at the following rates:

Plant & machinery	5 years	(20% per annum)
Office furniture & equipment	5 years	(20% per annum)
Computer equipment - infrastructure	5 years	(20% per annum)
Computer equipment - new acquisitions	5 years	(20% per annum)
Computer equipment - other	2 years	(50% per annum)

Pension Costs

The company operates a defined benefit pension scheme based on final pensionable salary. Details of the scheme are set out in note 14. Contributions from the Group and participating employees are paid into an independently administered fund. These payments are made in accordance with triennial calculations by professionally qualified independent actuaries. In the intervening years, the actuary reviews the continuing appropriateness of the rates of contributions.

Provisions

Provisions are made to the extent that the Company has no discretion to avoid the expenditure provided for.

VAT

New Charter Housing Trust Group is registered as a Group for VAT purposes. The Trust's Group status allows the Building Company to process inter-company transactions exclusive of VAT. The Building Company reclaims in full the VAT incurred on works relating to external contracts.

NEW CHARTER HOUSING BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

Operating leases

Costs in respect of operating leases are charged to the Profit and Loss account on a straight line basis over the lease term.

Stock

Stock is valued at the lower of cost and net realisable value. For work in progress and finished goods manufactured by the company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Related Party Transactions

As the company is a wholly owned subsidiary of New Charter Housing Trust Ltd, which is incorporated and registered in England and Wales, the company has taken advantage of the exemption in Financial Reporting Standard 8 and has not disclosed related party transactions with parent and fellow subsidiary undertakings. The consolidated financial statements of New Charter Housing Trust Ltd, within which the company is included, can be obtained from the address given in note 16.

Long Term Contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses which are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on the contracts are included in debtors and represent turnover recognised in excess of payments on account.

Cash Flow Statement

Under FRS1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the cash flow of the company in its own published consolidated accounts.

Deferred Taxation

Provision is made for deferred taxation, using the liability method on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

NEW CHARTER BUILDING COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

	2003 £	2002 £
2 INTEREST PAYABLE AND SIMILAR CHARGES		
On intercompany loans	27,126	27,126
Working capital	35,629	38,910
	<u>62,755</u>	<u>66,036</u>

	2003 £	2002 £
3 PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		
Is stated after charging:		
Depreciation	47,180	33,400
Auditors remuneration (inc VAT)		
- in their capacity as auditors	12,885	14,946
Write down in value of fixed assets	-	9,143
Operating lease charges	490,508	514,627
	<u>490,508</u>	<u>514,627</u>

4 DIRECTORS EMOLUMENTS

The Company is controlled by voluntary Boards of Management who receive no remuneration.

The remuneration paid to the Group Executive Management Team, (GEMT), and members of the Boards of Management was:

	2003	2002
Aggregate emoluments payable to GEMT (including pension contributions & benefits in kind)	<u>£98,410</u>	<u>£80,900</u>
Emoluments payable to the highest paid member of GEMT (excluding pension contributions but inc benefits in kind)	<u>£90,971</u>	<u>£74,472</u>

Ex-Gratia payment	<u>£nil</u>	<u>£32,388</u>
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The number of directors, including the highest paid director, who received emoluments (exc pension contributions) in the following ranges were as follows:

	Number	Number
£10,001 - £20,000	-	1
£50,001 - £60,000	-	1
£90,001 - £100,000	1	-
	<u>1</u>	<u>2</u>

Aggregate amount of highest paid director's pension	<u>£7,439</u>	<u>£6,428</u>
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The Company's Operations Director is a normal member of the Greater Manchester

NEW CHARTER BUILDING COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

Pension Fund scheme and does not receive enhanced rates

Expenses payable to members of the Board who were neither officers nor employees of the Company

<u>£1,929</u>	<u>£nil</u>
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4 EMPLOYEE INFORMATION

	2003	2002
The average number of persons employed during the year expressed in full time equivalent employees, was		
Management	34	38
Administrative	31	33
Direct labour	<u>277</u>	<u>299</u>
	<u>342</u>	<u>370</u>
Full time	340	368
Part time	<u>2</u>	<u>2</u>
	<u>342</u>	<u>370</u>

	2003	2002
	£	£
Staff costs for the above persons were:		
Wages and salaries	7,395,224	8,160,071
Social security costs	486,678	528,986
Other pension costs	<u>663,356</u>	<u>958,720</u>
	<u>8,545,258</u>	<u>9,647,777</u>

NEW CHARTER BUILDING COMPANY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003

	2003	2002
	£	£
5 TAXATION ON PROFIT ON ORDINARY ACTIVITIES		
a Analysis of tax charge in the year		
UK corporation tax		
Current tax on income for the year/period	184,660	66,944
Adjustments in respect of prior periods	-	(2,079)
	184,660	64,865
Deferred tax		
Origination /reversal of timing difference	-	(4,839)
Adjustments in respect of prior periods	-	4,391
	-	(448)
Total current tax	184,660	64,417

b Factors affecting tax charge for the year

The tax assessed is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below :

	£	£
Surplus on ordinary activities before tax	611,893	167,960
Current tax at 30%	183,568	50,388
Effects of:		
Expenses not deductible for tax purposes	951	15,000
Capital allowances for period in excess of depreciation	141	1,556
Adjustment to tax charge in respect of prior periods	-	(2,079)
Current tax charge	184,660	64,865

NEW CHARTER BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

6 FIXED ASSETS - OTHER TANGIBLE ASSETS

	Plant & Machinery £	IT equipment £	Furniture & equipment £	Total £
COST				
At 1st April 2002	113,290	18,000	11,000	142,290
Additions in year	105,610	-	-	105,610
Disposals	-	-	-	-
At 31st March 2003	218,900	18,000	11,000	247,900
DEPRECIATION				
At 1st April 2002	36,000	14,400	4,400	54,800
Charge for year	43,780	1,200	2,200	47,180
Disposals	-	-	-	-
At 31st March 2003	79,780	15,600	6,600	101,980
NET BOOK VALUE				
At 31st March 2003	139,120	2,400	4,400	145,920
NET BOOK VALUE				
At 31st March 2002	77,290	3,600	6,600	87,490

NEW CHARTER BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

7 STOCK	2003	2002
	£	£
Raw materials and consumables	480,265	459,102
Work in progress	-	73,600
	<u>480,265</u>	<u>532,702</u>

8 DEBTORS	2003	2002
	£	£
Trade Debtors	290,882	281,216
Less Provision for bad and doubtful debts	<u>(10,856)</u>	<u>(45,856)</u>
	280,026	235,360
Amount due from parent and from fellow subsidiaries - Trade	3,041,165	2,414,368
Prepayments and accrued income	59,174	52,630
Other debtors	70,361	125,815
	<u>3,450,726</u>	<u>2,828,173</u>

9 CREDITORS - Amounts falling due within one year	2003	2002
	£	£
Amount due to parent undertakings	649,001	58,422
Amount due to fellow subsidiary undertakings	330,092	82,381
Trade creditors	1,674,617	2,166,568
Payments in advance	-	23,990
Payroll Creditor	-	330,583
Other taxation and social security	184,996	60,106
Accruals and deferred income	279,140	194,483
	<u>3,117,846</u>	<u>2,916,533</u>

The average number of days between date of invoice and payment was 37 (2002 : 37)

10 CREDITORS - Amounts falling due after more than one year	2003	2002
	£	£
Amounts owed to fellow subsidiary undertakings	411,171	411,171
	<u>411,171</u>	<u>411,171</u>

This loan from the fellow subsidiary undertakings is at a fixed rate of interest at 6.6%. The loan is an inter-company loan from North and South and is repayable in line with the Group's external loan facility.

11 RESERVES	Revenue	Total
	£	£
As at 1st April 2002	120,661	120,661
Profit for the year	427,233	427,233
At 31st March 2003	<u>547,894</u>	<u>547,894</u>

NEW CHARTER BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

12 CAPITAL COMMITMENTS	2003	2002
Capital expenditure that has been authorised by the Board of Management but has not yet been contracted for	<u>£nil</u>	<u>£100,000</u>

13 OPERATING LEASE COMMITMENTS	2003	2002
	£	£
At 31st March 2003 annual commitments under non-cancellable operating leases were as follows:		
Within one year or on demand	<u>421,151</u>	<u>527,000</u>

14 PENSIONS

The Trust participates as a contributing member of the Greater Manchester Pension Fund, (administered by Tameside MBC in accordance with the Local Government Pension Fund Regulations). The scheme is a defined benefit scheme providing benefits on final pensionable pay.

The pension cost is assessed in accordance with the advice of an independent professionally qualified actuary using the projected unit method of valuation. Assets and liabilities have been identified on a group basis but the split between each individual Company is not available.

The results and assumptions for the Group as at 31st March 2003 are as follows :

Valuation date	31st March 2003
Valuation Method	Projected unit
Value of assets	£28.830 million
Investment Return per annum	6.91%
Salary scale increases per annum	4.00%
Pension increases per annum	2.50%

The Pension contributions made by the Trust in the year to 31st March 2003 totalled £1.360m covering 732 employees (2002 - £1.219 million covering 715 employees). The employers contribution rate was 10.2% of pensionable salary. From 1st April 2003 the level of employer's contribution will increase to 11.0% of pensionable salary.

Under the transitional requirements of FRS 17, the Trust is required to disclose further information on the assets and liabilities of the scheme on a market value basis as at the 31st March 2003. This information is set out below :

Actuarial assumptions :	2003	2002
Discount Rate	5.40%	5.90%
Salary increase rate	4.00%	4.30%
Pension increase rate	2.50%	2.80%
Rate of inflation	2.50%	2.80%

Scheme assets and expected returns for Greater Manchester Pension Fund :

	2003	2003	2002	2002
	Value £'000	Expected rate of return	Value £'000	Expected rate of return
Equities	3,109,700	8.00%	3,793,633	8.00%
Bonds	883,500	4.80%	1,555,446	4.80%
Property	575,600	6.00%	499,976	6.00%
Cash	348,100	4.00%	494,878	4.00%
Total	<u>4,916,900</u>	<u>6.91%</u>	<u>6,343,933</u>	<u>6.62%</u>

NEW CHARTER BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

Value of pension assets and liabilities relating to New Charter Housing Trust Group :

	2003	2002
	£'000	£'000
Value of pension liabilities	40,430	34,560
Value of pension assets	28,830	33,010
Related deferred tax liability	-	-
Deficit in scheme	<u>11,600</u>	<u>1,550</u>

Under the transitional arrangements of FRS 17, no provision has been made by the Group for the Group's share of the deficit of the scheme. If provision were made, the following entries would be made:

Balance Sheet presentation	2003	2002
	£	£
Net assets excluding FRS 17 pension liability*	39,282,780	15,568,009
Net pension liability	(11,600,000)	(1,550,000)
Net assets including FRS 17 pension liability	<u>27,682,780</u>	<u>14,018,009</u>

Reserves note

Income and expenditure account excluding FRS 17 pension liability*	0	0
Pension reserve	(11,600,000)	(1,550,000)
Income and expenditure account including FRS 17 pension liability	<u>(11,600,000)</u>	<u>(1,550,000)</u>

* Amounts exclude SSAP 24 provisions for Greater Manchester Pension Fund underfunding included within the Group Balance Sheet.

Under the transitional arrangements of FRS 17, the Group's pension charge for the year calculated under FRS 17 assumptions is not included in the financial statements (as this is currently calculated on a SSAP 24 basis). If the charge had been included on an FRS 17 basis, the following entries would be made.

Analysis of the amount charged to the income and expenditure account	2003
	£'000
Service cost	2,080
Past service cost	270
Total operating charge	<u>2,350</u>

Analysis of net return on pension scheme	2003
	£'000
Expected return on pension scheme assets	2,180
Interest on pension scheme liabilities	(2,040)
Net return	<u>140</u>

Amounts recognised in the statement of total recognised gains and losses (STRGL)	2003
	£'000
Actual return less expected return on pension scheme assets	(7,950)
Experience gains and losses arising on the scheme liabilities	310
Change in financial and demographic assumptions underlying the scheme liabilities	(1,560)
Actuarial loss recognised in STRGL	<u>(9,200)</u>

Movement in surplus during the year	2003
	£'000
Deficit in scheme at start of year	(1,550)
Movement in year:	
Current service charge	(2,080)
Contributions	1,360
Past service costs	(270)
Net interest/return on assets	140
Actuarial loss	(9,200)

NEW CHARTER BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

Deficit in scheme at end of year (11,600)

History of experience gains or losses

2003

£'000

Difference between the expected and actual return on assets:

Amount (7,950)

% of scheme assets -27.6%

Experience gains and losses on the scheme liabilities:

Amount 310

% of scheme assets -0.8%

Total amounts recognised in STRGL:

Amount (9,200)

% of scheme assets -22.8%

15 ULTIMATE PARENT UNDERTAKING

The company is a subsidiary undertaking of New Charter Housing Trust Ltd, which was incorporated in the United Kingdom. The Company's principal address is:

Frederick House
Dukinfield Road
Hyde
Cheshire
SK14 4PL

15 CHARITABLE DONATION

A charitable Donation, to Groundwork Trust, a registered charity, under "Gift Aid" has been made for the sum of £100,000.