



Part of the New Charter Housing Trust Group

NEW CHARTER BUILDING COMPANY LIMITED

(Company Number 3807120)

REPORT

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FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH 2004

NEW CHARTER BUILDING COMPANY LIMITED

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NEW CHARTER BUILDING COMPANY LIMITED

MEMBERS, SENIOR STAFF, ADVISORS AND BANKERS

Board of Management

| | |
|---------------|---|
| Chair | Stephen Hall |
| Vice-Chair | Vincent Ricci |
| Other Members | Julie Hardman Geoffrey Howarth Ian Munro Bill Skilki |

Group Chief Executive Ian Munro

Executive Officers

| | |
|---|------------------|
| Group Director of Finance & Deputy Chief Executive | Martin Frost |
| Group Company Secretary & Director of Legal Services | Danny McLoughlin |
| Group Director of Building | Andrew Stafford |

Registered Office Cavendish 249
Cavendish Street
Ashton-under-Lyne
OL6 7AT

Auditors KPMG LLP
St James Square
Manchester
M2 6DS

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

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

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2004

The Directors present the Financial Statements of the Company for the period ended 31st March 2004.

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 Group 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 Group will make reasonable adjustments to enable the employee to continue with their employment and any associated training etc.

Through its Equal Opportunities Policy, the Group 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 Group 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 Group has continued to apply its policy on Trade Union recognition and met regularly with Trade Union workforce representatives. Furthermore 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 Building Company celebrates four consecutive years of improved performance since its formation in March 2000 in all areas of Operational, Financial, and Corporate activity. It is rightly proud of its contributions to the New Charter Group's policies and objectives.

All major goals set out in the Business Plan 2003/04 have been achieved and some have exceeded the challenges laid out over twelve months ago. The Company's Health and Safety record improved even further; benchmarking against other contractors placed us head and shoulders above similar organisations.

It has been encouraging to see the transformation in performance levels across the Company being consistently increased year on year. The energy of the organisation is a key factor in securing long-term employment in what will become an ever increasing competitive market place.

The evidence from customer surveys is particularly pleasing to note. The core work of the Company is to provide a repairs and maintenance service for New Charter tenants. Satisfaction on repairs measured in January 2004 showed this at 71%, a substantial increase from previous years. Ratings from external customers - most notably Northern Counties Housing Association - were similarly excellent.

The accounts detail the financial status of the Company as at 31st March 2004 and reflect the continuing trend of improved performance against the previous trading year 2002/03, some of which are:

- Turnover of the Company has increased by 18.98%.
- Management costs have been reduced by 11.49% when measured against increase in turnover.
- External income has been sustained and our strategic growth strengthened with the introduction of an increased client base.
- Price reductions have been achieved on the Void/Responsive Contract.
- A charitable contribution of £3,000 has been donated to a Local Community Project.

The Board of Directors congratulate all employees of the Building Company, their Trade Union Representatives and the Team Managers who have implemented much needed reforms. They have embraced these and followed longer term strategies to form a new image of the Company beyond the immediate tasks of delivering the pledges made to our customers at the point of transfer.

The acceptance of change in the work ethos of increased productivity running alongside cost reductions is not under estimated. The transformation in culture from that of a Local Authority DLO to a commercially viable concern has been founded on a solid foundation of human capital management that has at its core reciprocal respect, listening, learning, improvement and acknowledgement of all contributions from all parts of the business.

We anticipate continued implementation of this winning formula in anticipation of similar results being reported in twelve months time.

FINANCIAL POSITION

During the year a post tax profit of £581,173 accrued. The profit level is after returning £277,670 surplus to the Borrowing Group (the three RSL's in New Charter) in line with the Group Financial Strategy, and a gift aid donation of £3,000 to a local community project in Stalybridge.

Income generated external to the Group has been sustained, while income generated from internal customers has increased significantly.

Direct costs and 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.

A minimum annual sum of £100,000 from surplus is retained for reinvestment within the Company. This will fund future initiatives, such as the new Bonus System.

The improving financial position of the company must be noted. 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 | |
| Vincent Ricci – Vice-Chair | 5 th March 2002 | |
| Julie Hardman | 19 th June 2001 | |
| Geoffrey Howarth | 24 th September 2002 | |
| Ian Munro | 18 th July 2001 | |
| Bill Skilki | 4 th October 1999 | |

While all Directors remained in place during 2003/04, Bill Skilki stood down from Vice-Chair in October 2003, and was replaced by Vincent Ricci.

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 was 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 was re-appointed as Auditors at the Annual General Meeting of the Company on 30th September 2003.

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 judgements 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 acknowledges its 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 mis-statement 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 2004, 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 substantial fraudulent activity.

Board Members have been actively engaged in understanding and prioritising risk.

Control Measures

I have reviewed the systems of internal control and I am satisfied that these have remained in place throughout the financial year 2003/04. The system can be summarised as follows:

- *The Group has a well-designed and robust business planning process, which clearly sets out business aims and objectives and has outcomes against which progress can be demonstrated. Non-Executives have been closely involved in formulation and approval of the Business Plan.*
- *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. Non Executives have participated in risk management workshops and prioritisation.*
- *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 members hold an annual meeting with Internal and External Auditors in the absence of officers.*
- *Audit Committee has agreed and monitored an annual audit programme, which has been determined against an analysis of known and anticipated risk.*
- *Internal Audit remains a contracted out service. 2003/04 was the first year of a two year extension to the original contracts for both Internal and External Audit Services. The contractors are aware that there will be a full re-tendering process during 2004/05.*
- *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. The fraud register is considered at every Audit Committee.*
- *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 2002/03 accounts fully endorsed and actioned.*
- *The Housing Corporation Assessment for the Group places all factors at “green” and the Housing Corporation’s Annual Viability Statement makes clear the Group’s continuing financial health.*

- *Continuing development of continual improvement culture across the Group, validated by recent Audit Commission Inspection.*
- *Insurance risk remains well managed.*

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.

*I H Munro
Group Chief Executive
11th May 2004*

** * * * **

The report of the Board of Management was approved and signed on its behalf by the Chair, Stephen Hall, and Ian Munro (Director) on 1st September 2004

Mr D O McLoughlin
Group Company Secretary
New Charter Housing Trust Limited
Cavendish 249
Cavendish Street
Ashton-under-Lyne
OL6 7AT



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 11 to 22.

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 6, 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 2004 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 2004

| | 2004 | 2003 |
|---|----------------|--------------|
| | £'000 | £'000 |
| Turnover | 26,374 | 22,160 |
| Cost of sales | (20,199) | (16,927) |
| Gross Profit | 6,175 | 5,233 |
| Net operating expenses | (5,166) | (4,558) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION | 3 1,009 | 675 |
| Interest payable and similar charges | 2 (61) | (63) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 948 | 612 |
| TAXATION | | |
| Taxation on ordinary activities | 5 (367) | (185) |
| PROFIT FOR THE YEAR | 581 | 427 |
| ACCUMULATED PROFIT BROUGHT FORWARD | 548 | 121 |
| ACCUMULATED PROFIT CARRIED FORWARD | 1,129 | 548 |

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 13 to 22 form an integral part of the financial statements.

NEW CHARTER BUILDING COMPANY LIMITED

BALANCE SHEET

AS AT 31 MARCH 2004

| | | 2004 | | 2003 |
|--|-----------|---------------------|--|-------------------|
| | | £'000 | | £'000 |
| FIXED ASSETS | | | | |
| Tangible fixed assets | 6 | 117 | | 145 |
| CURRENT ASSETS | | | | |
| Stock | 7 | 393 | | 480 |
| Debtors | 8 | <u>5,777</u> | | <u>3,452</u> |
| | | 6,170 | | 3,932 |
| CREDITORS | | | | |
| Amounts falling due within one year | 9 | <u>(4,747)</u> | | <u>(3,118)</u> |
| NET CURRENT LIABILITIES | | 1,423 | | 814 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>1,540</u> | | <u>959</u> |
| CREDITORS | | | | |
| Amounts falling due after more than one year | 10 | (411) | | (411) |
| NET ASSETS | | <u><u>1,129</u></u> | | <u><u>548</u></u> |
| CAPITAL AND RESERVES | | | | |
| Profit and Loss Account | 11 | 1,129 | | 548 |
| | | <u><u>1,129</u></u> | | <u><u>548</u></u> |

The financial statements on pages 11 to 22 were approved on behalf of the Board on the 30th September 2004 and were signed by :

| | |
|----------------|---------------------------|
| S Hall | (Chair) |
| I Munro | (Director) |
| D O McLoughlin | (Group Company Secretary) |

The notes on pages 13 to 22 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 2004

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 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 2004

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 15.

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 2004

| | 2004 | 2003 |
|---|--------------|--------------|
| | £'000 | £'000 |
| 2 INTEREST PAYABLE AND SIMILAR CHARGES | | |
| On intercompany loans | 27 | 27 |
| Working capital | 34 | 36 |
| | 61 | 63 |

| | 2004 | 2003 |
|---|--------------|--------------|
| | £'000 | £'000 |
| 3 PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION | | |
| Is stated after charging: | | |
| Depreciation | 51 | 47 |
| Auditors remuneration (inc VAT) | | |
| - in their capacity as auditors | 16 | 13 |
| Operating lease charges (Fleet Vehicles) | 4 | 491 |
| | 4 | 491 |

The operating leases in place in 2003 related to the vehicle fleet, which were held on an annual non-cancellable lease. This year, although the fleet number has remained the same, the contract has been altered to a daily hire charge, and is now immediately cancellable. This means that there is now no need to disclose the future annual commitment.

4 DIRECTORS EMOLUMENTS

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

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

| | 2004 | 2003 |
|--|-------------|-------------|
| Aggregate emoluments payable to GMT (including pension contributions & benefits in kind) | £99,301 | £98,410 |
| Emoluments payable to the highest paid member of GMT (excluding pension contributions but inc benefits in kind) | £91,602 | £90,971 |

NEW CHARTER BUILDING COMPANY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

DIRECTORS EMOLUMENTS (continued) **2004** **2003**

The number of directors, including the highest paid director, who received emoluments (exc pension contributions) in the following ranges were as follows:

| | Number | Number |
|--------------------|----------|----------|
| £90,001 - £100,000 | <u>1</u> | <u>1</u> |
| | <u>1</u> | <u>1</u> |

| | | |
|---|---------------|---------------|
| Aggregate amount of highest paid director's pension | <u>£7,699</u> | <u>£7,439</u> |
|---|---------------|---------------|

The Company's Operations Director is a normal member of the Greater Manchester 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>£0</u> | <u>£1,929</u> |
|--|-----------|---------------|

4 EMPLOYEE INFORMATION

2004 **2003**

The average number of persons employed during the year expressed in full time equivalent employees, was

| | | |
|----------------|------------|------------|
| Management | 30 | 34 |
| Administrative | 30 | 31 |
| Direct labour | <u>275</u> | <u>277</u> |
| | <u>335</u> | <u>342</u> |

| | | |
|-----------|------------|------------|
| Full time | 333 | 340 |
| Part time | <u>2</u> | <u>2</u> |
| | <u>335</u> | <u>342</u> |

Staff costs for the above persons were: **2004** **2003**
£'000 **£'000**

| | | |
|-----------------------|--------------|--------------|
| Wages and salaries | 7,493 | 7,395 |
| Social security costs | 561 | 487 |
| Other pension costs | <u>728</u> | <u>663</u> |
| | <u>8,782</u> | <u>8,545</u> |

NEW CHARTER BUILDING COMPANY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

| | 2004 | 2003 |
|--|--------------|--------------|
| | £'000 | £'000 |
| 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 | 367 | 185 |
| Adjustments in respect of prior periods | - | - |
| | 367 | 185 |
| Deferred tax | | |
| Origination /reversal of timing difference | - | - |
| Adjustments in respect of prior periods | - | - |
| | - | - |
| Total current tax | 367 | 185 |

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 :

| | £'000 | £'000 |
|---|--------------|--------------|
| Surplus on ordinary activities before tax | 1,225 | 612 |
| Current tax at 30% | 367 | 184 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 1 | 1 |
| Capital allowances for period in excess of depreciation | - | - |
| Adjustment to tax charge in respect of prior periods | (6) | - |
| Deferred tax not provided | 5 | - |
| Current tax charge | 367 | 185 |

A deferred tax asset of £21,081 has not been recognised in respect of tax losses which are available to offset taxable surpluses in future periods.

NEW CHARTER BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

6 FIXED ASSETS - OTHER TANGIBLE ASSETS

| | Plant & Machinery £'000 | IT equipment £'000 | Furniture & equipment £'000 | Total £'000 |
|-----------------------|-------------------------------|-----------------------|-----------------------------------|----------------|
| COST | | | | |
| At 1st April 2003 | 219 | 18 | 11 | 248 |
| Additions in year | 23 | - | - | 23 |
| Disposals | - | - | - | - |
| At 31st March 2004 | <u>242</u> | <u>18</u> | <u>11</u> | <u>271</u> |
| DEPRECIATION | | | | |
| At 1st April 2003 | 80 | 16 | 7 | 103 |
| Charge for year | 48 | 2 | 1 | 51 |
| Disposals | - | - | - | - |
| At 31st March 2004 | <u>128</u> | <u>18</u> | <u>8</u> | <u>154</u> |
| NET BOOK VALUE | | | | |
| At 31st March 2004 | <u>114</u> | <u>-</u> | <u>3</u> | <u>117</u> |
| NET BOOK VALUE | | | | |
| At 31st March 2003 | <u>139</u> | <u>2</u> | <u>4</u> | <u>145</u> |

NEW CHARTER BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

| 7 STOCK | 2004 £'000 | 2003 £'000 |
|-------------------------------|-----------------------|-----------------------|
| Raw materials and consumables | 393 | 480 |
| | <u>393</u> | <u>480</u> |

| 8 DEBTORS | 2004 £'000 | 2003 £'000 |
|---|-----------------------|-----------------------|
| Trade Debtors | 261 | 291 |
| Less Provision for bad and doubtful debts | (11) | (11) |
| | <u>250</u> | <u>280</u> |
| Amount due from parent and from fellow subsidiaries - Trade | 5,414 | 3,041 |
| Prepayments and accrued income | 47 | 61 |
| Other debtors | 66 | 70 |
| | <u>5,777</u> | <u>3,452</u> |

| 9 CREDITORS - Amounts falling due within one year | 2004 £'000 | 2003 £'000 |
|--|-----------------------|-----------------------|
| Amount due to parent undertakings | 1,360 | 649 |
| Amount due to fellow subsidiary undertakings | 311 | 330 |
| Trade creditors | 2,434 | 1,675 |
| Other taxation and social security | 266 | 185 |
| Accruals and deferred income | 376 | 279 |
| | <u>4,747</u> | <u>3,118</u> |

The average number of days between date of invoice and payment was 38 (2003 : 37)

| 10 CREDITORS - Amounts falling due after more than one year | 2004 £'000 | 2003 £'000 |
|--|-----------------------|-----------------------|
| Amounts owed to fellow subsidiary undertakings | 411 | 411 |
| | <u>411</u> | <u>411</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 £'000 | Total £'000 |
|----------------------|--------------------------|------------------------|
| As at 1st April 2003 | 548 | 548 |
| Profit for the year | 581 | 581 |
| At 31st March 2004 | <u>1,129</u> | <u>1,129</u> |

NEW CHARTER BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

| | | |
|---|--------------|--------------|
| 12 CAPITAL COMMITMENTS | 2004 | 2003 |
| | £'000 | £'000 |
| Capital expenditure that has been authorised by the Board of Management but has not yet been contracted for | 127 | £nil |

| | | |
|---|--------------|--------------|
| 13 OPERATING LEASE COMMITMENTS | 2004 | 2003 |
| | £'000 | £'000 |
| At 31st March 2004 annual commitments under non-cancellable operating leases were as follows: | | |
| Within one year or on demand | 9 | 421 |

The operating leases in place in 2003 related to the vehicle fleet, which were held on an annual non-cancellable lease. This year, although the fleet number has remained the same, the contract has been altered to a daily hire charge, and is now immediately cancellable. This means that there is now no need to disclose the future annual commitment.

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 2004 are as follows :

| | |
|----------------------------------|-----------------|
| Valuation date | 31st March 2004 |
| Valuation Method | Projected unit |
| Value of assets | £38.230 million |
| Investment Return per annum | 6.93% |
| Salary scale increases per annum | 4.40% |
| Pension increases per annum | 2.90% |

The Pension contributions made by the Trust in the year to 31st March 2004 totalled £1.565m covering 818 employees (2003 - £1.360m covering 732 employees). The employers contribution rate was 11.0% of pensionable salary. From 1st April 2004 the level of employer's contribution will increase to 11.8% 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 2004. This information is set out below :

| | | |
|-------------------------|-------------|-------------|
| Actuarial assumptions : | 2004 | 2003 |
| Discount Rate | 5.50% | 5.40% |
| Salary increase rate | 4.40% | 4.00% |
| Pension increase rate | 2.90% | 2.50% |
| Rate of inflation | 2.90% | 2.50% |

Scheme assets and expected returns for Greater Manchester Pension Fund :

| | 2004 | 2004 | 2003 | 2003 |
|--------------|--------------------|--------------------------------|--------------------|--------------------------------|
| | Value £'000 | Expected rate of return | Value £'000 | Expected rate of return |
| Equities | 4,134,246 | 7.70% | 3,109,700 | 8.00% |
| Bonds | 970,567 | 5.10% | 883,500 | 4.80% |
| Property | 626,591 | 6.50% | 575,600 | 6.00% |
| Cash | 378,637 | 4.00% | 348,100 | 4.00% |
| Total | 6,110,041 | 6.93% | 4,916,900 | 6.91% |

NEW CHARTER BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

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

| | 2004 | 2003 |
|--------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Value of pension liabilities | 49,240 | 40,430 |
| Value of pension assets | 38,230 | 28,830 |
| Related deferred tax liability | - | - |
| Deficit in scheme | <u>11,010</u> | <u>11,600</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 | 2004 | 2003 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Net assets excluding FRS 17 pension liability* | 40,230 | 39,283 |
| Net pension liability | (11,010) | (11,600) |
| Net assets including FRS 17 pension liability | <u>29,220</u> | <u>27,683</u> |

Reserves note

| | | |
|--|-----------------|-----------------|
| Income and expenditure account excluding FRS 17 pension liability* | (12,136) | (12,192) |
| Pension reserve | (11,010) | (11,600) |
| Income and expenditure account including FRS 17 pension liability | <u>(23,146)</u> | <u>(23,792)</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 | 2004 |
|---|--------------|
| | £'000 |
| Service cost | 2,240 |
| Past service cost | 170 |
| Curtailments and settlements | 60 |
| Total operating charge | <u>2,470</u> |

Analysis of net return on pension scheme

| | 2004 |
|--|--------------|
| | £'000 |
| Expected return on pension scheme assets | 2,060 |
| Interest on pension scheme liabilities | (2,260) |
| Net return | <u>(200)</u> |

Amounts recognised in the statement of total recognised gains and losses (STRGL)

| | 2004 |
|---|--------------|
| | £'000 |
| Actual return less expected return on pension scheme assets | 5,310 |
| Experience gains and losses arising on the scheme liabilities | (30) |
| Change in financial and demographic assumptions underlying the scheme liabilities | (3,580) |
| Actuarial loss recognised in STRGL | <u>1,700</u> |

NEW CHARTER BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

PENSIONS (continued)

| Movement in surplus during the year | 2004 £'000 |
|--|-----------------------|
| Deficit in scheme at start of year | (11,600) |
| Movement in year: | |
| Current service charge | (2,240) |
| Contributions | 1,550 |
| Past service costs | (170) |
| Net interest/return on assets | (200) |
| Actuarial loss | 1,700 |
| Impact of settlements and curtailments | (50) |
| Deficit in scheme at end of year | <u>(11,010)</u> |

History of experience gains or losses

| | 2004 £'000 |
|--|-----------------------|
| Difference between the expected and actual return on assets: | |
| Amount | 5,310 |
| % of scheme assets | 13.9% |
| Experience gains and losses on the scheme liabilities: | |
| Amount | (30) |
| % of scheme assets | 0.1% |
| Total amounts recognised in STRGL: | |
| Amount | 1,700 |
| % of scheme assets | 3.5% |

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:

Cavendish 249
Cavendish Street
Ashton-under-Lyne
OL6 7AT