



Part of the New Charter Housing Trust Group

NEW CHARTER HOUSING (NORTH) LIMITED

(Company Number 3807022)

REPORT

&

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH 2004

NEW CHARTER HOUSING (NORTH) LIMITED

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NEW CHARTER HOUSING (NORTH) LIMITED

MEMBERS, SENIOR STAFF, ADVISORS, BANKERS AND LEAD FUNDERS

Board of Management

| | | |
|---------------|---|--|
| Chair | James Burns | |
| Vice-Chair | Andrew Broadhurst | |
| Other Members | Alan Bezer Elizabeth Coase David Evans Joseph Fitzpatrick William Harrison Steve Simpson Philip Smith Graham Tossell Gordon Tow Hamid Ghafoor Khalil Rehman | (until 26 th August 2003) (until 24 th October 2003) (coopted from 18 th July 2001) |

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 |
| Lead Executive | Steve Hodson |

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

Registered by the Housing Corporation (LH4266)

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

Lead Funders

Nationwide Building Society
Kings Park Road
Moulton Park
Northampton
NN3 6NW

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 providing rented housing within the district of Tameside. New Charter Housing (North) Limited is a Company limited by guarantee.

FUTURE DEVELOPMENT

The Company was established for the purpose of receiving the transfer of part of the housing stock of Tameside Metropolitan Borough Council, and for the management, maintenance and improvement thereof.

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 Group's mission remains unchanged and consistent; delivery of the pledges made at transfer in 2000 within resources available.

2003/04 saw major consolidation of the Group's performance, which continued to improve. Our rent collection and repair services are second to none and we continued to reduce the number of void properties. The end of our fourth year has seen significant completions in our investment programme and completion of our second new build scheme in Ashton-under-Lyne.

Huge effort during year just closed saw a conclusion to our refinancing initiative which will provide extra and rephased resources to bring forward the investment programme, help improve the environment of estates and provide resources to expand our stock of rented property.

New management arrangements - which came about as a result of the WIN (We Improve New Charter) programme - settled into place.

It is clear our dedication to continuous improvement is being felt by staff and tenants alike. Our annual survey of tenants' perception in January 2004 showed further significant gains over the previous year. The level of satisfaction with our performance as a landlord now stands at 78.4%, up from 69.5% in 2003 and virtually at the sector average of 79%. Satisfaction with opportunities for participation is even better at 73.6% up from 64.1% compared to sector average of 60%.

Staff are also seeing some very clear improvements with 67% getting satisfaction from their job and 89% understanding how their work contributes to the success of the Group.

Our rolling survey of new tenants also confirms the view that our staff are held in good esteem with over 95% of customers praising them for their helpfulness and professionalism.

NEW CHARTER MISSION

New Charter was born out of the Local Authority housing service provision. Its primary purpose as a Registered Social Landlord is to provide homes for people in places where they want to live.

Our Mission is:

New Charter Housing Trust Group exists to build and support communities in the provision of safe, comfortable, secure and affordable homes through partnership with customers and others

NEW CHARTER AIMS

We underpin our mission by five key aims:

- Improve
- Invest
- Image
- Involve
- Innovate

These aims are supported by key objectives, set once again following consultation with tenants.

PERFORMANCE 2003/04

The Group identified thirteen high-level objectives for 2003/04. Both senior management and Boards monitor progress against these. Progress has been good against nearly all the items. Although we tried to ensure they are objective and SMART, it is difficult to provide a precise analysis against some of the 'softer' items.

Our key objectives were linked to the five aims and a summary of progress follows.

Improve

| Ref | Objective | Progress |
|-----|---|--|
| A | Reduce voids to below 3.5%. | <p>We had 511 voids at week 52 (276 in North and 235 in South). This is an overall level of 3.42%, lower than the target in the corporate plan of 3.5%. The target for 2004/05 is 3.25% (480 homes) reflecting the combined impact of an increase in the number of Right to Buys/Acquires on the overall rental stream.</p> <p>We have undertaken Tenant satisfaction surveys since January 2003 which inform improvement processes.</p> |
| B | Maintain current excellent rent collection performance above 99%. | <p>Year end performance was 99.49% overall (0.24% better than our internal target).</p> <p>Corporate Debt Policy approved by Finance Committee and implemented.</p> <p>CAB Debt Advice unit established at Acresfield shop, regular contact with Dept of Work & Pensions for information/updates.</p> <p>Publicity strategy devised through recent Tenant Focus Groups. Extension to service being considered.</p> <p>'Payment Advice Line' in place to take credit/debit card payment details, request a standing order form/BACS request form, provide bank details for any customer wishing to pay by the telebanking service, take details of requests for rent collection and to offer a friendly Payment Advice Service.</p> <p>"Full assurance" audit report received.</p> <p>Welfare Benefit training delivered March 2004.</p> <p>18 months of data in place to inform setting of individual collection targets.</p> <p>Excellent performance in Housing Benefit Overpayment cases – performance now at 59% recovery.</p> <p>Draft report for Regulatory and Statistical Return Validation indicates we are fully compliant in this area.</p> |

| Ref | Objective | Progress |
|-----|--|---|
| C | Complete the development of an integrated performance management system and extend to all employees. | Performance management framework in place. comprising Job Profiles and Key Accountabilities and Work Objectives linked to the corporate plan. The first series of evaluations were completed in October/November 2003. Now planned to summarise on PM database linked to Corporate plan Progress. Managers now update HR system with review dates and comments |

Invest

| Ref | Objective | Progress |
|-----|--|---|
| D | Deliver an investment programme consistent with achieving the 10-year offer to tenants. For 2003/04, this will include: 421 rewires 1326 new central heating installations 1393 new kitchens 1399 new bathrooms, and new doors and windows to 2302 homes. | 506 rewires completed (120.2%) - well ahead of target 1404 new heating systems (105.9%) - ahead of target 747 new kitchens (53.6%) - behind 781 new bathrooms (55.8%) - behind 1898 new doors (82.5%) - slightly behind target 2119 new windows (92.1%) - slightly behind target Boards receive detailed reports showing the progress of specific schemes three times a year. These include the internal start and completion dates. Summary reports are presented to each Board cycle showing expenditure and progress against delivery targets based on elemental components (kitchens, bathrooms, heating etc). Follow up work is being managed by operational monitoring of handovers achieving full completion at inspection. Boards assist monitoring of progress, performance and identify the need for any necessary corrective action. |
| E | Implement a procurement strategy that provides assurance of delivery of the investment pledges. | External contractor (Richardson) in place to deliver internal works (kitchens, bathrooms, rewires) for New Charter Housing (North). New Charter Building Company maximises competitive advantage of VAT throughout the Group. |

Image

| Ref | Objective | Progress |
|-----|--|---|
| F | Reduce exposure to risk across New Charter and remain financially sound. | <p>Risk Management priorities agreed by Boards. Control measures monitored and reported to GMT and Audit Committee.</p> <p>Final accounts for 2002-03 approved at Annual General Meetings in September 2003.</p> <p>Confirmation of £0.25m Local Authority Social Housing Grant for Gibson Terrace. Work commenced January 2004.</p> <p>Housing Option Centre contract operational with Tameside MBC, and first contract review successfully concluded.</p> |
| G | Address and improve on areas of customer dissatisfaction identified in customer survey data. | <p>Working Group of tenants established to review Customer Satisfaction with Repairs Service.</p> <p>Repairs intervention started August 2003 to look at repairs as a system to deliver improvement identified via tenant survey.</p> <p>Post Investment work and Relet satisfaction surveys undertaken, results reported, monitored and used to improve processes.</p> <p>Environmental agreement in place on Central Estate, Dukinfield in consultation with tenants, others to be developed.</p> <p>Building Company satisfaction surveys indicate over 92% of tenants satisfied with quality of repairs (and increasing).</p> <p>Property Services post repair satisfaction surveys underway, indicating 85% not dissatisfied with repairs overall.</p> <p>Tenants satisfaction survey carried out in January 2004 indicated a significant improvement in all areas of satisfaction and opportunities for involvement (this was formally reported to Boards in April 2004).</p> |
| H | Plan for and ensure the successful outcome of the Inspection visit in May 2003. | <p>Inspection visit in May 2003. A final draft was presented to joint meeting of all Boards January 2004. Findings were that there was "Scope for Improvement" in service delivery, but New Charter was "Raising Standards in Service Delivery" in working towards continual improvement.</p> |

Involve

| Ref | Objective | Progress |
|-----|---|--|
| I | Increase the ways in which we involve tenants in our business. | <p>Brushes Management Board established, June 2003.</p> <p>Independent Consultant appointed to review role of Federation of Resident & Tenants. Final report presented and recommendations being considered.</p> <p>Tenant Reps to work with officers and Directors on the Evaluation Panel considering Ground Maintenance tenders.</p> <p>Working Groups of tenants established to review customer satisfaction with repairs service, customer services, revenues issues etc.</p> <p>New Customer Advice Centre opened in Ashton-under-Lyne, May 2003.</p> <p>Three key areas for Reward Scheme now agreed with tenants. These are now being incorporated into 2004/05 budget consideration and the review of our new Allocations Policy.</p> <p>Tameside Tenants' & Residents' Federation appointed new officers to key positions. Their revised Action Plan to increase tenant representation agreed.</p> <p>Tenants and staff trained to facilitate and develop Tenants groups to access funding. Specialist BME consultant engaged to maximise BME involvement.</p> <p>Environmental Strategy now completed in conjunction with our customers' priorities and evidence gathered through our estate inspections. The environmental programme will commence following the Group's successful refinancing.</p> <p>Additional estate-based access points for tenants now opened. Further work continuing with tenant groups to develop community lettings policies.</p> |
| J | Ensure the Building Company achieves the target surplus as set out in our financial planning strategy. | <p>Corporate plan objectives met – target surplus of £472,000 overachieved.</p> <p>Ahead of target for External Partner Business.</p> |
| K | Maintain an attractive environment across neighbourhoods in partnership with the Police and other agencies. | <p>Further Anti Social Behaviour Orders (ASBO's) obtained and a number of injunctions granted in our favour regarding behaviour, state of property and wilful damage.</p> <p>All former Tameside MBC tenants signed up to new tenancy agreements by January 2004.</p> <p>Two year Starter Tenancies implemented on Central Estate, Dukinfield following agreement with tenants and approval by Housing Corporation.</p> <p>Established Partnership with Police and Tameside MBC to remove abandoned vehicles.</p> <p>'Hot spot' approach to tackling ASB now being</p> |

| Ref | Objective | Progress |
|-----|-----------|---|
| | | <p>developed. Further initiatives with partners to issue joint Acceptable Behaviour Contracts (ABC's).</p> <p>Burglary reduction initiatives in Hattersley and Dukinfield as part of Crime Reduction and Disorder Partnership. Funds accessed to provide security lighting on four more estates.</p> <p>Priority neighbourhoods identified for estate-based environmental strategy. Policy developed with tenants. National "Together" campaign to tackle ASB now implemented. Pilot involving New Charter and Tameside County Court to develop a specialist housing court process. All aspects of the new ASB Acts are being implemented in accordance with the Government's timetable.</p> <p>Two rounds of Estate Inspections undertaken and used to influence future environmental and repair works as well as tenancy enforcement action.</p> <p>Dedicated team in place to develop environmental strategies and action plans. Funded programme of environmental repairs in place.</p> |

Innovate

| Ref | Objective | Progress |
|-----|---|--|
| L | Ensure policies and performance targets comply and reflect equality, diversity and BME needs. | <p>Equal Opportunities & HR policies written in consultation with Equal Opportunities and HR working group.</p> <p>Progress implementing Race Action Plan together with details on BME Allocations and Harassment cases reported to Trust Board.</p> <p>Tenants and staff trained to facilitate and develop Tenants groups to access funding.</p> <p>Specialist BME consultant engaged to maximise BME involvement</p> |
| M | Creatively use our rent plan to match demand and affordability within a sound financial strategy. | <p>Basis of Service Charges identified and agreed July 2003.</p> <p>Rent increase from October 2003 set at RPI +1% in line with the Transfer pledge.</p> <p>Annual rental income from shops purchased from Tameside MBC producing £180K, with only 7 of 83 void.</p> <p>Corporate 'write-off' strategy implemented in line with Corporate plan projections. £0.5m write-offs actioned.</p> |

Generally, this year has been one of great progress made by the Company as measured by customers and external assessors. The Housing Corporation Assessment (published in early 2004/05) shows the Group with four 'green lights' for viability, proper governance, proper management and good development processes. The Housing Corporation Annual Viability Review produced in March 2004 similarly recognised the maturity of the Group's approach. There has been considerable achievement in investment and service improvement.

The Group's asset base increased by £13.3m, reflecting the value of the continuing delivery of pledges to tenants through the investment programme, and the work done in centralising our workforce in our new headquarters building. The construction and occupation of Cavendish 249 was the single biggest issue affecting the Company in 2003/04, and will provide the catalyst to further improvements in service delivery. This has been accompanied by more detailed awareness of the remaining tasks and priorities and development of an organisation and strategy capable of growth and delivery in the future.

A highlight of the Company's activities for 2003/04 was the completion of its first new housing development at Wellington Court in Ashton. The 21 flats replace homes lost to the Metrolink development in the town centre, and these accommodate the community that would otherwise have been dispersed. The quality has attracted praise from customers and the Ashton Civic Society. Greater Manchester Police awarded the development the "Secured by Design" commendation to reflect the care taken to provide a safe and secure neighbourhood for the mainly elderly residents.

FINANCIAL POSITION

The Company's financial strategy is underpinned by a Business Plan, which has been used to secure long term funding, over a thirty year period, from a syndicate of lenders, with the Nationwide Building Society being lead lender and facility agent.

Consequent to the positive valuations on our housing stock, ensuing from the continuing delivery of the pledges to tenants homes, the Group successfully secured an additional £57m of financing on 31st March 2004. This money will aid in accelerating the investment programme, generate additional resources for environmental improvements on our estates, and provide for a development programme to help replenish stock lost through the preserved right to buy scheme.

The funding profile (amounting in total to a facility for this Company of **£146.914m**), reflects the fact that in the initial years of the Company, accrued deficits will be recorded, as the repairs, maintenance and improvement programme is undertaken. Thereafter, surpluses are projected which enable the repayment of all outstanding loans.

The financial statements demonstrate a net current liability position of **£2.451m** as at 31st March 2004, a reduction of **£1.246m** during the course of the year. The availability of the long term funding provides for this position to be resourced by drawdown of the loan facility. Close monitoring of the business is exercised by funders, on a Groupwide basis, by the application of a series of Loan Covenant requirements on a six monthly basis. These relate to the basic drivers of the business, and include tests on income, expenditure, interest, the security valuation of the Company's assets, and in summary reflect the fact that cashflow is the predominant issue. The Directors are pleased to report that during the period all tests applied by funders on a Groupwide basis were fully met.

Within the context of these comments the financial statements show that, during the period, a deficit of **£4.642m** was accrued. This should be placed in the context of the Business Plan which projected drawings under the loan facility of **£8.397m** – actual drawings were **£7.300m**. This result is a direct consequence of the significantly greater number of sales arising under the provisions of the Right to Buy legislation. Equally, the prime purpose of the Company, in repairing, maintaining and improving its assets is reflected by revenue expenditure of **£9.212m** and capital expenditure of **£9.370m**. Rental streams, being the major source of the Company's income, have been strong, and have been aided by a continuing reduction in the loss of income on void properties. The Company's cash flow has been improved substantially arising from increased Right to Buy sales (as noted above), together with significant savings on interest charges consequent upon the terms of the Group Loan Facility Agreement.

DIRECTORS

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

| | | <u>Appointed</u> | <u>Resigned</u> |
|--------------------------------|-----|--|--------------------------------|
| James Burns - Chair | (I) | 2 nd August 1999 | |
| Alan Bezer | (T) | 7 th August 2000 8 th July 2002 | 22 nd November 2001 |
| Andrew Broadhurst – Vice-Chair | (I) | 2 nd August 1999 | |
| Elizabeth Coase | (T) | 18 th September 2000 | 26 th August 2003 |
| David Evans | (C) | 2 nd August 1999 | |
| Joseph Fitzpatrick | (C) | 11 th June 2001 | |
| Hamid Ghafoor (co-opted) | (I) | 18 th July 2001 10 th December 2002 | |
| William Harrison | (C) | 2 nd August 1999 | 24 th October 2003 |
| Steven Simpson | (I) | 18 th July 2001 | |
| Philip Smith | (T) | 22 nd November 2001 | |
| Graham Tossell | (T) | 22 nd November 2001 | |
| Gordon Tow | (C) | 1 st May 2002 | |
| Khalil Rehman (co-opted) | (I) | 18 th July 2001 | |
| John Grimshaw | (T) | 8 th December 2003 | |

(T = Tenant Director; I = Independent Director; C = Council nominee Director)

The Board wishes to record its appreciation of the work and commitment shown by Directors who retired during this trading year. Elizabeth Coase, a Tenant Director, resigned on 26th August 2003, and William Harrison, a Council nominee Director, resigned on 24th October 2003.

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 8th 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 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 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 of the Board, James T Burns, and Andrew Broadhurst (Vice Chair) 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 to the members of New Charter Housing Trust Limited

We have audited the financial statements on pages 18 - 36.

This report is made solely to the Group and Company's members, as a body, in accordance with section 235 of the Companies Act 1985, the Industrial and Provident Societies Acts 1965 to 1978, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000. Our audit work has been undertaken so that we might state to the Group and 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 Group and the Group and Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Management and auditors

The Group and Company's Board of Management is responsible for preparing the Board of Management's report and, as described on page 13, 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, the Housing Corporation, 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, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000. We also report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, if the Group and 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 Group and 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 Group and Company's affairs as at 31 March 2004 and of its deficit for the year then ended and have been properly prepared in accordance with the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000.

KPMG LLP

*Chartered Accountants
Registered Auditors*

NEW CHARTER HOUSING (NORTH) LTD
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDING 31 MARCH 2004

| | | 2004 | 2003 |
|---|-----------|------------------------|-----------------------|
| | | £'000 | £'000 |
| Turnover | 2 | 21,411 | 20,529 |
| Operating costs | 2 | (22,151) | (20,580) |
| Operating deficit | 2 | <u>(740)</u> | <u>(51)</u> |
| Surplus on sale of fixed assets | 4 | 1,543 | 981 |
| SURPLUS ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION | | <u>803</u> | <u>930</u> |
| Interest receivable and other income | 5 | 98 | 81 |
| Interest payable and similar charges | 6 | (5,543) | (5,038) |
| DEFICIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | <u>(4,642)</u> | <u>(4,027)</u> |
| TAXATION | | | |
| Taxation on ordinary activities | 10 | - | - |
| DEFICIT FOR THE YEAR | | <u>(4,642)</u> | <u>(4,027)</u> |
| REVENUE RESERVE BROUGHT FORWARD | | (9,182) | (6,125) |
| TRANSFER FROM REVALUATION RESERVE | | 2,327 | 970 |
| REVENUE RESERVE CARRIED FORWARD | | <u><u>(11,497)</u></u> | <u><u>(9,182)</u></u> |
| STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES | | | |
| Deficit for the financial year | | (4,642) | (4,027) |
| Unrealised deficit on the revaluation of properties | | (2,327) | (970) |
| Total recognised gains and losses for the year | | <u><u>(6,969)</u></u> | <u><u>(4,997)</u></u> |
| NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS | | | |
| Deficit on ordinary activities before taxation | | (4,642) | (4,027) |
| Difference between the historical cost depreciation charges and the actual depreciation charge for the year calculated on the revalued amount | | - | - |
| Historical cost deficit on ordinary activities before taxation | | <u><u>(4,642)</u></u> | <u><u>(4,027)</u></u> |

All of the above results derive from continuing operations.

The notes on pages 21 to 36 form an integral part of the financial statements.

NEW CHARTER HOUSING (NORTH) LIMITED

BALANCE SHEET

AS AT 31 MARCH 2004

| | | 2004 £'000 | | 2003 £'000 |
|--|----|-----------------|--|----------------|
| FIXED ASSETS | | | | |
| Tangible assets - housing properties | 11 | 103,677 | | 105,167 |
| Less Social Housing Grant | | (294) | | - |
| Less depreciation | | - | | - |
| | | <u>103,383</u> | | <u>105,167</u> |
| Other tangible assets | 12 | 110 | | 129 |
| | | <u>103,493</u> | | <u>105,296</u> |
| CURRENT ASSETS | | | | |
| Debtors | 13 | 3,015 | | 3,061 |
| | | <u>3,015</u> | | <u>3,061</u> |
| CREDITORS | | | | |
| Amounts falling due within one year | 14 | <u>(5,466)</u> | | <u>(6,758)</u> |
| NET CURRENT LIABILITIES | | | | |
| | | (2,451) | | (3,697) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | | |
| | | <u>101,042</u> | | <u>101,599</u> |
| CREDITORS | | | | |
| Amounts falling due after more than one year | 15 | 91,230 | | 82,880 |
| CAPITAL AND RESERVES | | | | |
| Revaluation reserve | 17 | 21,309 | | 27,901 |
| Revenue reserve | 17 | <u>(11,497)</u> | | <u>(9,182)</u> |
| | | 9,812 | | 18,719 |
| | | <u>101,042</u> | | <u>101,599</u> |

The financial statements on pages 18 to 36 were approved on behalf of the Board on the 30th September 2004 and were signed by :

| | |
|----------------|---------------------------|
| J Burns | (Chair) |
| A Broadhurst | (Vice Chair) |
| D O McLoughlin | (Group Company Secretary) |

The notes on pages 21 to 36 form an integral part of the financial statements.

NEW CHARTER HOUSING (NORTH) LIMITED

CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2004

| | | 2004 | | 2003 |
|---|-----------------|----------------|-----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 18 | 3,268 | | 4,815 |
| RETURNS ON INVESTMENTS AND SERVICING FINANCE | | | | |
| Interest received | 98 | | 81 | |
| Interest paid | <u>(5,543)</u> | | <u>(5,038)</u> | |
| | | (5,445) | | (4,957) |
| CAPITAL EXPENDITURE | | | | |
| Developments, improvements and other capital works | (12,295) | | (12,021) | |
| Other capital expenditure | <u>-</u> | | <u>(582)</u> | |
| | (12,295) | | (12,603) | |
| Sale of housing properties | <u>6,736</u> | | <u>4,053</u> | |
| | | (5,559) | | (8,550) |
| CASHFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING | | (7,736) | | (8,692) |
| MANAGEMENT OF LIQUID RESOURCES | | - | | - |
| FINANCING | | | | |
| Loans advances received | 7,300 | | 6,900 | |
| Grant received | <u>436</u> | | <u>1,792</u> | |
| | | 7,736 | | 8,692 |
| INCREASE IN CASH | | - | | - |

The notes on pages 21 to 36 form an integral part of the financial statements.

NEW CHARTER HOUSING (NORTH) 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 and the Statement of Recommended Practice (SORP) "Accounting by Registered Social Landlords" issued in March 1999 and updated in 2002. 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.

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 20.

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 rental and service charge income and sundry housing and non-housing services income

Housing Properties

The policy is to revalue housing properties on an annual basis. All properties are valued on the basis of an Existing Use Value (Social Housing) with the assumption that target rent is the maximum rent. Properties under construction are held at cost.

Major repairs to properties of a capital nature which will result in an increase in the net rental income over the life of the property are included in the cost of the properties when the expenditure is incurred.

Depreciation of Housing Properties

Housing Properties are depreciated over their expected useful economic lives on a straight line basis. The depreciation is calculated by deducting the land value from the revalued sum.

| | | |
|---|-----------|----------------|
| Housing Properties - Transferred/Acquired Stock | 50 years | (2% per annum) |
| Housing Properties - New Developments | 100 years | (1% per annum) |

Impairment

In accordance with Financial Reporting Standard 11 (FRS11) Impairment of Fixed Assets and Goodwill, for assets with a remaining economic life greater than 50 years an impairment review is undertaken. For those assets with a lower economic life an impairment review is undertaken where there is an indication the assets may be impaired. If assets are found to be impaired the amount of impairment is disclosed in the note 3 analysis to the income and expenditure account.

Social Housing Grant and other capital grants

Where developments have been financed wholly or partly by Social Housing Grant (SHG) or any other form of capital grant subsidy, the cost of those developments is reduced by the grant received.

When SHG in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

Where SHG is retained following the disposal property, it is shown under the disposal proceeds and recycling capital grant funds in 'Creditors: amounts falling due after more than one year'. These funds will be used for the provision of new social housing for rent and sale.

NEW CHARTER HOUSING (NORTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

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:

| | | |
|---------------------------------------|--------------------|----------------------------------|
| Freehold premises | 30 to 50 years | (between 2% and 3.33% per annum) |
| 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) |
| Leasehold premises | Over life of lease | |

Pension Costs

The company operates a defined benefit pension scheme based on final pensionable salary. Details of the scheme are set out in note 20. 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.

Revaluation Reserve

The revaluation reserve represents the changes in valuation of housing properties.

VAT

New Charter Housing Trust Group is registered as a Group for VAT purposes. The Trust's main income stream, being rent, is exempt from VAT. The majority of expenditure is subject to VAT, which the Trust is unable to reclaim, this expenditure is therefore shown inclusive of VAT. VAT can be reclaimed under the partial exemption method for certain other activities and is credited to the Income and Expenditure Account. The Trust's Group status allows the Building Company to process inter-company transactions exclusive of VAT.

Leaseholder Service Charge Sinking Fund

The Group is required to set aside sums in respect of future maintenance on certain properties subject to leasehold arrangements. Amounts accumulated in the fund are included within, 'Creditors: amounts falling due within one year'.

Sales under Right to Buy Legislation

Surpluses or deficits arising from the disposal of properties under Right to Buy legislation are disclosed on the face of the Income and Expenditure Account. The surpluses or deficits disclosed are net of any sums payable to Tameside Metropolitan Borough Council under the terms of a clawback agreement ending 31st March 2005.

Bad and Doubtful Debts

The Company provides against rent arrears of current and former tenants and other miscellaneous debts to the extent that they are considered to be irrecoverable.

Loss on disposal on improvement to housing properties

As the improvement programme progresses, components that existed at transfer, are now being replaced at nil proceeds. The resultant loss on disposal has been written off to the income and expenditure account in the year of disposal.

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 HOUSING (NORTH) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

2 PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

| | Turnover | 2004 Operating costs | Operating surplus | Turnover | 2003 Operating costs | Operating surplus |
|--|---------------|----------------------------|----------------------|---------------|----------------------------|----------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Income and expenditure from social housing lettings | | | | | | |
| Housing accommodation | 21,241 | 18,721 | 2,520 | 20,295 | 17,410 | 2,885 |
| Depreciation of housing properties | - | 1,969 | (1,969) | - | 1,655 | (1,655) |
| Loss on investment programme disposals | - | 1,360 | (1,360) | - | 1,413 | (1,413) |
| | <u>21,241</u> | <u>22,050</u> | <u>(809)</u> | <u>20,295</u> | <u>20,478</u> | <u>(183)</u> |
| Other income and expenditure from social housing lettings | | | | | | |
| Garages rental | 54 | 39 | 15 | 72 | 23 | 49 |
| Home contents insurance scheme | 68 | 62 | 6 | 69 | 79 | (10) |
| Other activities | 48 | - | 48 | 93 | - | 93 |
| | <u>170</u> | <u>101</u> | <u>69</u> | <u>234</u> | <u>102</u> | <u>132</u> |
| | <u>21,411</u> | <u>22,151</u> | <u>(740)</u> | <u>20,529</u> | <u>20,580</u> | <u>(51)</u> |

NEW CHARTER HOUSING (NORTH) LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

| 3 INCOME FROM SOCIAL HOUSING LETTINGS | 2004 | | | 2003 | | |
|---|------------------------|------------------------------|----------------|------------------------|------------------------------|----------------|
| | General needs £'000 | Temporary social £'000 | Total £'000 | General needs £'000 | Temporary social £'000 | Total £'000 |
| Gross rent receivable (net of service charges) | 21,554 | 249 | 21,803 | 20,665 | 231 | 20,896 |
| Service charges receivable | 293 | 72 | 365 | 371 | - | 371 |
| Gross rents and service charges receivable | <u>21,847</u> | <u>321</u> | <u>22,168</u> | <u>21,036</u> | <u>231</u> | <u>21,267</u> |
| Less: rent loss from voids | (892) | (35) | (927) | (942) | (30) | (972) |
| Net rents receivable | <u>20,955</u> | <u>286</u> | <u>21,241</u> | <u>20,094</u> | <u>201</u> | <u>20,295</u> |
| Other income | - | - | - | - | - | - |
| Turnover from social housing lettings | <u>20,955</u> | <u>286</u> | <u>21,241</u> | <u>20,094</u> | <u>201</u> | <u>20,295</u> |
| EXPENDITURE ON SOCIAL HOUSING LETTING ACTIVITIES | | | | | | |
| Management | 8,954 | 178 | 9,132 | 7,930 | 145 | 8,075 |
| Services | 250 | - | 250 | 260 | - | 260 |
| Routine maintenance | 4,259 | 8 | 4,267 | 3,902 | 15 | 3,917 |
| Planned maintenance | 909 | - | 909 | 756 | - | 756 |
| Major repairs expenditure | 4,036 | - | 4,036 | 3,677 | - | 3,677 |
| Rent losses from bad debts | 145 | - | 145 | 704 | 2 | 706 |
| Depreciation of housing properties | 1,926 | 6 | 1,932 | 1,650 | 5 | 1,655 |
| Loss on investment programme disposals | 1,360 | - | 1,360 | 1,413 | - | 1,413 |
| Impairment of housing properties | - | - | - | - | - | - |
| Depreciation of other assets | 19 | - | 19 | 19 | - | 19 |
| Operating costs on social housing lettings | <u>21,858</u> | <u>192</u> | <u>22,050</u> | <u>20,311</u> | <u>167</u> | <u>20,478</u> |
| Operating (deficit)/surplus on social housing lettings | <u>(903)</u> | <u>94</u> | <u>(809)</u> | <u>(217)</u> | <u>34</u> | <u>(183)</u> |

Service Charge income is fully eligible for Housing Benefit.

NEW CHARTER HOUSING (NORTH) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

| | 2004 | 2003 |
|--|--------------|--------------|
| | £'000 | £'000 |
| 4 SURPLUS ON SALE OF FIXED ASSETS | | |
| Proceeds of sale | 6,736 | 4,036 |
| Cost of sales (including amount due to Tameside MBC) | (5,193) | (3,055) |
| Surplus on disposal of assets | <u>1,543</u> | <u>981</u> |
| | | |
| | 2004 | 2003 |
| | £'000 | £'000 |
| 5 INTEREST RECEIVABLE AND OTHER INCOME | | |
| Bank interest receivable | 17 | - |
| Inter company loan interest receivable | 81 | 81 |
| | <u>98</u> | <u>81</u> |
| | | |
| | 2004 | 2003 |
| | £'000 | £'000 |
| 6 INTEREST PAYABLE | | |
| On bank loans, overdrafts and other loans | <u>5,543</u> | <u>5,038</u> |
| | <u>5,543</u> | <u>5,038</u> |
| | | |
| | 2004 | 2003 |
| | £'000 | £'000 |
| 7 SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION | | |
| Is stated after charging: | | |
| Depreciation | 1,951 | 1,674 |
| Auditors remuneration (inc VAT) | | |
| - in their capacity as auditors | 14 | 14 |
| Loss on disposal of items replaced as part of investment programme | <u>1,360</u> | <u>1,413</u> |

NEW CHARTER HOUSING (NORTH) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

8 DIRECTORS EMOLUMENTS

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

The remuneration paid to the Group Management Team, (GMT), was:

| | 2004 | 2003 |
|--|---------------|----------------|
| Aggregate emoluments payable to GMT (including pension contributions & benefits in kind) | <u>£0</u> | <u>£70,088</u> |
| Emoluments payable to the highest paid member of GMT (excluding pension contributions but inc benefits in kind) | <u>£0</u> | <u>£63,033</u> |
| The number of directors, including the highest paid director, who received emoluments (exc pension contributions) in the following ranges were as follows: | | |
| | Number | Number |
| £60,001 - £70,000 | <u>-</u> | <u>1</u> |
| | <u>-</u> | <u>1</u> |
| Aggregate amount of highest paid director's pension | <u>£0</u> | <u>£5,711</u> |
| The Group's Chief Executive 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>£3,718</u> | <u>£4,372</u> |

9 EMPLOYEE INFORMATION

The average number of persons employed during the year

| | 2004 | 2003 |
|---|--------------|--------------|
| Management | - | 70 |
| Manual | <u>-</u> | <u>2</u> |
| | <u>-</u> | <u>72</u> |
| Full time | - | 69 |
| Part time | <u>-</u> | <u>3</u> |
| | <u>-</u> | <u>72</u> |
| Staff costs for the above persons were: | | |
| | 2004 | 2003 |
| | £'000 | £'000 |
| Wages and salaries | - | 1,096 |
| Social security costs | - | 70 |
| Other pension costs | <u>-</u> | <u>102</u> |
| | <u>-</u> | <u>1,268</u> |

Due to the streamlining of services, all employee costs are now held within the Parent Company, and are charged back via a recharge mechanism. Payroll costs are included within management costs.

NEW CHARTER HOUSING (NORTH) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

| | 2004 | 2003 |
|--|--------------|--------------|
| | £'000 | £'000 |
| 10 TAXATION ON SURPLUS ON ORDINARY ACTIVITIES | | |
| a Analysis of tax charge in the year/period | | |
| UK corporation tax | | |
| Current tax on income for the year/period | - | - |
| Adjustments in respect of prior periods | - | - |
| | - | - |
| Deferred tax | | |
| Origination /reversal of timing difference | - | - |
| Adjustments in respect of prior periods | - | - |
| | - | - |
| Total current tax | - | - |

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 |
|---|--------------|--------------|
| Deficit on ordinary activities before tax | (4,642) | (4,026) |
| Current tax at 30% | (1,393) | (1,208) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 554 | 431 |
| Capital allowances for period in excess of depreciation | - | (5) |
| Utilisation of tax losses | - | 190 |
| Non qualifying depreciation | 595 | 501 |
| CGT accounts/accounts profit re non qualifying properties | 280 | 90 |
| Adjustment to tax charge in respect of prior periods | - | - |
| Deferred tax not provided | (3) | - |
| Rollover relief | (34) | - |
| Current tax charge | - | - |

A deferred tax asset of £1,510,848 has not been recognised in respect of tax losses which are available to offset taxable surpluses in future periods.

NEW CHARTER HOUSING (NORTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

11 TANGIBLE FIXED ASSETS - FREEHOLD HOUSING PROPERTIES

| | Housing Properties Completed £'000 | Under Construction £'000 | Total £'000 |
|--|---|---|------------------------|
| COST OR VALUATION | | | |
| As at 1st April 2003 | 105,167 | 582 | 105,749 |
| Additions in year: | | | |
| Improvements | 8,499 | - | 8,499 |
| Completed | - | - | - |
| Under construction | - | 871 | 871 |
| Revaluation | (6,197) | - | (6,197) |
| Disposals | (3,718) | - | (3,718) |
| At 31st March 2004 | <u>103,751</u> | <u>1,453</u> | <u>105,204</u> |
| LESS GRANT FUNDING | | | |
| At 1st April 2003 | - | (582) | (582) |
| Completed schemes in year | - | - | - |
| Received during the year | (74) | (871) | (945) |
| Disposals | - | - | - |
| At 31st March 2004 | <u>(74)</u> | <u>(1,453)</u> | <u>(1,527)</u> |
| LESS SOCIAL HOUSING GRANT | | | |
| At 1st April 2003 | - | - | - |
| Completed schemes in year | - | - | - |
| Received during the year | (294) | - | (294) |
| Disposals | - | - | - |
| At 31st March 2004 | <u>(294)</u> | <u>-</u> | <u>(294)</u> |
| LESS DEPRECIATION | | | |
| At 1st April 2003 | - | - | - |
| Charge for year | 1,969 | - | 1,969 |
| Disposals | (37) | - | (37) |
| Revaluation | (1,932) | - | (1,932) |
| At 31st March 2004 | <u>-</u> | <u>-</u> | <u>-</u> |
| NET BOOK VALUE AT 31st MARCH 2004 | <u>103,383</u> | <u>-</u> | <u>103,383</u> |
| NET BOOK VALUE AT 31st MARCH 2003 | <u>105,167</u> | <u>-</u> | <u>105,167</u> |

Comparable amounts determined according to the historical cost convention

Cost and valuation is represented by:

| | £ | £ | £ |
|---------------------|----------------|----------|----------------|
| Historic cost | 87,003 | - | 87,003 |
| Depreciation | (4,929) | - | (4,929) |
| Revaluation reserve | 21,309 | - | 21,309 |
| | <u>103,383</u> | <u>-</u> | <u>103,383</u> |

A valuation was performed in the year by DTZ Pinda Consulting, Chartered Surveyors, who are independent of the Group. The valuation was based on Existing Use Value (Social Housing) as at 31st March 2004.

NEW CHARTER HOUSING (NORTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

12 FIXED ASSETS - OTHER TANGIBLE ASSETS

| | Leasehold Premises £'000 | IT equipment £'000 | Furniture & equipment £'000 | Total £'000 |
|-----------------------|--------------------------------|--------------------------|-----------------------------------|----------------|
| COST | | | | |
| At 1st April 2003 | 152 | 30 | 18 | 200 |
| Additions in year | - | - | - | - |
| Disposals | - | - | - | - |
| At 31st March 2004 | 152 | 30 | 18 | 200 |
| DEPRECIATION | | | | |
| At 1st April 2003 | 30 | 30 | 11 | 71 |
| Charge for year | 15 | - | 4 | 19 |
| Disposals | - | - | - | - |
| At 31st March 2004 | 45 | 30 | 15 | 90 |
| NET BOOK VALUE | | | | |
| At 31st March 2004 | 107 | - | 3 | 110 |
| NET BOOK VALUE | | | | |
| At 31st March 2003 | 122 | - | 7 | 129 |

NEW CHARTER HOUSING (NORTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

| 13 DEBTORS | 2004 £'000 | 2003 £'000 |
|---|-----------------------|-----------------------|
| Arrears of rent and service charges | 1,681 | 1,717 |
| less Provision for bad and doubtful debts | (798) | (1,105) |
| | <u>883</u> | <u>612</u> |
| Housing benefit overpayments | 265 | 192 |
| less Provision for bad and doubtful debts | (133) | (96) |
| | <u>132</u> | <u>96</u> |
| Rechargeable repairs | 410 | 154 |
| less Provision for bad and doubtful debts | (205) | (77) |
| | <u>205</u> | <u>77</u> |
| Trade Debtors | - | 291 |
| less Provision for bad and doubtful debts | - | (30) |
| | <u>-</u> | <u>261</u> |
| Amount due from parent and from fellow subsidiaries - Trade | 543 | 730 |
| Amount due from parent and from fellow subsidiaries - Loans | 1,230 | 1,230 |
| Prepayments and accrued income | 9 | 10 |
| Other debtors | 13 | 46 |
| | <u>3,015</u> | <u>3,061</u> |

The amount due from the Parent and from fellow subsidiaries relates to loans made to New Charter Housing Trust Ltd - £1,009,517 (2003 - £1,009,517) and New Charter Building Company Ltd - £220,628 (2003 - £220,628). The loans are at a fixed interest rate of 6.6% and are repayable within 30 years.

Rent and service charge arrears, net of provision for bad and doubtful debts, represents 3.98% (2003 - 2.88%) of the annual rent and service charge receivable.

| 14 CREDITORS - Amounts falling due within one year | 2004 £'000 | 2003 £'000 |
|---|-----------------------|-----------------------|
| Housing and development loans | - | 400 |
| Amount due to parent undertakings | 274 | 2,528 |
| Amount due to fellow subsidiary undertakings | 1,665 | - |
| Trade creditors | 42 | 126 |
| Other taxation and social security | 27 | - |
| Accruals and deferred income | 320 | 247 |
| Repairs and Maintenance Accruals | 1,083 | 1,443 |
| Accrual for Properties under Construction | - | 128 |
| Grants received in advance | 442 | 1,170 |
| RTB clawback | 1,185 | 373 |
| Rent and service charges paid in advance | 428 | 341 |
| | <u>5,466</u> | <u>6,758</u> |

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

NEW CHARTER HOUSING (NORTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

| | 2004 | 2003 |
|--|---------------|---------------|
| | £'000 | £'000 |
| 15 CREDITORS - Amounts falling due after more than one year | | |
| Housing and development loans | 89,390 | 81,690 |
| RTB clawback | 1,728 | 1,190 |
| Disposal Proceeds Fund | 112 | - |
| | <u>91,230</u> | <u>82,880</u> |

| | 2004 | 2003 |
|------------------------------|-------------------------------------|-------------------------------------|
| | £'000 | £'000 |
| | Housing Loans by instalments | Housing Loans by instalments |
| 16 LOANS | | |
| Within one year or on demand | - | 400 |
| In more than five years | 89,390 | 81,690 |
| | <u>89,390</u> | <u>82,090</u> |

The housing loans are drawn down from total facilities of £270m and are secured by a fixed charge over the Group's housing properties and other assets. The rate of interest on the loan currently outstanding under facility A is 6.61%. Within 'loans payable in more than five years', there is a drawing of £20.55m under facility B bearing interest at an average rate of 4.52925%.

| | Revenue | Revaluation | Total |
|--------------------------------|-----------------|--------------------|--------------|
| | £'000 | £'000 | £'000 |
| 17 RESERVES | | | |
| As at 1st April 2003 | (9,182) | 27,901 | 18,719 |
| Deficit for the year | (4,642) | - | (4,642) |
| Revaluation | - | (4,265) | (4,265) |
| Deficit arising on revaluation | 2,327 | (2,327) | - |
| At 31st March 2004 | <u>(11,497)</u> | <u>21,309</u> | <u>9,812</u> |

NEW CHARTER HOUSING (NORTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

18 NOTES TO THE CASHFLOW STATEMENT

a Reconciliation of operating surplus to net cash inflow from operating activities

| | 2004 | 2003 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Operating surplus/deficit | 803 | 930 |
| Depreciation charges | 1,951 | 1,674 |
| Decrease/(Increase) in debtors | 46 | (121) |
| Decrease in stock | - | 9 |
| (Decrease)/Increase in creditors | (892) | 910 |
| Loss on disposal on improvements to housing properties | 1,360 | 1,413 |
| Net cash inflow from operating activities | <u>3,268</u> | <u>4,815</u> |

b Reconciliation of net cash inflow to movement in net debt

| | 2004 | 2003 |
|--|-----------------|-----------------|
| | £'000 | £'000 |
| (Reduction)/increase in cash in year | - | - |
| Change in net debt resulting from cash flows | (7,300) | (6,900) |
| Change in net debt | <u>(7,300)</u> | <u>(6,900)</u> |
| New finance leases | - | - |
| Net debt at beginning of year | (82,090) | (75,190) |
| Net debt at end of year | <u>(89,390)</u> | <u>(82,090)</u> |

c Analysis of changes in net debt

| | At 31st March 2004 | Cash Flows | At 31st March |
|--------------------------|---------------------------|-------------------|----------------------|
| | £'000 | £'000 | 2003 |
| | | | £'000 |
| Cash & investments | - | - | - |
| Debt due within one year | - | 400 | (400) |
| Debt due after one year | (89,390) | (7,700) | (81,690) |
| | <u>(89,390)</u> | <u>(7,300)</u> | <u>(82,090)</u> |
| | <u>(89,390)</u> | <u>(7,300)</u> | <u>(82,090)</u> |

NEW CHARTER HOUSING (NORTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

| | | | |
|-------------------------------|---|--------------|--------------|
| 19 CAPITAL COMMITMENTS | | 2004 | 2003 |
| | | £'000 | £'000 |
| | Capital expenditure that has been contracted for but has not been provided for in the financial statements | 4,335 | 3,923 |
| | Capital expenditure that has been authorised by the Board of Management but has not yet been contracted for | 49,778 | 64,740 |

The amount contracted for at 31st March 2004 will be funded from grants and loans approved by local authorities and the Housing Corporation or will be financed from private finance loans. The Board expect the expenditure they have authorised to be fully financed by the local authorities, the Housing Corporation or from private finance loans.

20 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 HOUSING (NORTH) 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* | 40,011 | 39,283 |
| Net pension liability | (11,010) | (11,600) |
| Net assets including FRS 17 pension liability | <u>29,001</u> | <u>27,683</u> |

Reserves note

| | | |
|--|-----------------|-----------------|
| Income and expenditure account excluding FRS 17 pension liability* | (12,355) | (12,192) |
| Pension reserve | (11,010) | (11,600) |
| Income and expenditure account including FRS 17 pension liability | <u>(23,365)</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 HOUSING (NORTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

20 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% |

21 LEGISLATIVE PROVISIONS

The Trust is registered with the Housing Corporation under the Housing Act 1996 .
Registration LH4266.

22 CONTINGENT LIABILITIES

The Fairfield Estate in Droylsden was constructed in the 1980's. Construction problems occurred during the building of the estate. At the point of transfer, New Charter (North) Limited received an indemnity from the council in respect of the cost of reparation on the estate. Negotiations between Tameside MBC and New Charter (North) Limited continue to determine the extent of reparation required. It is not currently anticipated that New Charter (North) Limited will incur any expenditure relating to the substantive reparation work required on the estate emanating from the original default. However, costs may be incurred with regard to work required for health and safety purposes (£600k). If this is the case, negotiations will continue to seek reimbursement from the council. Failing this, arbitration proceedings will be commenced.

| 23 HOUSING STOCK | 2004 | 2003 |
|------------------------------------|--------------|--------------|
| Dwellings owned and in management: | | |
| General needs | 7,623 | 7,916 |
| Supported housing | 264 | 264 |
| Temporary social housing | 27 | 24 |
| | <u>7,914</u> | <u>8,204</u> |

NEW CHARTER HOUSING (NORTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

24 RELATED PARTY TRANSACTIONS

Tenant Board members are subject to normal commercial terms in their tenancy agreements and gain no advantage from their position on the Board. Council Board members also receive no advantage from their position.

The independent Board members have links with a number of organisations, including Anchor Housing Trust, Burnley and Padiham Community Housing and Berrybridge Housing. Again no advantage is gained from these links.

25 IMPAIRMENT

Under Financial Reporting Standard 11 (FRS 11), the Company is required to perform impairment tests on its housing stock, so that properties are not shown at an amount exceeding their recoverable amount. It was considered that no impairment write off was necessary.

26 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

27 CASH AT BANK AND IN HAND

There is a charge in favour of the Co-operative Bank plc over the Company's cash and bank balances.