



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 YEAR ENDED 31ST MARCH 2006

NEW CHARTER BUILDING COMPANY LIMITED

CONTENTS	Page
Members, Senior Staff, Advisors and Bankers	2
Report of the Board of Management	3
Auditors Report	13
Profit and Loss	15
Balance Sheet	16
Notes to the Financial Statements	17

NEW CHARTER BUILDING COMPANY LIMITED

MEMBERS, SENIOR STAFF, ADVISORS AND BANKERS

Board of Management

Chair	Vincent Ricci
Vice-Chair	Geoffrey Howarth
Other Members	Julie Hardman Stephen Hall Ian Munro Bill Skilki Kieran Quinn (<i>Independent</i>) <i>Appointed 15/11/05</i> Andrew Stafford (<i>Independent</i>) <i>Appointed 16/08/05</i>

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

Managing 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 2006

The Directors present the Financial Statements of the Company for the year ended 31st March 2006.

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.

OPERATING REVIEW

The most significant single event of the year has been the partnering agreement made with Aksa Housing Association who we welcome into the Group and look forward to them sharing their knowledge and experience with our staff in what is a very skilled and specialised part of the Social Housing Market.

The continued success of the Company moves on with each year being reported more positively than the previous year and 2005/06 is no exception to this statement.

We will reach Decent Homes standard for the vast majority of our homes in 2007; and completion of our published first 10 years of our Investment Plan will be before 2010.

The Review of the year 2005/06 is reported with confidences high and illustrates the commitment and eagerness all employees of the Company have experienced in obtaining year on year improvements across all the Company's activities.

As a consequence thanks and praise are rightly extended to Customers, Suppliers, Employees, Trade Unions, Board Members and Partners for their roles in the continuing success of New Charter Building Company.

Achievements

- Customer satisfaction levels at the highest ever level.
- Void levels delivered to a further record low.
- Responsive repairs delivered to 99% plus across all categories.
- Record level of kept appointments.
- Further reduced timescales in properties for repairs.
- Further reductions in Management costs.
- Major partnership contracts secured with:
 - Aksa Housing Group
 - English Churches Housing Group
 - Bowlee Park Housing Group
 - Tameside Sports Trust
 - Tameside MBC – Catering Equipment
 - Sanctuary Project
 - Rossendale BC – Procurement Services
- Established Internal Training Skill Centre.
- Established Material Distribution Centre.
- Product development and innovation:
 - Electrical Wet Heating Systems
 - Wireless Thermostats
 - Window Locking Mechanisms
 - Recycled Plastics to Fencing Programme
- Continued Apprentice Intake Policy.
- Continued support to Nexus, Job Match and Local Youth.
- Retained BS ISO EN 9001-2000 Accreditation.

- Awarded Accreditation “Action for Young People”.
- Progressing the “Registered Gas Installer” Accreditation Scheme.
- Progressing the BSI Kitemark status for Window and Door Installations.
- Sustained rebate contribution to the Group.
- Sustained Group’s reputation of “Sharing with Pride” via Working Group visits from RSLs, DLOs and Local Authorities.
- Major input into the GM Procure Programme.

Emerging issues for 2006/07

- Sustained support to the Group for Housing Corporation Inspection
- Develop an “Environmental Policy” to extend our current environmental best practices.
- Sustain support for potential economies of scale potential via GM Procure process.
- Develop further potential for Procurement Services to new clients via our own procurement facilities.
- Develop an external window market customer base.
- Continue strategic planning acquisition aimed at long-term Partnering Contracts for Responsive and Void repairs with new clients.
- Provide positive input to newly formed Heads of Service Group.
- Support “Benchmark” initiatives derived from Procurement Groups in a best value framework.

Areas for improvement

- Succession planning strategy and age profiling to be accelerated.
- Develop employee review process to aid age profiling and succession planning.
- Increase resources to the front line by constantly reviewing efficiency savings.
- Review the inspection process need in line with current satisfaction levels and Quality Management System review.
- Investigate all Support Service recording mechanisms to eliminate data collection and KPI duplications.
- Correlate zero defects strategy into Quality Management review process.

FINANCIAL REVIEW

The financial position and results for the year are set out on pages **15** to **26** of these statements.

The performance for the year shows a profit before interest and tax of **£0.614m** (2005 - £0.495 m). It should be noted that this profit level is after returning over £2.3m to the Borrowing Group (the three RSL’s in New Charter) and £2m Gift Aid to Aksa in line with the Group Financial Strategy.

Income generated externally to the Group has increased in this financial year by 133%, and the income generated from work done for internal customers has increased by 9%.

Direct costs and operating expenses have been tightly managed and controlled, leading to a consistent gross profit margin when compared against previous accounting periods.

A minimum annual sum of £100,000 from surplus is retained for reinvestment within the Company. This will be used to fund future initiatives referred to in the 'operating review – emerging issues 2006/07'.

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 year were:

	<u>Appointed</u>	<u>Resigned</u>
Stephen Hall	4 th October 1999	
Vincent Ricci – Chair	5 th March 2002	
Julie Hardman	19 th June 2001	
Geoffrey Howarth – Vice Chair	24 th September 2002	
Ian Munro	18 th July 2001	
Bill Skilki	4 th October 1999	
Kieran Quinn (<i>Independent</i>)	Appointed 15 th November 2005	
Andrew Stafford (<i>Independent</i>)	Appointed 16 th August 2005	

All Directors remained in place during 2005/2006

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 were re-appointed as Auditors at the Annual General Meeting of the Company on 29th September 2005.

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 2006, 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.

Significant Events

Aksa Housing Association joined the Group in November 2005. This took place following a due diligence exercise conducted by Auditors external to the parties. No significant risks were identified or reported. The Housing Corporation approved the new Group.

Mechanisms to provide effective internal control

I have considered policies and mechanisms designed to deliver internal control and I believe that these have been in place throughout the financial year 2005/06. I would summarise them as follows: -

- Boards and Committees have a clear understanding of risk and risk management and have demonstrated a desire to ensure risk management features in all deliberations.
- The 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 & tenants are closely involved in formulation and approval of the Business Plan.
- The Group Loan Facility provides for formal annual approval by Funders of the Business Plan, this was provided in April 2005
- Control systems and outcomes are regularly monitored by Audit Committee, Internal Audit & GMT.
- Board reports are required to show a Risk Evaluation in terms of Financial & Legal/Governance implications where relevant.
- Management information & performance control systems are in place to regularly report financial results and other performance indicators to Boards
- Contract Standing Orders, Financial Regulations and Scheme of Delegations are in place and reviewed during 2005/06.
- The fraud-register and whistle blowing policy are in place. The fraud register is considered at every Audit Committee.
- All policies & procedures are programmed for regular review including Health & Safety and IT Disaster Recovery.
- There is on-going development of continual improvement culture across the Group.
- Culture of risk awareness developed through individual Key Work Objectives, with performance managed through regular review process.

Process for assessing and managing risk during 2005-06

- The Audit Committee has continued to meet on a regular basis to consider reports from Officers and Auditors; its membership has been strengthened following the accession of Aksa.
- Internal and External Auditors have unfettered access to Audit Committee members.
- In line with best practice, Audit Committee members hold an annual meeting with Internal and External Auditors in the absence of officers.
- Audit Committee have agreed and monitored an annual audit programme, which has been determined against an analysis of known and anticipated risk.
- All Internal Audit reports are presented to Audit Committee who take responsibility for ensuring recommendations are implemented. Internal audit also undertake follow up assignments to ensure compliance, as appropriate.
- Audit Committee received presentations from each Executive Director detailing how they Manage Risk within their section of the organisation.
- Audit Committee members received risk management training.
- Audit Committee kept informed of developing best practice including Housing Corporations Risk Management Topic Papers.
- Internal Audit remains a contracted out service.
- Risk register produced to identify, evaluate & control risks to organizational objectives. Presented to & monitored by Audit Committee.
- Work with external auditors both before and during closure of accounts meant an unqualified opinion was offered.
- KPMG LLP presented their Audit Strategy Memorandum to the 4th April 2006 Audit Committee which did not identify any additional risk for the group and recognised “the continual development and tightening of internal processes and controls”
- The Housing Corporation Assessment for the Group places all factors at “green”.
- The Housing Corporation’s Annual Viability Review, (issued in March 2006), makes clear that “**The New Charter Housing Trust Group meets the expectations set out in the Regulatory Code in terms of financial viability**” This is the highest level of finding by the Housing Corporation.

- The Review highlighted that “notable financial challenges for New Charter include:
 - achieving planned reductions in management costs,
 - high levels of RTB sales placing greater pressure on management costs,
 - the successful control of repairs and maintenance expenditure and the completion of the transfer improvement programme within budget and on time.
 - increasing the volume of external work to lesson the impact on the Building Company when New Charter’s investment programme comes to an end.
 - formulating a tax minimisation strategy”
- Management reports on operational and financial matters have continued to be provided to all relevant Boards and Committees.
- There has continued to be timely and regular reporting of key business information and performance indicators at Management and Board meetings.
- Insurance risk remains well managed.

The very few significant control weaknesses identified during the course of the year, 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
8th August 2006

The report of the Board of Management was approved on 28th September 2006 and signed on its behalf by:

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEW CHARTER BUILDING COMPANY LIMITED

We have audited the financial statements of New Charter Building Company for the year ended 31st March 2006 which comprise of the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 directors and auditors

As described in the Statement of Directors' Responsibilities on page 7, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes 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 judgments made by the directors 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st March 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

Chartered Accountants

Registered Auditor

[Date]

NEW CHARTER BUILDING COMPANY LTD
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDING 31 MARCH 2006

	2006	2005
	£'000	£'000
Turnover	28,381	25,406
Cost of sales	(21,626)	(20,247)
Gross Profit	6,755	5,159
Net operating expenses	(6,141)	(4,664)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION	3 614	495
Interest payable and similar charges	2 (87)	(77)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	527	418
TAXATION		
Taxation on ordinary activities	6 (172)	(133)
PROFIT FOR THE YEAR	355	285
ACCUMULATED PROFIT BROUGHT FORWARD	1,414	1,129
ACCUMULATED PROFIT CARRIED FORWARD	1,769	1,414

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 17 to 26 form an integral part of the financial statements.

NEW CHARTER BUILDING COMPANY LIMITED

BALANCE SHEET

AS AT 31 MARCH 2006

		2006	2005
		£'000	£'000
FIXED ASSETS			
Tangible fixed assets	7	17	65
CURRENT ASSETS			
Stock	8	381	422
Debtors	9	4,427	3,832
		<u>4,808</u>	<u>4,254</u>
CREDITORS			
Amounts falling due within one year	10	<u>(2,645)</u>	<u>(2,494)</u>
NET CURRENT ASSETS		2,163	1,760
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,180</u>	<u>1,825</u>
CREDITORS			
Amounts falling due after more than one year	11	(411)	(411)
NET ASSETS		<u>1,769</u>	<u>1,414</u>
CAPITAL AND RESERVES			
Profit and Loss Account	12	1,769	1,414
		<u>1,769</u>	<u>1,414</u>

The financial statements on pages 15 to 26 were approved on behalf of the Board on the 28th September 2006 and were signed by :

I Munro (Director)

D O McLoughlin (Group Company Secretary)

The notes on pages 17 to 26 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 2006

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 financial statements for the group for the year ended 31 March 2005 have been restated in order to provide comparative figures arising from the adoption of FRS17 'Retirement Benefits' in preparing the financial statements for the year ended 31 March 2006. More information is provided in group note 23.

The Association operates a pension scheme providing benefits based on final pensionable pay. The asset of the scheme are held separately from those of the company. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

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 2006

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 2006

	2006	2005
	£'000	£'000
2 INTEREST PAYABLE AND SIMILAR CHARGES		
On intercompany loans	27	27
Working capital	60	50
	<u>87</u>	<u>77</u>

	2006	2005
	£'000	£'000
3 PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		
Is stated after charging:		
Depreciation	48	52
Auditors remuneration (inc VAT)		
- in their capacity as auditors	23	17
Operating lease charges (Fleet Vehicles)	9	7
Charitable Donation	2,019	-
	<u>2,019</u>	<u>-</u>

4 DIRECTORS EMOLUMENTS

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

	2006	2005
Aggregate emoluments payable to GMT (including pension contributions & benefits in kind)	<u>£129,884</u>	<u>£104,330</u>
Emoluments payable to the highest paid member of GMT (excluding pension contributions but includes benefits in kind)	<u>£118,322</u>	<u>£95,598</u>

NEW CHARTER BUILDING COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

DIRECTORS EMOLUMENTS (continued)	2006	2005
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	-	1
£100,001 - £110,000	-	-
£110,001 - £120,000	1	-
	<u>1</u>	<u>1</u>
 Aggregate amount of highest paid director's pension	 <u>£11,562</u>	 <u>£8,732</u>
 The Company's Operations Director is a normal member of the Greater Manchester Pension Fund scheme and does not receive enhanced rates		
 Remuneration and expenses payable to members of the Board who were neither officers nor employees of the Company		
	<u>£15,910</u>	<u>£6,896</u>

5 EMPLOYEE INFORMATION

	2006	2005
The average number of persons employed during the year expressed in full time equivalent employees, was		
Management	26	30
Administrative	32	29
Direct labour	244	244
	<u>302</u>	<u>303</u>
 Full time	 300	 300
Part time	2	3
	<u>302</u>	<u>303</u>
 Staff costs for the above persons were:	 2006	 2005
	£'000	£'000
Wages and salaries	8,244	7,723
Social security costs	649	599
Other pension costs	1,026	814
	<u>9,919</u>	<u>9,136</u>

NEW CHARTER BUILDING COMPANY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

	2006	2005
	£'000	£'000
6 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	172	133
Adjustments in respect of prior periods	-	-
	172	133
Deferred tax		
Origination /reversal of timing difference	-	-
Adjustments in respect of prior periods	-	-
	-	-
Total current tax	172	133

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	527	418
Current tax at 30%	158	125
Effects of:		
Expenses not deductible for tax purposes	8	1
Capital allowances for period in excess of depreciation	36	27
Adjustment to tax charge in respect of prior periods	(30)	(20)
Deferred tax not provided	-	-
Current tax charge	172	133

A deferred tax asset of £71,798 (2005 - £47,787) 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 2006

7 FIXED ASSETS - OTHER TANGIBLE ASSETS

	Plant & Machinery £'000	IT equipment £'000	Furniture & equipment £'000	Total £'000
COST				
At 1st April 2005	242	18	11	271
Additions in year	-	-	-	-
Disposals	-	-	-	-
At 31st March 2006	242	18	11	271
DEPRECIATION				
At 1st April 2005	177	18	11	206
Charge for year	48	-	-	48
Disposals	-	-	-	-
At 31st March 2006	225	18	11	254
NET BOOK VALUE				
At 31st March 2006	17	-	-	17
NET BOOK VALUE				
At 31st March 2005	65	-	-	65

NEW CHARTER BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

8 STOCK	2006 £'000	2005 £'000
Raw materials and consumables	381	422
	<u>381</u>	<u>422</u>

9 DEBTORS	2006 £'000	2005 £'000
Trade Debtors	180	294
Less Provision for bad and doubtful debts	(2)	(11)
	<u>178</u>	<u>283</u>
Amount due from parent and from fellow subsidiaries - Trade	4,212	3,512
Prepayments and accrued income	37	37
Other debtors	-	-
	<u>4,427</u>	<u>3,832</u>

10 CREDITORS - Amounts falling due within one year	2006 £'000	2005 £'000
Amount due to parent undertakings	15	5
Amount due to fellow subsidiary undertakings	-	27
Trade creditors	1,739	1,850
Payroll Creditor	292	293
Other taxation and social security	268	25
Accruals and deferred income	331	294
	<u>2,645</u>	<u>2,494</u>

The average number of days between date of invoice and payment was 34 (2005 : 36)

11 CREDITORS - Amounts falling due after more than one year	2006 £'000	2005 £'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 6.45%. The loan is an inter-company loan from North and South and is repayable in line with the Group's external loan facility.

NEW CHARTER BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

12 RESERVES

	Revenue £'000	Total £'000
As at 1st April 2005	1,414	1,129
Profit for the year	355	285
At 31st March 2006	<u>1,769</u>	<u>1,414</u>

13 OPERATING LEASE COMMITMENTS

	2006 £'000	2005 £'000
At 31st March 2006 annual commitments under non-cancellable operating leases were as follows:		
Within one year or on demand	<u>9</u>	<u>7</u>

14 PENSIONS

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

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

The results and assumptions for the Group as at 31st March 2006 are as follows :

Valuation date	31st March 2006
Valuation Method	Projected unit
Value of assets	£54.475 million
Investment Return per annum	6.52%
Salary scale increases per annum	4.60%
Pension increases per annum	3.10%

The Pension contributions made by the Trust in the year to 31st March 2006 totalled £2,212m covering 788 employees (2005 - £1.755m covering 780 employees). The employers contribution rate was 14.1% of pensionable salary. From 1st April 2006 the level of employer's contribution will increase to 16.4% of pensionable salary.

NEW CHARTER BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

- 14 The requirements of FRS 17 mean that the Trust is required to disclose information on the assets and liabilities of the scheme on a market value basis as at the 31st March 2006. This information is set out below :

Actuarial assumptions :	2006	2005
Discount Rate	4.90%	5.40%
Salary increase rate	4.60%	4.40%
Pension increase rate	3.10%	2.90%
Rate of inflation	3.10%	2.90%

Scheme assets and expected returns for Greater Manchester Pension Fund :

	2006	2006	2005	2005
	Value £'000	Expected rate of return	Value £'000	Expected rate of return
Equities	5,572,000	7.40%	4,684,815	7.70%
Bonds	1,352,000	4.60%	974,682	4.80%
Property	790,000	5.50%	700,293	5.70%
Cash	792,000	4.60%	560,466	4.80%
Total	8,506,000	6.52%	6,920,256	6.85%

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

	2006	2005
	£'000	£'000
Value of pension liabilities	(78,088)	(60,480)
Value of pension assets	54,475	42,350
Related deferred tax liability	-	-
Deficit in scheme	(23,613)	(18,130)

A provision has been made by the Group for the Group's share of the deficit of the scheme.

Balance Sheet

	2006	2005
	£'000	£'000
Net assets excluding FRS 17 pension liability*	117,679	26,116
Net pension liability	(23,613)	(18,130)
Net assets including FRS 17 pension liability	94,066	7,986

Reserves note

Income and expenditure account excluding FRS 17 pension liability*	(40,012)	(22,358)
Pension reserve	(23,613)	(18,130)
Income and expenditure account including FRS 17 pension liability	(63,625)	(40,488)

The Group's pension charge for the year calculated under FRS 17 assumptions is included in the group financial statements..

NEW CHARTER BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

14 Analysis of the amount charged to the income and expenditure account	2006	2005
	£'000	£'000
Service cost	2,631	2,460
Past service cost	224	190
Curtailments and settlements	45	120
	<u>2,900</u>	<u>2,770</u>
Analysis of net return on pension scheme	2006	2005
	£'000	£'000
Expected return on pension scheme assets	2,980	2,720
Interest on pension scheme liabilities	(3,346)	(2,790)
Net return	<u>(366)</u>	<u>(70)</u>
Amounts recognised in the statement of total recognised gains and losses (STRGL)	2006	2005
	£'000	£'000
Actual return less expected return on pension scheme assets	6,839	1,900
Experience gains and losses arising on the scheme liabilities	122	(6,580)
Change in financial and demographic assumptions underlying the scheme liabilities	(11,375)	(1,340)
Actuarial loss recognised in STRGL	<u>(4,414)</u>	<u>(6,020)</u>
Movement in surplus during the year	2006	2005
	£'000	£'000
Deficit in scheme at start of year	(18,130)	(11,010)
Movement in year:		
Current service charge	(2,631)	(2,460)
Contributions	2,197	1,740
Past service costs	(224)	(190)
Net interest/return on assets	(366)	(70)
Actuarial loss	(4,414)	(6,020)
Impact of settlements and curtailments	(45)	(120)
Deficit in scheme at end of year	<u>(23,613)</u>	<u>(18,130)</u>
History of experience gains or losses	2006	2005
	£'000	£'000
Difference between the expected and actual return on assets:		
Amount	6,839	1,900
% of scheme assets	12.6%	4.5%
Experience gains and losses on the scheme liabilities:		
Amount	122	(6,580)
% of scheme liabilities	-0.2%	10.9%
Total amounts recognised in STRGL:		
Amount	(4,414)	(6,020)
% of scheme liabilities	5.7%	10.0%

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