



Part of the New Charter Housing Trust Group

NEW CHARTER BUILDING COMPANY LIMITED

(Company Number 3807120)

REPORT

&

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2007

NEW CHARTER BUILDING COMPANY LIMITED

CONTENTS	Page
Members, Senior Staff, Advisors and Bankers	2
Report of the Board of Management	3
Auditors Report	15
Profit and Loss	17
Balance Sheet	18
Notes to the Financial Statements	19

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 Andrew Stafford Liliane Laine-Slater	<i>Resigned 17/05/06</i> <i>Appointed 17/05/06</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 2007

The Directors present the Financial Statements of the Company for the year ended 31st March 2007.

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 has been strengthened with the advent of the Employee Forum.

OPERATING REVIEW

REVIEW OF 2006/07.

There has been a recurring similarity in each of the annual Business Plans produced by New Charter Building Company Limited in recent years, a similarity that reflects the necessary skills and experience to deliver improvement and consistency within the repairs and maintenance function deemed essential in a service provider.

Each year's results measured either by financial or other key performance indicators clearly highlight the experience and knowledge that is commensurate with a company that knows its value and worth in the field of service provision within the Social Housing Market.

Consistent improvement year on year has been achieved in the following activity areas relevant to the continual growth of a corporate/commercial Building Company:

- Financial Performance
- Customer Satisfaction Levels
- Responsive and Void Property Repairs.
- Number of kept appointments.
- Gas Servicing Outputs.
- Repair Timescales across all categories of repair.

The year 2006/07 has been a challenging year for the company, which at the onset was ever mindful of its requirement to increase its share of the repair and maintenance market and to reduce its management and operational costs in parallel with maintaining excellent service delivery to the Group's core business, and to remain flexible to the Groups needs.

Major partnerships and mergers have increased its repair stock level to 22000 properties across the North West and with a reduced labour and management force the company has managed to once again year on year increase its voluntary discount contribution to the Group and maintain a more than satisfactory overall financial performance.

During 2006 two significant changes took place within the company, both brought about by market forces. Firstly the upvc manufacturing unit was closed following the alliance with a locally based and national supplier of upvc window frames.

The alliance has proven successful and has resulted in major supply and fix contracts being awarded to The Company, which would have been difficult to have won had the alliance not been viewed as a benefit to also extend the prospect of long term employment for our fitting teams.

The second change involved the smooth transition of Aksa Housing Association and New Charter into their newly formed partnership, which placed the Building Company at the lead in ensuring that Aksa's customers benefited from the partnership in its early stages. Repairs and Maintenance is a sound barometer to test the opinions of Aksa's customers on the newly formed partnership and the transition passed smoothly.

The closure of the manufacturing unit had its share of human problems, but most were satisfactorily resolved with Permanent and secure employment being offered and accepted by the operatives as part of the alliance with the new supply chain partner. Equally the customers of Aksa voiced no significant problems with the New Charter partnership thanks to the professional manner in which the coming together was handled.

As a result 2006/07 is reported with confidences high and illustrates the commitment and reality all employees of the Company have experienced in obtaining year on year improvements across all the Company's activities in a ever increasing competitive market.

The success of any company can only be achieved by true partnership working and 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 growth of New Charter Building Company.

ACHIEVEMENTS OVER THE YEAR.

- Responsive Repairs delivered to 99% plus across all categories.
- Void levels delivered to a further record low.
- Customer Satisfaction levels have reached their highest ever level.
- The number of kept appointments has again reached record levels.
- Gas servicing visits completed within the 11 month target for the third consecutive year.
- Record level of employee attendances at work.
- As a consequence sickness levels at all time low.
- Accidents at work also at all time low.
- Consolidation of a successful/profitable External Business Unit.
- Accreditation received for Health & Safety via ROSPA Silver Award.
- Accreditation received for the highly desired Registered Gas Installer.
- Awarded North West Apprentice of the Year Award, for best young plasterer by the BATJIC North West Region Construction Industry Awards.
- Continued Apprentice intake Policy, in conjunction with the age profile exercise to sustain excellent service and growth.
- In conjunction with the client the achievement of the Considerate Constructors Scheme certification.

Considerable emphasis and management input has been expended on Community Issues, which the company has eagerly supported through the initiatives, examples of some of these as listed below:

- Protect Young Kids – Keep Safe- Keep off Scaffolding Campaign.
- Internet Café Facility.
- Learning Through Practice – Learning Difficulties Forum.
- Work Placements for Mature Students.
- Charitable Support to Clubs, Youth Groups, Schools, Theatres and Societies.
- Real jobs to local people for Long Term Employment Prospects.
- Supporting the vulnerable through Business Action on Homelessness.
- Extend More Females into Construction/BME Partnership.
- Work Experience Opportunities for Local Schools.
- Step Learning Numeracy and Literacy Advancement.

The company is mindful of its increasing role in Neighbourhood and Community issues and considers this as a window of opportunity in returning something to the areas we proudly serve. In summary there has been significant achievement during the year. The thanks of the Directors are due to our staff for the part they have played in this.

EMERGING ISSUES FOR 2007/08.

The Company has been driving in cost reductions over the last five years whilst widening its client base both geographically and diversely. The supply chain partners have played their part in the cost reduction processes in return for longer term supply contracts. This is particularly relevant to the Investment Scheme Programme Contracts, and with interest rates on the increase these contracts will prove to be financially prudent and difficult to improve upon in the near future.

There are a number of items which require further input and they are as follows:

- Increase External Income to £3.50 million for 2007/08.
- Increase the Reserve Fund in line with Risk Management Policy.
- Review potential membership of Greater Manchester Procurement Consortia.
- Review business case for further apprentice intake.
- Support the Group in the Gedling Acquisition.
- Further development of the strategic Partnership Alliance.
- Respond to the Group's request for input into the Academy whenever required.
- Continue strategic planning acquisition aimed at long-term partnering.
- Contracts with new clients.

AREAS FOR IMPROVEMENT FOR 2007/08.

- Develop improved communication channels to our dispersed workforce.
- Environmental issues need to be progressed particularly in identifying the vision for advancement of the Environmental Guidelines within our everyday tasks, whilst remaining economically viable.
- Programme aimed at “Walking the Job” is to be accelerated this coming year in a more structured and formalised manner.
- Increase resources to the front line by constantly reviewing efficiency savings.
- Correlate Zero defects strategy into Quality Management review process.

FINANCIAL REVIEW

The financial position and results for the year are set out on pages **17** to **28** of these statements.

The performance for the year shows a profit before interest and tax of **£0.385m** (2006 - £0.614m). It should be noted that this profit level is after returning over £4.2m to the Borrowing Group (the three RSL's in New Charter) and £1.4m Gift Aid to Aksa in line with the Group Financial Strategy.

Income generated externally to the Group has increased in this financial year by 274%, and the income generated from work done for internal customers has decreased by 4%.

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 £200,000 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 2007/08’.

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	17 th May 2006
Kieran Quinn	15 th November 2005	
Andrew Stafford	16 th August 2005	
Liliane Laine – Slater	17 th May 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 2006.

The Auditors, KPMG LLP, are willing to continue in office however a resolution will be to appoint auditors following the outcome of the tender process at the next 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.

Disclosure of information to auditors

The Directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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 2007, 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.

Mechanisms to provide effective internal control

I have reviewed the systems & policies designed to deliver internal control and I am satisfied that these have remained in place throughout the financial year 2006/07. They 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 staff and tenants are 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.
- The Group Loan Facility provides for a formal annual approval by Funders of the Business Plan.
- Monitoring of control systems by Audit Committee, Internal Audit & GMT.
- All Board reports are required to show a Risk Evaluation in terms of Financial & Legal/Governance implications.
- Management information & performance control systems are in place to regularly report financial results and other performance indicators to Group management team and to Boards
- Contract Standing Orders, Financial Regulations and Scheme of Delegations are in place and were reviewed during 2006/7.
- 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 2006/7

- The Audit Committee has continued to meet on a regular basis to consider reports from Officers and Auditors.
- Membership of the Audit Committee is drawn from across the Boards of the Group, includes co-opted members and is chaired by an independent Director of the Trust Board.
- 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 kept informed of developing best practice including Housing Corporations Risk Management Topic Papers.
- Internal Audit remains a contracted out service.
- Audit Committee has taken control and ownership of the recruitment process for the replacement of internal and external auditors by October 2007.
- Risk register produced to identify, evaluate & manage 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 February 2007 Audit Committee. Audit Committee considered their Audit Highlights Memorandum in August 2007.
- The Housing Corporation Assessment for the Group places all factors at “green”.
- The Housing Corporation’s Annual Viability Statement makes clear that the Group “complies with the Regulatory code. The Group has satisfactory financial condition and exposures are mitigated to an acceptable degree”
- A number of weaknesses and threats were identified which must be addressed. within the Business Planning process:
 - Management cost savings are to be achieved
 - There is a need to tightly control responsive repairs expenditure
 - The investment programme is at risk of cost inflation pressures
- 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.
- There has been no instance of substantial fraud during the year; indeed there are no entries in the fraud register for the year 2006/7.

- No Regulatory or Supervisory action by the Housing Corporation has been taken during the year, beyond normal, planned, regulatory engagement.

The very few significant control weaknesses identified by, Internal Auditors, 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.

A handwritten signature in black ink, appearing to read 'I H Munro', with a long horizontal line extending to the right.

I H MUNRO
GROUP CHIEF EXECUTIVE
NEW CHARTER HOUSING TRUST Ltd

1st August 2007

The report of the Board of Management was approved on 25th September 2007 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 2007 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 9, 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 2007 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
St James' Square
Manchester
M2 6DS

NEW CHARTER BUILDING COMPANY LTD
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDING 31 MARCH 2007

	2007	2006
	£'000	£'000
Turnover	29,539	28,381
Cost of sales	(23,351)	(21,626)
Gross Profit	6,188	6,755
Net operating expenses	(5,803)	(6,141)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION	3 385	614
Interest payable and similar charges	2 (25)	(87)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	360	527
TAXATION		
Taxation on ordinary activities	6 (112)	(172)
PROFIT FOR THE YEAR	248	355
ACCUMULATED PROFIT BROUGHT FORWARD	1,769	1,414
ACCUMULATED PROFIT CARRIED FORWARD	2,017	1,769

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 19 to 28 form an integral part of the financial statements.

NEW CHARTER BUILDING COMPANY LIMITED

BALANCE SHEET

AS AT 31 MARCH 2007

		2007		2006	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible fixed assets	7		5		17
CURRENT ASSETS					
Stock	8		403		381
Debtors	9		<u>5,018</u>		<u>4,427</u>
			5,421		4,808
CREDITORS					
Amounts falling due within one year	10		<u>(2,998)</u>		<u>(2,645)</u>
NET CURRENT ASSETS			2,423		2,163
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,428</u>		<u>2,180</u>
CREDITORS					
Amounts falling due after more than one year	11		(411)		(411)
NET ASSETS			<u><u>2,017</u></u>		<u><u>1,769</u></u>
CAPITAL AND RESERVES					
Profit and Loss Account	12		2,017		1,769
			<u><u>2,017</u></u>		<u><u>1,769</u></u>

The financial statements on pages 17 to 28 were approved on behalf of the Board on the 25th September 2007 and were signed by :

V Ricci

(Chair)

D O McLoughlin

(Group Company Secretary)

The notes on pages 19 to 28 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 2007

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 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 2007

Operating leases

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

Stock

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

Related Party Transactions

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

Long Term Contracts

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

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

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

Cash Flow Statement

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

Deferred Taxation

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

NEW CHARTER BUILDING COMPANY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

	2007 £'000	2006 £'000
2 INTEREST PAYABLE AND SIMILAR CHARGES		
On intercompany loans	25	27
Working capital	-	60
	<u>25</u>	<u>87</u>

	2007 £'000	2006 £'000
3 PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		
Is stated after charging:		
Depreciation	12	48
Auditors remuneration (inc VAT)		
- in their capacity as auditors	22	23
Operating lease charges (Fleet Vehicles)	8	9
Charitable Donation	1,429	2,019
	<u>1,429</u>	<u>2,019</u>

4 DIRECTORS EMOLUMENTS

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

	2007	2006
Aggregate emoluments payable to GMT (including pension contributions & benefits in kind)	<u>£137,033</u>	<u>£129,884</u>
Emoluments payable to the highest paid member of GMT (excluding pension contributions but includes benefits in kind)	<u>£121,862</u>	<u>£118,322</u>

NEW CHARTER BUILDING COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

DIRECTORS EMOLUMENTS (continued)

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

£110,001 - £120,000

£120,001 - £130,000

2007

2006

Number

Number

-

1

1

1

1

1

Aggregate amount of highest paid director's pension

£15,170

£11,562

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

£31,836

£15,910

5 EMPLOYEE INFORMATION

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

Management

Administrative

Direct labour

2007

2006

26

26

30

32

230

244

286

302

Full time

Part time

283

300

3

2

286

302

Staff costs for the above persons were:

2007

2006

£'000

£'000

Wages and salaries

Social security costs

Other pension costs

8,676

8,244

609

649

1,093

1,026

10,378

9,919

NEW CHARTER BUILDING COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

	2007 £'000	2006 £'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	112	172
Adjustments in respect of prior periods	-	-
	<u>112</u>	<u>172</u>
Deferred tax		
Origination /reversal of timing difference	-	-
Adjustments in respect of prior periods	-	-
	<u>-</u>	<u>-</u>
Total current tax	<u><u>112</u></u>	<u><u>172</u></u>

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	360	527
Current tax at 30%	108	158
Effects of:		
Expenses not deductible for tax purposes	2	8
Capital allowances for period in excess of depreciation	21	36
Capital Allowances - plant pool	(19)	(30)
Deferred tax not provided	-	-
Current tax charge	<u><u>112</u></u>	<u><u>172</u></u>

NEW CHARTER BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

7 FIXED ASSETS - OTHER TANGIBLE ASSETS

	Plant & Machinery £'000	IT equipment £'000	Furniture & equipment £'000	Total £'000
COST				
At 1st April 2006	242	18	11	271
Additions in year	-	-	-	-
Disposals	-	-	-	-
At 31st March 2007	242	18	11	271
DEPRECIATION				
At 1st April 2006	225	18	11	254
Charge for year	12	-	-	12
Disposals	-	-	-	-
At 31st March 2007	237	18	11	266
NET BOOK VALUE				
At 31st March 2007	5	-	-	5
NET BOOK VALUE				
At 31st March 2006	17	-	-	17

NEW CHARTER BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

8 STOCK	2007 £'000	2006 £'000
Raw materials and consumables	403	381
	<u>403</u>	<u>381</u>
9 DEBTORS	2007 £'000	2006 £'000
Trade Debtors	1,590	180
Less Provision for bad and doubtful debts	<u>(35)</u>	<u>(2)</u>
	1,555	178
Amount due from parent and from fellow subsidiaries - Trade	3,463	4,212
Prepayments and accrued income	-	37
Other debtors	-	-
	<u>5,018</u>	<u>4,427</u>
10 CREDITORS - Amounts falling due within one year	2007 £'000	2006 £'000
Amount due to parent undertakings	143	15
Amount due to fellow subsidiary undertakings	-	-
Trade creditors	1,950	1,739
Payroll Creditor	300	292
Other taxation and social security	279	268
Accruals and deferred income	326	331
	<u>2,998</u>	<u>2,645</u>
11 CREDITORS - Amounts falling due after more than one year	2007 £'000	2006 £'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 6.05%. 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 2007

12 RESERVES

	Revenue £'000	Total £'000
As at 1st April 2006	1,769	1,414
Profit for the year	248	355
At 31st March 2007	<u>2,017</u>	<u>1,769</u>

13 OPERATING LEASE COMMITMENTS

	2007 £'000	2006 £'000
At 31st March 2007 annual commitments under non-cancellable operating leases were as follows:		
Within one year or on demand	<u>8</u>	<u>9</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 2007 are as follows :

Valuation date	31st March 2007
Valuation Method	Projected unit
Value of assets	£61,426 million
Investment Return per annum	7.20%
Salary scale increases per annum	4.70%
Pension increases per annum	3.20%

The Pension contributions made by the Trust in the year to 31st March 2007 totalled £2,585m covering 806 employees (2006 - £2,212m, 788) The employers contribution rate was 16.4% of pensionable salary. From 1st April 2007 the level of employer's contribution will increase to 18.7% of pensionable salary.

The Association operates a pension scheme providing benefits based on final pensionable pay. The latest full actuarial valuation was carried out at 31st March 2004 and was updated for FRS17 purposes to 31st March 2007 by a qualified independent actuary who was not an employee or officer of the company.

It has been agreed that an employer contribution rate of 18.7% of pensionable pay will apply in future years.

The major assumptions used in this valuation were:

	2007	2006	2005
Rate of increase in salaries	4.70%	4.60%	4.40%
Rate of increase in pensions in payment and deferred pensions	3.20%	3.10%	2.90%
Discount rate applied on scheme liabilities	5.40%	4.90%	5.40%
Inflation assumption	3.20%	3.10%	2.90%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which due to the timescale covered may not necessarily be borne out in practice.

NEW CHARTER BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

Scheme assets

The fair value of the scheme's assets which are not intended to be realised in the short term and may be subject to significant change before they are realised and the present value of the scheme's liabilities which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	value at 2007 £000	value at 2006 £000	value at 2005 £000
Equities	41,034	35,685	28,670
Bonds	9,783	8,659	5,960
Other - property	6,053	5,059	4,290
Cash	4,556	5,072	3,430
Total market value of assets	<hr/> 61,426	54,475	42,350
Present value of scheme liabilities	79,708	78,088	60,480
Surplus/(deficit) in the scheme - pension asset/(liability)			
Related deferred tax liability asset			
Net pension asset / (liability)	<hr/> (18,282)	(23,613)	(18,130) <hr/>

	Long term rate of return 2007	Long term rate of return 2006	Long term rate of return 2005
Equities	7.80%	7.40%	7.70%
Bonds	4.90%	4.60%	4.80%
Other - property	5.80%	5.50%	5.70%
Cash	4.90%	4.60%	4.80%

	2007 £'000	2006 £'000
Movement in deficit during the year		
Surplus/(deficit) in scheme at beginning of year	(23,613)	(18,130)
Current service cost	(3,488)	(2,631)
Contributions paid	2,801	2,197
Past service cost	(100)	(224)
Other finance income/cost	(367)	(411)
Actuarial gain/loss	6,485	(4,414)
Surplus / (deficit) in the scheme at the end of the year	<hr/> (18,282)	(23,613) <hr/>

	2007 £'000	2006 £'000
Analysis of other pension costs charged in arriving at operating profit/loss		
Current service cost	3,488	2,631
Past service cost	100	224
Previously unrecognised surplus deducted from past service cost		
Gains/losses on settlements or curtailments	96	45
Previously unrecognised surplus deducted from the settlement or curtailment losses		
	<hr/> 3,684	2,900 <hr/>

Gains/losses on settlements or curtailments, and previously unrecognised surplus deducted from the losses, recorded as non operating items totalled £120k and £45k respectively.

NEW CHARTER BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

<u>Analysis of amounts included in other finance income/costs</u>	2007 £'000	2006 £'000
Expected return on pension scheme assets	3,645	2,980
Interest on pension scheme (liabilities)	(3,916)	(3,346)
	(271)	(366)

<u>Analysis of amount recognised in statement of total recognised gains and losses</u>	2007 £'000	2006 £'000
Actual return less expected return on scheme assets	370	6,839
Experience gains and losses arising on scheme liabilities	68	122
Changes in assumptions underlying the present value of scheme liabilities	6,047	(11,375)
Actuarial gain recognised in statement of total recognised gains and losses	6,485	(4,414)

History of Experience, Gains & Losses

	Year ended 31st March 2007 £000	Year ended 31st March 2006 £000	Year ended 31st March 2005 £000	Year ended 31st March 2004 £000
Difference between the expected and actual return on scheme assets:				
Amount	370	6,839	1,900	5,310
Percentage of year end scheme a	0.60%	12.60%	4.50%	13.90%
Experience gains and losses on scheme liabilities:				
Amount	68	122	(6,580)	(30)
Percentage of year end present v.	0.10%	0.20%	(10.90%)	(0.10%)
Total amount recognised in statement of total recognised gains and losses:				
Amount	6,485	(4,414)	(6,020)	1,700
Percentage of year end present v.	8.10%	(5.70%)	(10.00%)	3.50%

Reconciliation to the balance sheet

	2007 £'000	2006 £'000
Net assets excluding pension liability	0	117,679
Pension (liability)	(18,282)	(23,613)

15 CHARITABLE DONATION

A charitable donation has been made to AKSA Housing Association, a registered charity, under "Gift Aid" for the sum of £1,420,000.
A charitable donation has been made to St James Church General Fund, a registered charity, under "Gift Aid" for the sum of £3,000.
A charitable donation has been made to Droylsden Youth Centre, a registered charity, under "Gift Aid" for the sum of £2,000.
Donations have been made in the sum total of £3,680 to West Hill School, Stockport NHS Foundation Trust, Tameside & Glossop Acute Services and Carrbrook Housing Co-op Limited.

16 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