



NEW CHARTER HOUSING (SOUTH) LIMITED

(Company Number 3807181)

REPORT

&

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2007

NEW CHARTER HOUSING (SOUTH) LIMITED

CONTENTS	Page
Members, Senior Staff, Advisors, Bankers and Lead Funders	2
Report of the Board of Management	4
Auditors Report	18
Income and Expenditure	20
Balance Sheet	21
Cash Flow Statement	22
Notes to the Financial Statements	23

NEW CHARTER HOUSING (SOUTH) LIMITED

MEMBERS, SENIOR STAFF, ADVISORS, BANKERS AND LEAD FUNDERS

Board of Management

Chair	Julie Hardman	
Vice-Chair	Tony Berry	
Other Members	Margaret Barker Margaret Downs Anne Simmonite (Lucas) Vincent Ricci Joseph Robinson Joan Ryan Martin Wareing Joseph Fitzpatrick (<i>Local Authority</i>) Malcolm Burbridge Alaha Begum. Geoff Loughlin Audrey White	<i>Resigned 15/08/06</i> <i>Appointed full director 15/08/06</i> <i>Appointed 10/05/06</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

Lead Executive Tony Powell

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

Registered by the Housing Corporation (LH4267)

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 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 providing rented housing within the district of Tameside. New Charter Housing (South) 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. The Group has now allocated an amount of funding within its business plan for future development of new build properties and for other new opportunities.

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 established an Employees Forum, comprising management and workforce representatives and this met regularly 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 was strengthened this year by the Employee Forum.

REVIEW OF THE YEAR

The Group's mission remains to deliver the pledges made at transfer in 2000 within resources available and all those pledges will be complete before April 2010. New Charter South have developed schemes at Chester Avenue and work is under construction on Underwood Road.

We are a customer focused business and so it is immensely pleasing to report that tenant satisfaction (measured independently) in January 2007 rose again to 93%. For the second year in succession, this rating puts us at the top of the league table of large landlords in England. Satisfaction with repairs also rose seven points to 89%.

We are delivering our pledge at transfer that tenants would have more say in the ownership and management of their homes and a staggering 94% of customers are happy with the opportunities they have to participate in New Charter. This means that we are also at the top of the league of large landlords with the Housing Corporation Key Performance Indicator.

The Housing Corporation itself awarded us four 'green lights' for viability, governance, management and development – the best assessment possible.

Our rent collection services are second to none, and continue to hit the challenging targets we set ourselves. We introduced pre tenancy support to prepare tenants to take on tenancies successfully, and this complements our financial inclusion work.

Yet again, we reduced the number of void properties to below our business plan target. At the same time we prepared to introduce choice based lettings, a significant change in the way we let homes.

We made further improvements to our investment programme and enhanced our activity on environmental works in our neighbourhoods. Both our windows and doors programmes will be complete by December 2007 – almost three years earlier than originally promised.

Much of our success on investment and repairs is attributable to our own Building Company. It remains in great demand as an excellent repairs and maintenance contractor, and has been successful in winning work inside and outside the housing sector.

Neighbourhood management is at the heart of what we do. Systematic inspection of our estates takes place each quarter and ensures we are dealing with issues important to the locality. Our work tackling anti social behaviour continued to make headlines, and we have successfully sold our professional services to other landlords. We have also sold our systems improvement skills; and marketing our skills is an area of future development for us.

Our maturity as an organisation meant that we were able to move into and lead regeneration initiatives affecting our neighbourhoods. In particular we were asked by Tameside Metropolitan Borough Council to lead public consultation and engagement in the Smallshaw and Broadoak areas as part of the Safer Stronger Communities Fund work.

Our sponsorship of a new Academy in Tameside sets us ahead of many other regeneration agencies as we are the first housing association to be a sponsor. Plans now include closing two high schools and opening the Academy on the two existing sites in September 2008 before a new building on a new campus accepts pupils in September 2010.

This year there were additional resources made available for new development opportunities and we completed 13 new homes in Dukinfield, and a further 10 homes will complete in Droylsden in spring 2007. We have undertaken these developments without the support of Social Housing Grant.

Our growth strategy took a step forward as we were selected by Gedling Borough Council to be the new RSL partner for the transfer of its 3,400 homes to a new subsidiary of the Group, Gedling Homes. This is planned to take place by March 2008, subject to a positive ballot of Gedling's tenants.

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.

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 great homes for people in great neighbourhoods - 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

Put more simply, we want:

Great Homes
Great Neighbourhoods
Great Staff

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.

1 IMPROVE

Improvements to the void process have consistently delivered better results, with total numbers of void properties steadily reducing despite the impact of the asylum seeker properties being returned from Tameside MBC this year. At the end of March void numbers were at a very low level of 273. Void turnaround times however, are above target, but we have recently seen a substantial reduction due to recent changes to the process but low demand properties are still having a detrimental effect on turnaround times. Recently void properties are being turned around in about 36 days but lettings of sheltered bedsits are still having a detrimental effect on our official reported figures.

The rolling rent collection rate has at 99.75%, exceeded the Business Plan target of 99.3% and problems experienced with the new Housing Benefit system have now been overcome.

Performance on repairs generally remains excellent, although we encountered some processing issues earlier on in the year, which have now been dealt with and resultant delays have been significantly reduced.

The average time taken to complete 'All repairs' is now at 6.17 days in comparison to 6.14 days for the previous year. The main reason for this has been a slight reduction in performance on routine repairs and a number of issues have been highlighted where some remedial action has been taken. We are still working on some wider issues including changing the information on works orders to give a more accurate description and target time, this has improved performance over the last few months. Year end figures for 2006/7 for Gas Servicing show that only 48 properties are 'out of time' with 99.64% of properties having a valid Gas certificate. Power of entry notices are being served on other properties as appropriate and we achieved our first possession order in September on a property in Dukinfield. This is a big improvement on earlier in the year and is expected to continue as we have moved to a 48 week cycle.

2 INVEST

Overall performance towards meeting the investment target is 92% which is above the minimum tolerance target. This is mainly due to a mix of issues regarding Windows and Doors. There was some concern over Kitchen progress emerging on the main investment programme due to only 82% performance against the target but when adding in other Investment works completed by the Void and Responsive teams this pushes performance well over the original targets – i.e kitchens 112%, bathrooms 114%, heating 99%, windows 85%, doors 93%, roofing 111% and painting 101%.

In terms of increasing stock levels, the number of Right to Buy/Acquire outstanding applications have continued to fall as have completions, which are now averaging 9 per month (Group). There have been a total of 112 Group sales against a Business Plan projection of 200. We have been successful in becoming a preferred partner for Gedling and now have a development resource to deliver a minimum of 50 new properties. We have completed schemes at Boundary Close and Chester Avenue and have purchased 28 Right to Buy Buybacks..

3 IMAGE

In terms of continuing to work on areas of customer satisfaction in the 2006 customer survey, the January 2007 survey showed a further increase in tenant satisfaction overall. Satisfaction levels increased from 89.7% last year to 92.8% in 2007. Other areas within the survey also showed significant increases in performance and Heads of Service and GMT Members engaged in improvement projects “From Good to Great”.

We have continued to develop “Employer of Choice” strategies. We have Performance management in place, a new pay structure, excellent flexible working take-up, new benefits developed and a growing learning centre with most targets being achieved or exceeded. New leaflets promoting New Charter benefits have been produced and a new Flexible Benefits scheme was launched in October 2006 with the system fully operational in January 2007.

We have continued to improve the attractiveness of our neighbourhoods and large scale schemes have been tendered and started on site. Multiple small scale sites are also in progress and this is reported to South Board at each meeting.

4 INVOLVE

We have implemented and further developed our tenant involvement policy. The 2006 Survey showed 89% satisfaction with opportunities for involvement whereas the 2007 figures show 94% satisfaction with opportunities for involvement.

The 2006 Survey showed 73% satisfaction with neighbourhood management services. We have consulted with Tenants and leaseholders to assess required levels of services and have shaped them accordingly. The 2007 survey showed an increase to 81% satisfaction with neighbourhood management services i.e. an increase of 8%.

We have pursued further inclusivity through work with others on equality and diversity in line with the Housing Corporation good practice notes 4 and 8 and have Targets established in the Equality and Diversity Action Plan. We have also recruited two Community Development Worker posts through Aksa to work within the Tameside area.

We have continued to increase involvement in community leadership through funding specific regeneration activities and resourcing a regeneration team. Specific regeneration schemes in place are

- Youth Diversion Project
- Community Sporting Events
- Garden Tool Box
- Skills for Life Training at Neighbourhood Offices

We have studied and attempted to respond to the issues raised by customers on this Business Plan consultation such as reviewing Digital TV coverage and possibilities for provision of Interactive services. Family fun days have been held on a number of estates and other events have been sponsored – Central Estate/ Britain in Bloom etc.

5 INNOVATE

In terms of developing and launching a range of consultancy services, we have carried out a number of market testing exercises including external training in Revenues and continual improvement/Management development, carried out a number of pieces of work for other landlords in terms of anti-social behaviour issues, tendered (and been shortlisted) for a significant customer first training project for Housing Hartlepool and have jointly developed a product for performance improvement services in conjunction with the Northern Housing Consortium which was launched in April 2007.

In developing the use of the internet and new technology to address low percentage accessibility of service and improved business processes, we have looked at a number of areas. The IT strategic plan has been agreed by Boards and it includes an e-business plan. Some simple transactions such as reporting repairs and basic contacts are already available and personal Digital Assistants (PDAs) have been developed for Property Maintenance Officers, Gas Servicing and Neighbourhood Management Officers.

FINANCIAL REVIEW

The financial position and results for the year are set out on pages **20** to **36** of these statements.

Results for the year

New Charter (South)'s deficit for the year, before movements in reserves, was **£8.365m** which was within the approved plan. This compares with a deficit of **£5.619m** in the previous year.

The main reasons for the increased deficit were:

- An increase in the repairing, maintaining and improvement costs reflecting the continuing delivery of the investment plan, and
- A decrease in the amount of Right to Buys and land sales.

Surplus/reserves

Total reserves as at 31st March 2007 were **£44.697m** (2006 - £44.687m).

These reserves represent accounting surpluses/deficits from previous years, and movements on the valuation of our housing properties.

Summary Balance Sheet

New Charter (South)'s Balance Sheet as at 31st March 2007 is summarised on page **21** of these financial statements.

The key factor affecting the balance sheet is the inclusion of our housing stock at valuation (rather than at cost less depreciation).

In our view, the valuation approach provides a more relevant and meaningful representation of our financial position. The valuation was carried out by Savilles an independent and professionally qualified surveying firm.

The financial statements demonstrate a net current liability position of **£2.290m** as at 31st March 2007 (2006 – net current liability £2.854m).

Cash flows

New Charter (South)'s cash flows are summarised on page **22**.

The principal sources of cash inflows in the year were:

- rental and other income of **£20.969m** (2006 - £19.837m),
- the sale of housing properties under RTB and land sales of **£1.895m** (2006 - £3.670m) and
- total drawdowns on the Group Loan Facility of **£11.950m** (2006 - £3.500m).

The principal cash outflows were:

- operating costs of **£25.035m** (2006 - £22.575m),
- investment in assets, particularly housing stock, of **£8.095m** (2006 - £7.841m),
- servicing of debt of **£5.544m** (2006 - £5.100m).

Capital structure and treasury policy

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.

The funding profile (amounting in total to a facility for this Company of **£123.086m**), 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.

Long-term borrowings at the year-end totalled **£95.160m** (2006 - £83.210m).

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 quarterly 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.

New Charter continues to maintain a risk-averse approach towards the management of its loan portfolio and at the year-end had **72%** of its debt on a fixed rate basis, leaving it relatively well protected against potential adverse movements in interest rates.

The Finance Committee agreed a set of treasury policies at the time of stock transfer. These policies have been reviewed by the Committee during the course of the financial year.

DIRECTORS

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

		<u>Appointed</u>	<u>Resigned</u>
Julie Hardman - Chair	(T)	2 nd August 1999	
Tony Berry – Vice-Chair	(I)	2 nd August 1999	
Margaret Barker	(T)	2 nd August 1999 8 th May 2002	22 nd November 2001
Margaret Downs	(C)	2 nd August 1999	
Anne Simmonite (Lucas)	(I)	2 nd August 1999	
Vincent Ricci	(C)	2 nd August 1999	
Joseph Robinson	(I)	24 th September 2002	
Joan Ryan	(I)	18 th July 2001 (co-opted) 8 th May 2002	
Malcolm Burbridge	(T)	30 th September 2004	
Martin Wareing	(C)	2 nd June 2004	
Alaha Begum	(I)	16 th November 2004 (co-opted)	
Geoff Loughlin	(I)	16 th November 2004 (co-opted)	
Joseph Fitzpatrick	(C)	26 th September 2005	
Audrey White	(T)	10 th May 2006	

(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 during this trading year.

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 26th 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 in respect of the Director's Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of the surplus or deficit for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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. The 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.



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

Report of the independent auditors to the members of New Charter Housing (South) Limited

We have audited the financial statements of New Charter Housing (South) Limited for the year ended 31st March 2007 which comprise the Income and Expenditure Account, the Statement of Total Recognised Surpluses and Deficits, the Balance Sheet and the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the association's members, as a body, in accordance with Schedule 1 paragraph 16 to the Housing Act 1996 and section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the association'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 association and the association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Directors and auditors

As described on page 12, the association's Directors are responsible for the preparation of the Directors' report, and the preparation of financial statements in accordance with applicable United Kingdom 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 requirements of the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the audited financial statements. We also report to you if, in our opinion, the association 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 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 judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the association'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 affairs of the association as at 31st March 2007 and of its surplus/(deficit) for the year then ended;
- the financial statements 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 2006; 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 HOUSING (SOUTH) LIMITED

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2007

		2007	Restated 2006
		£'000	£'000
Turnover	2	20,969	19,837
Operating costs	2	(25,035)	(22,376)
Operating deficit	2	<u>(4,066)</u>	<u>(2,539)</u>
Profit/(loss) on sale of fixed assets	4	1,181	1,951
DEFICIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		<u>(2,885)</u>	<u>(588)</u>
Interest receivable and other income	5	64	69
Interest payable and similar charges	6	(5,544)	(5,100)
DEFICIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(8,365)</u>	<u>(5,619)</u>
TAXATION			
Taxation on ordinary activities	10	-	-
DEFICIT FOR THE YEAR		<u>(8,365)</u>	<u>(5,619)</u>
REVENUE RESERVE BROUGHT FORWARD		(11,486)	(5,826)
TRANSFER FROM REVALUATION RESERVE		2,584	(41)
REVENUE RESERVE CARRIED FORWARD		<u><u>(17,267)</u></u>	<u><u>(11,486)</u></u>
 STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES			
Deficit for the financial year		(8,365)	(5,619)
Unrealised deficit on the revaluation of properties		8,375	41
Total recognised gains and losses for the year		<u><u>9</u></u>	<u><u>(5,578)</u></u>
 NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS			
Deficit on ordinary activities before taxation		(8,365)	(5,619)
Difference between the historical cost depreciation charges and the actual depreciation charge for the year calculated on the revalued amount		603	494
Historical cost deficit on ordinary activities before taxation		<u><u>(7,762)</u></u>	<u><u>(5,125)</u></u>

All of the above results derive from continuing operations.

NB: Where there have been no other recognised surpluses or deficits apart from those included in the income and expenditure account, the requirement of FRS 3 can be met by disclosing the fact on the income and expenditure account statement.

The notes on pages 23 to 36 form an integral part of the financial statements.

NEW CHARTER HOUSING (SOUTH) LIMITED

BALANCE SHEET

AS AT 31 MARCH 2007

		2007		Restated
		£'000	£'000	2006
				£'000
FIXED ASSETS				
Tangible assets - housing properties	11		134,639	124,786
Less Social Housing Grant			(419)	(419)
Less depreciation			(4)	(4)
			<u>134,216</u>	<u>124,363</u>
Other tangible assets	12		8,849	8,972
			<u>143,065</u>	<u>133,336</u>
CURRENT ASSETS				
Debtors	13		2,983	3,054
			<u>2,983</u>	<u>3,054</u>
CREDITORS				
Amounts falling due within one year	14		(5,273)	(5,908)
NET CURRENT ASSETS				
			(2,290)	(2,854)
TOTAL ASSETS LESS CURRENT LIABILITIES				
			<u>140,775</u>	<u>130,482</u>
CREDITORS				
Amounts falling due after more than one year	15		96,078	85,795
CAPITAL AND RESERVES				
Revaluation reserve	17		61,964	56,372
Revenue reserve	17		(17,267)	(11,685)
			44,697	44,687
			<u>140,775</u>	<u>130,482</u>

The financial statements on pages 20 to 36 were approved on behalf of the Board on the 23rd August 2007 and were signed by:

J Hardman

(Chair)

D O McLoughlin

(Group Company Secretary)

The notes on pages 23 to 36 form an integral part of the financial statements.

NEW CHARTER HOUSING (SOUTH) LIMITED

CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2007

		2007 £'000	2006 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	18	(1,805)	2,882
 RETURNS ON INVESTMENTS AND SERVICING FINANCE			
Interest received	64		69
Interest paid		<u>(5,544)</u>	<u>(5,100)</u>
		(5,480)	(5,031)
 CAPITAL EXPENDITURE			
Developments, improvements and other capital works		(6,335)	4,303
Other capital expenditure		<u>(225)</u>	<u>(717)</u>
		(6,560)	(5,020)
Sale of housing properties		<u>1,895</u>	<u>3,670</u>
		(4,665)	(1,350)
CASHFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		<u>(11,950)</u>	<u>(3,499)</u>
MANAGEMENT OF LIQUID RESOURCES		-	-
 FINANCING			
Loans advances received	11,950		3,500
Social Housing Grant received		<u>-</u>	<u>-</u>
		11,950	3,500
INCREASE IN CASH		<u><u>0</u></u>	<u><u>1</u></u>

The notes on pages 23 to 36 form an integral part of the financial statements.

NEW CHARTER HOUSING (SOUTH) 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 and the Statement of Recommended Practice (SORP) "Accounting by Registered Social Landlords" updated in 2006. A summary of the more important accounting policies which have been applied consistently is set out below.

Basis of Accounting

The financial statements have been prepared under the historical cost convention as amended for the valuation of housing properties and comply with the Accounting Requirements for Registered Social Landlords General Determination 2006.

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 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 (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

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.

Capitalisation Policy

A revised Capitalisation Policy has been adopted by the Group inline with FRS15 and the revised SORP. The Capitalisation Policy includes the capitalisation of roofs, doors and windows, with the balance being expended through the Income & Expenditure Account.

NEW CHARTER HOUSING (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

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

	Turnover	2007 Operating costs	Operating surplus	Turnover	2006 Operating costs	Operating surplus
	£'000	£'000	£'000	£'000	£'000	£'000
Income and expenditure from social housing lettings						
Housing accommodation	20,568	21,710	(1,142)	19,580	19,303	277
Depreciation of housing properties	-	2,353	(2,353)	-	2,440	(2,440)
Loss on investment programme disposals	-	889	(889)	-	755	(755)
	<u>20,568</u>	<u>24,952</u>	<u>(4,384)</u>	<u>19,580</u>	<u>22,498</u>	<u>(2,918)</u>
<i>See Note 3 for further detail.</i>						
Other income and expenditure from social housing lettings						
Garages rental	139	40	99	110	40	70
Supporting People Contract Income	34	-	34	34	-	34
Home contents insurance scheme	56	43	13	56	43	13
Other activities	172	-	172	55	-	55
	<u>401</u>	<u>83</u>	<u>318</u>	<u>256</u>	<u>83</u>	<u>173</u>
	<u>20,969</u>	<u>25,035</u>	<u>(4,066)</u>	<u>19,836</u>	<u>22,581</u>	<u>(2,745)</u>

NEW CHARTER HOUSING (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

3 INCOME FROM SOCIAL HOUSING LETTINGS	2007			2006		
	General needs £'000	Temporary social £'000	Total £'000	General needs £'000	Temporary social £'000	Total £'000
Gross rent receivable (net of service charges)	19,160	36	19,196	18,633	35	18,668
Charges for Support Services	454	-	454	454	-	454
Service charges receivable	1,401	15	1,416	1,052	15	1,067
Gross rents and service charges receivable	<u>21,015</u>	<u>51</u>	<u>21,066</u>	<u>20,139</u>	<u>50</u>	<u>20,189</u>
Net rents receivable	<u>21,015</u>	<u>51</u>	<u>21,066</u>	<u>20,139</u>	<u>50</u>	<u>20,189</u>
Other income	-	-	-	-	-	-
Turnover from social housing lettings	<u>21,015</u>	<u>51</u>	<u>21,066</u>	<u>20,139</u>	<u>50</u>	<u>20,189</u>
EXPENDITURE ON SOCIAL HOUSING LETTING ACTIVITIES						
Management	7,458	89	7,547	7,358	89	7,447
Services	310	-	310	287	-	287
Routine maintenance	7,230	2	7,232	5,375	2	5,377
Planned maintenance	380	-	380	335	-	335
Major repairs expenditure	5,496	-	5,496	5,256	-	5,256
Rent losses from bad debts	396	1	397	349	1	350
Depreciation of housing properties	2,346	7	2,353	2,436	7	2,443
Loss on investment programme disposals	889	-	889	755	-	755
Impairment of housing properties	-	-	-	-	-	-
Depreciation of other assets	348	-	348	317	-	317
Operating costs on social housing lettings	<u>24,853</u>	<u>99</u>	<u>24,952</u>	<u>22,468</u>	<u>98</u>	<u>22,566</u>
Operating (deficit)/surplus on social housing lettings	<u>(3,838)</u>	<u>(48)</u>	<u>(3,886)</u>	<u>(2,329)</u>	<u>(48)</u>	<u>(2,377)</u>
Less: rent loss from voids	<u>(492)</u>	<u>(6)</u>	<u>(498)</u>	<u>(587)</u>	<u>(6)</u>	<u>(593)</u>

Service Charge income is fully eligible for Housing Benefit.

NEW CHARTER HOUSING (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

	2007	2006
	£'000	£'000
4 SURPLUS ON SALE OF FIXED ASSETS		
Proceeds of sale	1,895	1,895
Cost of sales (including amount due to Tameside MBC)	(714)	(1,719)
Profit/(loss) on sale of fixed assets	<u>1,181</u>	<u>176</u>
	2007	2006
	£'000	£'000
5 INTEREST RECEIVABLE AND OTHER INCOME		
Bank interest receivable	-	-
Inter Company loan interest receivable	64	69
	<u>64</u>	<u>69</u>
	2007	2006
	£'000	£'000
6 INTEREST PAYABLE		
On bank loans, overdrafts and other loans	<u>5,544</u>	<u>5,100</u>
	<u>5,544</u>	<u>5,100</u>
	2007	2006
	£'000	£'000
7 DEFICIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
Is stated after charging:		
Depreciation of Fixed Assets & Other Fixed Assets	2,701	2,756
Auditors remuneration (inc VAT)		
- in their capacity as auditors	16	16
Loss on disposal of items replaced as part of investment programme	<u>889</u>	<u>755</u>

NEW CHARTER HOUSING (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

8	DIRECTORS EMOLUMENTS	2007	2006
	Remuneration and expenses payable to members of the Board who were neither officers nor employees of the Company		
		<u>£0</u>	<u>£0</u>

9 EMPLOYEE INFORMATION

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.

		2007	2006
		£'000	£'000
10	TAXATION ON SURPLUS ON ORDINARY ACTIVITIES		
	a Analysis of tax charge in the year		
	UK corporation tax		
	Current tax on income for the year	-	-
	Adjustments in respect of prior periods	-	-
		<u>-</u>	<u>-</u>
	Deferred tax		
	Origination /reversal of timing difference	-	-
	Adjustments in respect of prior periods	-	-
		<u>-</u>	<u>-</u>
	Total current tax	<u>-</u>	<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 :

Deficit on ordinary activities before tax	(8,365)	(5,818)
Current tax at 30%	(2,509)	(1,746)
Effects of:		
Expenses not deductible for tax purposes	30	3
Capital allowances for period in excess of depreciation	-	61
Creation of tax losses not recognised	1,371	1,801
Non qualifying depreciation	619	411
CGT accounts/accounts profit re non qualifying properties		
Renewals allowance	-	(517)
Deferred tax not provided		
Excess of taxable profits over book profits on sale of properties	489	(13)
Rollover relief	-	-
Current tax charge	<u>-</u>	<u>-</u>

A deferred tax asset of £3,233,938 (2006 - £5,454,660) in relation to tax losses and £8,558 in relation to ACA's. Deferred tax liability of £2,224,998 in relation to rollover relief has not been recognised as no binding contract to sell assets is in place at the balance sheet date.

NEW CHARTER HOUSING (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

11 TANGIBLE FIXED ASSETS - FREEHOLD HOUSING PROPERTIES

	Housing Properties Completed £'000	Under Construction £'000	Total £'000
COST OR VALUATION			
As at 1st April 2006-Pre valuation adjustment	135,964	-	135,964
	11,178		11,178
As at 1st April 2006-Post valuation adjustment	124,786	-	124,786
Additions in year:			
Improvements	2,219	-	2,219
Completed in year	1,578	-	1,578
Under construction	-	824	824
Revaluation	6,030	-	6,030
Disposals	(798)	-	(798)
At 31st March 2007	<u>133,815</u>	<u>824</u>	<u>134,639</u>
LESS GRANT FUNDING			
At 1st April 2006	-	-	-
Completed schemes in year	-	-	-
Received during the year	-	-	-
Disposals	-	-	-
At 31st March 2007	<u>-</u>	<u>-</u>	<u>-</u>
LESS SOCIAL HOUSING GRANT			
At 1st April 2006	(419)	-	(419)
Completed in year	-	-	-
Received during the year	-	-	-
Disposals	-	-	-
At 31st March 2007	<u>(419)</u>	<u>-</u>	<u>(419)</u>
LESS DEPRECIATION			
At 1st April 2006	(4)	-	(4)
Charge for year	(2,389)	-	(2,389)
Disposals	6	-	6
Revaluation	2,383	-	2,383
At 31st March 2007	<u>(4)</u>	<u>-</u>	<u>(4)</u>
NET BOOK VALUE AT 31st MARCH 2007	<u>133,392</u>	<u>824</u>	<u>134,216</u>
NET BOOK VALUE AT 31st MARCH 2006	<u>124,363</u>	<u>-</u>	<u>124,363</u>

Improvement expenditure Capitalised is £2,219m, expensed as Revenue £5,496m. Total expenditure £7,715m.
The restated amounts have been included based on the valuation for EUV - Social Housing assuming target rents

Comparable amounts determined according to the historical cost convention

Cost and valuation is represented by:

	£	£	£
Historic cost	73,781	824	74,605
Depreciation	(2,353)	-	(2,353)
Revaluation reserve	61,964	-	61,964
	<u>133,392</u>	<u>824</u>	<u>134,216</u>

A full valuation was performed in the year by Savills (L&P) Ltd, Chartered Surveyors, who are independent of the Group. The valuation was based on Existing Use Value (Social Housing) as at 31st March 2007 and the valuations were undertaken in accordance with the RICS Appraisal and Valuation Manual.

NEW CHARTER HOUSING (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

12 FIXED ASSETS - OTHER TANGIBLE ASSETS

	Freehold premises £	Leasehold Premises £'000	IT equipment £'000	Furniture & equipment £'000	Total £'000
COST					
At 1st April 2006	9,433	249	35	21	9,738
Additions in year	225	-	-	-	225
Disposals	-	-	-	-	-
At 31st March 2007	<u>9,658</u>	<u>249</u>	<u>35</u>	<u>21</u>	<u>9,963</u>
DEPRECIATION					
At 1st April 2006	580	130	35	21	766
Charge for year	322	26	-	-	348
Disposals	-	-	-	-	-
At 31st March 2007	<u>902</u>	<u>156</u>	<u>35</u>	<u>21</u>	<u>1,114</u>
NET BOOK VALUE					
At 31st March 2007	<u>8,756</u>	<u>93</u>	<u>-</u>	<u>-</u>	<u>8,849</u>
NET BOOK VALUE					
At 31st March 2006	<u>8,853</u>	<u>119</u>	<u>-</u>	<u>-</u>	<u>8,972</u>

The assets under construction specifically relate to the costs incurred in building the new Housing Option Centre and costs relating to the retention of the head office

NEW CHARTER HOUSING (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

13 DEBTORS	2007 £'000	2006 £'000
Arrears of rent and service charges	2,168	2,259
less Provision for bad and doubtful debts	<u>(1,105)</u>	<u>(1,218)</u>
	1,063	1,041
Housing benefit overpayments	241	291
less Provision for bad and doubtful debts	<u>(120)</u>	<u>(146)</u>
	121	145
Rechargeable repairs	618	617
less Provision for bad and doubtful debts	<u>(309)</u>	<u>(309)</u>
	309	308
Trade Debtors	156	61
less Provision for bad and doubtful debts	<u>-</u>	<u>-</u>
	156	61
Amount due from parent and from fellow subsidiaries - Trade	272	408
Amount due from parent and from fellow subsidiaries - Loans	1,063	1,063
Prepayments and accrued income	-	(25)
Other debtors	<u>(1)</u>	<u>53</u>
	<u>2,983</u>	<u>3,054</u>

The amount due from the Parent and from fellow subsidiaries relates to loans made to New Charter Housing Trust Ltd - £872,936 (2006 - £872,936) and New Charter Building Company Ltd - £190,535 (2006 - £190,535). The loans are at a fixed interest rate of 6.05% and are repayable within 30 years.

Rent and service charge arrears, net of provision for bad and doubtful debts, represents 5.05% (2006 - 5.16%) of the annual rent and service charge receivable.

14 CREDITORS - Amounts falling due within one year	2007 £'000	2006 £'000
Amount due to parent undertakings	1,613	1,616
Trade creditors	277	150
Other taxation and social security	-	-
Accruals and deferred income	824	697
Repairs and maintenance accruals	280	806
Accrual for Properties under Construction	142	87
RTB clawback	1,811	2,194
Rent and service charges paid in advance	326	358
	<u>5,273</u>	<u>5,908</u>

NEW CHARTER HOUSING (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

	2007 £'000	2006 £'000
15 CREDITORS - Amounts falling due after more than one year		
Housing and development loans	95,160	83,210
RTB clawback	-	1,811
Disposal Proceed Funds - Opening Balance	774	
Transferred to	978	
Transferred from	-834	
Disposal Proceeds Fund - Closing Balance	918	774
	<u>96,078</u>	<u>85,795</u>

	2007 £'000	2006 £'000
	Housing Loans by instalments	Housing Loans by instalments
16 LOANS		
Within one year or on demand	-	-
In more than five years	95,160	83,210
	<u>95,160</u>	<u>83,210</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 6.05%. Within 'loans payable in more than five years', there is a drawing of £32.45m under facility B bearing interest at an average rate of 6.01%. Under section 9 of the Housing Act 1996, the Association is required to obtain the consent of the Housing Corporation to charge its properties as security to a lender. The Housing Corporation has been advised that it did not have the power to delegate this function to its committees or officers. This advice has led to questions concerning the validity of previous consents given by the corporation under S.9 Housing Act 1996 and its predecessor legislation. The Association's Board is aware that the Housing Corporation has obtained counsel's opinion that regardless of the validity of section 9 consents, lending against RSL assets is secure and that the registration of such legal charges with the Land Registry under the Land Registration Act is sufficient to establish title.

The charges that the funders have on the Association's properties are registered at the Land Registry. Consequently, The Board consider that its properties are validly charged and that its loans are therefore properly classified as long term within the Association's balance sheet.

	Revenue £'000	Revaluation £'000	Total £'000
17 RESERVES			
As at 1st April 2006-Pre valuation adjustment	(11,685)	67,549	55,864
	(199)	11,376	11,177
As at 1st April 2006-Post valuation adjustment	(11,486)	56,173	44,687
Deficit for the year	(8,365)	-	(8,365)
Revaluation		(2,764)	(2,764)
Deficit arising on revaluation	2,584	8,555	11,139
At 31st March 2007	<u>(17,267)</u>	61,964	44,697

18 NOTES TO THE CASHFLOW STATEMENT

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

	2007 £'000	2006 £'000
Operating surplus	(4,066)	(2,738)
Depreciation charges	2,701	2,756
Decrease/(Increase) in debtors	71	822
Increase in creditors	(1,400)	1,287
Loss on disposal on improvements to housing properties	889	755
Net cash inflow from operating activities	<u>(1,805)</u>	<u>2,882</u>

NEW CHARTER HOUSING (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

18	NOTES TO THE CASHFLOW STATEMENT (continued)	2007	2006
		£'000	£'000
b	Reconciliation of net cash inflow to movement in net debt		
	(Reduction)/increase in cash in year	-	-
	Change in net debt resulting from cash flows	(11,950)	(3,500)
	Change in net debt	<u>(11,950)</u>	<u>(3,500)</u>
	New finance leases	-	-
	Net debt at beginning of year	(83,210)	(79,710)
	Net debt at end of year	<u>(95,160)</u>	<u>(83,210)</u>

c Analysis of changes in net debt

	At 31st March 2007	Cash Flows	At 31st March 2006
	£'000	£'000	£'000
Cash & investments	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Debt due within one year	-	-	-
Debt due after one year	(95,160)	(11,950)	(83,210)
	<u>(95,160)</u>	<u>(11,950)</u>	<u>(83,210)</u>
	<u>(95,160)</u>	<u>(11,950)</u>	<u>(83,210)</u>

19	CAPITAL COMMITMENTS	2007	2006
		£'000	£'000
	Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>277</u>	-
	Capital expenditure that has been authorised by the Board of Management but has not yet been contracted for	<u>16,307</u>	<u>26,035</u>

The amount contracted for at 31st March 2007 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.

NEW CHARTER HOUSING (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

20 PENSIONS

The Trust participates as a contributing member of the Greater Manchester Pension Fund, (administered by Tameside MBC in accordance with 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. 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 employees). 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	2007	2006
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.

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 2007 £000	value at 2006 £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	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			

NEW CHARTER HOUSING (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

Related deferred tax liability asset

Net pension asset/liability	(18,282)	(23,613)	(18,130)
------------------------------------	-----------------	-----------------	-----------------

	Long term rate of return 2007	Long term rate of return 2007	Long term rate of return 2006
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	<u>(18,282)</u>	<u>(23,613)</u>

	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		
	<u>3,684</u>	<u>2,900</u>

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

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

	2007 £'000	2006 £'000
Analysis of amount recognised in statement of total recognised gains and loss		
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	<u>6,485</u>	<u>(4,414)</u>

History of experience gains and losses

NEW CHARTER HOUSING (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

	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 assets	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 value of scheme liabilities	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 value of scheme liabilities	8.10%	(5.70%)	(10.00%)	3.50%

Reconciliation to the balance sheet

	2007 £'000	2006 £'000
Net assets excluding pension liability	90,139	98,674
Pension liability	(18,282)	(23,613)
Net assets including pension liability	<u>71,857</u>	<u>75,061</u>

21 LEGISLATIVE PROVISIONS

The Trust is registered with the Housing Corporation under the Housing Act 1996 .
Registration LH4267

22 HOUSING STOCK

Dwellings owned and in management:

	2007	2006
General needs	6,537	6,567
Supported housing	213	213
Temporary social housing	19	11
	<u>6,769</u>	<u>6,791</u>

23 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 Oldham MBC, Ashton Regeneration Board, Groundwork Tameside, St. Peter's Community Partnership, Ashton Pioneer Homes, APH Developments Limited, Threshold and Wulvern Housing. Again no advantage is gained from these links.

24 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.

25 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