



*Part of the New Charter Housing Trust Group*

# **NEW CHARTER HOUSING (NORTH) LIMITED**

**(Company Number 3807022)**

## **REPORT**

**&**

## **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2008**

**NEW CHARTER HOUSING (NORTH) LIMITED**

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**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 31<sup>ST</sup> MARCH 2008**

The Directors present the Financial Statements of the Company for the year ended 31<sup>st</sup> March 2008

### **PRINCIPAL ACTIVITIES**

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

### **FUTURE DEVELOPMENT**

The Company and Group were established to receive the transfer of the housing stock of Tameside Metropolitan Borough Council, and for its management, maintenance and improvement. The Group has since included Aksa Housing Association, a BME Association based in Oldham, delivering a housing service in Oldham, Bury, Tameside and Manchester. There is a transfer pending of around 3500 properties from Gedling Council due to be transferred in November 2008 to the Group.

### **EMPLOYMENT PRACTICES**

The Group Equality and Diversity Policy has ensured that every reasonable effort is made to ensure that there is no harassment or unjustified discrimination on the grounds of colour, nationality, race, ethnic or national origin, religion, belief, disability, age, gender, gender reassignment, sexual orientation or marital status in the way it treats its employees, contractors, job applicants and visitors.

The Group remains committed to creating a working environment that offers equality of treatment and opportunity for all employees, and to provide them with the opportunity to develop their skills and abilities. This applied to all aspects of the Group's working practices and includes the recruitment and selection of employees, terms and conditions of employment, training, salary, work allocation, promotion and disciplinary procedures.

All employees were required to adhere to the Equality and Diversity Policy and it is a mandatory requirement that they undergo training and development activities to ensure that they carry out their duties and responsibilities in terms of promoting, developing, implementing and reviewing the Policy in the course of their work.

To encourage all sections to the community to seek employment, facilities necessary to offer a welcoming environment and flexible working patterns have been offered, provided that they do not conflict with service delivery. All vacancies were advertised widely and appropriately.

The Group has regularly informed employees of issues relevant to their employment through meetings with Trade Union representatives, the Employee Consultation Forum and through direct means of communication. During the year's trading, the Group has continued to apply

its policy on Trade Union recognition and has provided time off for staff to attend trade union facilities.

## **REVIEW OF THE YEAR**

The Group's mission remains to deliver the pledges made at transfer in 2000 within resources available. All those pledges will be complete before April 2010. In New Charter North we had a completed scheme of 23 units at Staley House in Stalybridge and have purchased back properties previously sold under the Right to Buy Scheme. There are also schemes under construction at Lakes Road, near to the hospital, Taunton Place and Hampson and Waddicar

We are a customer focused business and so it is immensely pleasing to report that tenant satisfaction overall (measured independently) in January 2008 was 91.7%.

We are delivering our pledge at transfer that tenants would have more say in the ownership and management of their homes and a 85.6% of customers are happy with the opportunities they have to participate in New Charter. This is very good and still the best result of all large RSL's in England.

The Housing Corporation itself awarded the Group 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.

The total number of voids for the end of March 2008 was the lowest number of year end voids ever recorded for New Charter North Company

We made further improvements to our investment programme and enhanced our activity on environmental works in our neighbourhoods. Both our windows and doors programmes are near completion two years ahead of schedule.

Much of our success on investment and repairs is attributable to the Group's own Building Company. It remains in great demand as an effective 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.

This year there were additional resources made available for a mixture of new development opportunities which included New Build properties, properties purchased and refurbished

and properties bought back which were initially sold under the Right to Buy Scheme. We have undertaken these developments without the support of Social Housing Grant.

Our Group growth strategy took a step forward as we were selected by Gedling Borough Council to be the new RSL partner for the transfer of around 3,500 homes to a new subsidiary of the Group, Gedling Homes. This is planned to take place in November 2008.

In summary, there has been significant achievement during the year. Directors are pleased to commend 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 People

## **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.

## **GROUP OPERATING REVIEW – Our Performance in 2007/08**

### **1 IMPROVE**

Improvements to the void process have consistently delivered results. This year we set a target of 285 homes or under (1.95%); by March void numbers were at an all-time low of 236. Void turnaround times however, remain above our target at 42 days, but we substantially reduced turnaround times throughout the year by systems improvement. Low demand properties still detrimentally affect turnaround times, as we turn round many recently emptied properties close to our 32-day target.

Our rent collection rate of 100.44% exceeded the Business Plan target of 99.8%. This performance means we not only collected all rent due but made inroads into historic debt by £233,000.

We maintained 100% performance on attending to all urgent repairs, and only in one month did we fail to achieve 100% for our (4-hour) emergency standard. Our routine repairs performance once again comfortably exceeded Housing Corporation targets. Our own improvement processes means we are monitoring completion in this category at an internal target of 15 days as well as the published 20 days. It is pleasing to report around 80% of routine repairs are completed within our 15-day target – close to the target for 20-day responses!

The average time to complete ‘all repairs’ has fallen once again because of this improvement. It is now 5.44 days, from 6.17 days at March 2007. The remedial action we reported as taking last year has clearly been effective.

Year-end figures for 2007/8 for gas servicing show a slight drop in performance with just under 99% of homes having a valid Gas Certificate at the end of March. Access to some homes remains a problem, and Power of entry notices have been backed up by possession proceedings where necessary. Several tenants were evicted in the last quarter for failure to let us in. Our Building Company successfully took over the gas servicing responsibilities for the stock of Aksa Housing Association throughout the year.

### **2 INVEST**

Overall performance towards meeting the investment target increased from 92% to 99%. We came close to completing all planned window and door replacement and are now only left with odd windows to replace. A large part of this improvement arose from system improvements to kitchens progress, which rose from 82% to 108%. Investment works performance was well over most original targets – bathrooms 103%, heating 93%, windows 99%, doors 99%, roofing 97% and painting 99%. When all void responsive and cyclical work is added, the scale of replacement is even more dramatic for kitchens 143%, bathrooms 125% and heating 100%.

For the first time in our history, stock levels increased. The net gain was a modest 17 homes, as new acquisitions and developments exceeded the loss from sales under the Right to Buy/Right to Acquire. We bought back 19 homes previously sold under the RTB.

A significant growth opportunity took a step forward as tenants of Gedling Borough Council in Nottinghamshire voted to transfer their homes to a new Group member, Gedling Homes. We expect the transfer to add around 3500 homes to our ownership by the end of 2008.

We commissioned a £9.5m development programme, delivering around 115 new homes across Tameside and Oldham.

New Charter Building Company external income targets are on track. Contracts are in place with many clients including Bowlee, Beth Johnson, English Churches (Riverside), the Sanctuary project, Tameside Sports Trust, Green Vale (Rossendale), Tameside MBC, Manchester City Council and Vokera.

### **3 IMAGE**

We had another good set of results on satisfaction from our existing customers. The January 2008 customer satisfaction recorded impressive figures which maintain the New Charter position as the best performing large landlord in England. The overall satisfaction level actually reduced slightly from 92.8% last year to 91.7%, although the percentage 'very satisfied' increased again. Sector leading performance on participation (85.6% satisfied) and repairs (86.5% satisfied) completed our published rating but other areas in the survey also showed real confidence from customers.

Aksa's tenants were surveyed separately but at the same time. It posted impressive and improved results with overall satisfaction and satisfaction with participation both increasing to 87% and 89% respectively. This puts Aksa well ahead of the BME association average and among the best in the country.

New Charter Building Company's partnership with the Wai Yin Chinese Women's Society attracted a lot of interest. This provides practical learning and encouragement to women of all backgrounds to take up careers and trades in construction.

Heads of Service and Group Management Team took forward our improvement programme "From Good to Great", and brought in all managers and supervisors. We continued to develop an 'Employer of Choice' strategy. Our performance management allowed us to value all employees and identify the best. We ran the first full year of our Flexible Benefits scheme which allows employees to vary working and contractual arrangements as well as introducing a raft of special benefits.

We continued to improve the environmental attractiveness of our neighbourhoods. Large-scale schemes have been tendered and started on site. Multiple small-scale sites are also in progress. We report progress to our North and South Board meetings. Tenants have enthusiastically contributed to the area's efforts in the regional contest for Britain in Bloom. One of our tenants won the accolade of Tameside's top gardener.

### **4 INVOLVE**

We reviewed our resident involvement strategy and introduced new ways of involvement for customers. We recruited tenants to a Black and Minority Ethnic forum and to a Disability Forum. Both will allow us to test service delivery as well as ensuring we remain ahead of legislative obligations.

Our 2008 New Charter customer satisfaction rating for participation and involvement went down to 85.6% although it still maintained our position at the top of the league table of large landlords. We introduced a range of different involvement techniques including town forums and celebrated European Neighbours Day. Aksa's rating soared to 89%, which places it at the forefront of BME housing associations.

The survey also showed a further increase in satisfaction with neighbourhood management services. Over the last two years this has increased from 73% to 84%. We maintained our regular consultation arrangements with tenants and leaseholders to understand their opinions and needs; and have shaped services accordingly.

We have stepped up our work on inclusivity and reviewed targets in our Equality and Diversity Action Plan. We began a drive to profile customers, especially on their communication needs and expect the data collection – as well as our service responses to this – to continue throughout 2008/09.

We further increased involvement in community leadership by funding specific regeneration activities. Residents have been supported to engage in community initiatives such as Britain in Bloom, as well as learning, development and worklessness initiatives.

Our Aksa staff took housing support work to benefit more residents of Oldham than in previous years, and supported households in several high-profile cases which featured in local media.

We worked with Tameside Sports Development to promote healthy living, especially among young people, with the Great Sports initiative.

## **5 INNOVATE**

Our lettings process went through a successful change to Choice Based Lettings, allowing applicants to bid for properties advertised each week. This has proved successful for both us and customers, with 1243 homes advertised, producing 63350 bids from 5970 bidders. Bidding over the web proved the most popular way of registering interest. It has reduced time taken to relet homes, and follow up survey evidence shows higher satisfaction with choice of home.

Our consultancy services enjoyed a good year. Tenancy Compliance worked with six other RSLs, bringing in income, as did our business improvement, training and revenues functions.

Our customer focus training, compulsory for all employees and featuring the direct involvement of tenants, was recognised in 2007 with a National Training Award (NW region). We were shortlisted in two categories for the NHF Neighbourhood Awards, and yet again were awarded two RoSPA silver medals for Health and Safety effectiveness in our Building Company and for the Trust.

Our Investors in People reaccreditation surpassed our own expectations. We undertook 4 different IiP assessments and achieved superb results in all – excellence in the IiP Profile assessment, individual awards for Worklife Balance and Recruitment and Selection for the Group, and retention of IiP status for Aksa.

We entered market renting. We refurbished Hatton Court, Hattersley as our first high-quality scheme, providing 12 apartments aim at a different market.

## **NEW CHARTER HOUSING (NORTH) FINANCIAL REVIEW**

The financial position and results for the year are set out on pages **20** to **35** of these statements.

### **Results for the year**

New Charter (North)'s deficit for the year, before movements in reserves, was **£8.307m** which was within the approved plan. This compares with a deficit of **£12.014m** in the previous year.

The main reasons for the decreased deficit were:

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

### **Surplus/reserves**

Total reserves as at 31st March 2008 were **£37.736m** (2007 - £33.970m).

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

### **Summary Balance Sheet**

New Charter (North)'s Balance Sheet as at 31st March 2008 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 **£2.350m** as at 31<sup>st</sup> March 2008 (2007 – net current liability £4.002m).

### **Cash flows**

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

The principal sources of cash inflows in the year were:

- rental and other income of **£26.183m** (2007 - £23.192m),
- the sale of housing properties under RTB and land sales of **£1.369m** (2007 - £3.406m) and
- total drawdowns on the Group Loan Facility of **£12.478m** (2007 - £13.000m).

The principal cash outflows were:

- operating costs of **£27.097m** (2007 - £30.146m),
- investment in assets, particularly housing stock, of **£7.862m** (2007 - £10.754m), and
- servicing of debt of **£8.373m** (2007 - £7.056m).

## 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 **£159.392m**), 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 **£133.868m** (2007 - £121.390m).

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 **84.15%** 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>
Alan Bezer	(T)	8 <sup>th</sup> July 2002	15 <sup>th</sup> May 2007
Andrew Broadhurst	(I)	2 <sup>nd</sup> August 1999	
- Chair	(I)	7 <sup>th</sup> November 2005	
Philip Smith	(T)	22 <sup>nd</sup> November 2001	
Gordon Tow – Vice-chair	(C)	1 <sup>st</sup> May 2002	
Kevin Kirtland	(T)	30 <sup>th</sup> September 2004	3 <sup>rd</sup> January 2008
Jim Middleton	(C)	5 <sup>th</sup> April 2004	
Jacqui Fendall Co-opted	(I)	16 <sup>th</sup> November 2004	
Jacqui McCann Co-opted	(I)	16 <sup>th</sup> November 2004	
Maria Bailey	(c)	26 <sup>th</sup> September 2005	
Rex Charlton Co-opted	(I)	14 <sup>th</sup> February 2006	
Alan Alcock	(T)	15 <sup>th</sup> August 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 who served during this trading year.

## **AUDITORS**

The external audit service was tendered in September 2007 and Baker Tilly UK Audit LLP were appointed as the Group's auditors at the AGM on Tuesday 25<sup>th</sup> September 2007. Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

## **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. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

## **Internal Controls**

The Trust Board acknowledges its overall responsibility with regard to matters relating to internal control. The Trust Board must be satisfied that measures are in place, which cover such matters as:

- An understanding of internal control
- Management of fraud
- Effectiveness of internal control processes and systems
- Understanding of risk and minimization of exposure without compromising broader objectives
- A regular review of risks facing the Group
- A summary of main policies designed to manage risk
- A summary of the key sources of evidence
- Confirmation that fraud register has been reviewed
- Confirmation action taken in respect of any significant matters identified and any supervisory action required by the Housing Corporation.

The Audit committee provides central assurance on these matters and acts on behalf of the trust Board for all Audit related issues but the Trust board remains ultimately accountable

There is a requirement to provide personal assurance to the Trust Board in respect of these matters. This report is designed to provide the foundation for the statement which will need to be included in the Annual Report and accounts.

The Trust Board acts for the whole Group on these matters including New Charter Building Company.

## **Internal Control – Report of the Chief Executive**

No system of internal control can eliminate all risks. Indeed it would be naive to expect or even wish that to be the case. What must be in place is an arrangement whereby risks are understood and their likelihood and subsequent impact on the business explored and managed.

The system is based around a thorough understanding of New Charter's business and operational environment and management of the risk which arises. It includes areas of work which cut across the whole Group structure, including New Charter North, South and Aksa. Similar processes for internal controls are being developed for Gedling Homes as they join the Group structure in November 2008.

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. There have been no entries in the fraud register this year.

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 2007/08. 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. We have also reviewed the risk management strategy and relevant risk registers to embed risk management into the day to day management of the business.
- 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 2007/08.
- 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 2007/8**

- 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.
- Steps were taken during the year to refresh the contracts for internal and external audit work and this has resulted in two new firms replacing the previous contractors.
- 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 considered by the Group Management Team and 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 is kept informed of developing best practice including Housing Corporations Risk Management Topic Papers.
- Audit Committee took control and ownership of the recruitment process for the replacement of internal and external auditors by October 2007.
- Risk register produced and a revised process for developing a risk appetite introduced 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.
- Baker Tilly UK Audit LLP presented their Audit Strategy Memorandum to the February 2008 Audit Committee which did not identify any additional risk for the group. The

Audit Committee considered KPMG's (the previous external Auditors) Audit Highlights Memorandum from August 2007 and subsequently throughout the year.

- 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 2007/8.
- No Regulatory or Supervisory action by the Housing Corporation has been taken during the year, beyond normal, planned, regulatory engagement.
- The company has received external accreditation in such areas as

Investors in People

ROSPA Gold Award

2 Star "Good" service with "Promising Prospects for Improvement" in a Mock Audit Commission Inspection in September 2007.

This gives an external validation of controls in place throughout the organization.

- The very few significant compliance weaknesses identified by, Internal Auditors, during the course of the year, were either promptly attended to or clear plans developed to minimize risk. A review of the recommendations implemented within the year identified from the following work undertaken showed an implementation rate of 82% for the year. An acceptable level of performance in this area would be around 75%.
- The work of the internal Audit team demonstrates good progress in relating to the implementation of their recommendations and supports their opinion of **substantial** controls assurance for the Group.

My conclusion is that systems of internal control provide assurance that risk is understood, embedded in the organisation 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 stroke extending to the right.

**I H MUNRO**  
GROUP CHIEF EXECUTIVE  
NEW CHARTER HOUSING TRUST LIMITED

**21st August 2008**

The report of the Board of Management was approved on 21st August 2008 and signed by order of the board:

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

## **Independent Auditor's Report to the Members of New Charter Housing (North) Limited**

**We have audited the financial statements on pages 20 to 35.**

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**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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, the Housing Act 1996 and the Accounting Requirements for registered social landlords Determination 2006 and whether the information given in the Report of the Board is consistent with the financial statements.

In addition we 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 other information contained in the Annual Report, and consider the implications for our report if we become aware of any apparent misstatements.

### **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 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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 March 2008 and of its deficit for the year then ended and have been properly prepared in accordance with the Companies Act 1985, the Housing Act 1996 (as amended by the Housing Act 2004) and the Accounting Requirements for registered social landlords Determination 2006; and
- the information given in the Report of the Board is consistent with the financial statements.

Baker Tilly UK Audit LLP  
Registered Auditor  
Chartered Accountants  
Brazenose House,  
Lincoln Square  
Manchester M2 5BL

**NEW CHARTER HOUSING (NORTH) LIMITED**  
**INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE YEAR ENDED 31 MARCH 2008**

		<b>2008</b>	<b>2007</b>
		<b>£'000</b>	<b>£'000</b>
<b>Turnover</b>	<b>2</b>	26,183	23,193
Operating costs	2	(27,097)	(30,146)
<b>Operating deficit</b>	<b>2</b>	<u>(914)</u>	<u>(6,953)</u>
Profit on sale of fixed assets	4	906	1,921
<b>DEFICIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION</b>		<u>(8)</u>	<u>(5,032)</u>
Interest receivable and other income	5	74	74
Interest payable and similar charges	6	(8,373)	(7,056)
<b>DEFICIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>(8,307)</u>	<u>(12,014)</u>
<b>TAXATION</b>			
Taxation on ordinary activities	10	-	-
<b>DEFICIT FOR THE YEAR</b>		<u>(8,307)</u>	<u>(12,014)</u>
<b>REVENUE RESERVE BROUGHT FORWARD</b>		(41,221)	(32,004)
<b>TRANSFER FROM REVALUATION RESERVE</b>		2,653	2,797
<b>REVENUE RESERVE CARRIED FORWARD</b>		<u>(46,876)</u>	<u>(41,221)</u>
<b>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES</b>			
Deficit for the financial year		(8,307)	(12,014)
Unrealised surplus on the revaluation of properties		12,073	11,059
Total recognised gains and losses for the year		<u>3,766</u>	<u>(955)</u>
<b>NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS</b>			
Deficit on ordinary activities before taxation		(8,307)	(12,014)
Difference between the historical cost depreciation charges and the actual depreciation charge for the year calculated on the revalued amount		(10)	854
Historical cost deficit on ordinary activities before taxation		<u>(8,317)</u>	<u>(11,160)</u>

All of the above results derive from continuing operations.

The notes on pages 23 to 35 form an integral part of the financial statements.

**NEW CHARTER HOUSING (NORTH) LIMITED**

**BALANCE SHEET**

**AS AT 31 MARCH 2008**

		2008		2007
		£'000	£'000	£'000
<b>FIXED ASSETS</b>				
Tangible assets - housing properties	11	176,728		161,649
Less Social Housing Grant		(996)		(996)
Less depreciation		-		-
		<u>175,732</u>		<u>160,652</u>
Other tangible assets	12	46		61
		<u>175,778</u>		<u>160,713</u>
<b>CURRENT ASSETS</b>				
Debtors	13	3,535		3,145
		<u>3,535</u>		<u>3,145</u>
<b>CREDITORS</b>				
Amounts falling due within one year	14	(5,885)		(7,147)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		(2,350)		(4,002)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>173,428</u>		<u>156,711</u>
<b>CREDITORS</b>				
Amounts falling due after more than one year	15	135,692		122,741
<b>CAPITAL AND RESERVES</b>				
Revaluation reserve	17	84,611		75,191
Revenue reserve	17	(46,875)		(41,221)
		37,736		33,970
		<u>173,428</u>		<u>156,711</u>

The financial statements on pages 20 to 35 were approved on behalf of the Board on the 21st August 2008 and were signed by :

A Broadhurst

(Chair)

(Board Member)

The notes on pages 23 to 35 form an integral part of the financial statements.

**NEW CHARTER HOUSING (NORTH) LIMITED**

**CASHFLOW STATEMENT**

**FOR THE YEAR ENDED 31 MARCH 2008**

	18	2008 £'000	2007 £'000
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>		1,351	(4,142)
<b>RETURNS ON INVESTMENTS AND SERVICING FINANCE</b>			
Interest received	74		74
Interest paid	<u>(8,373)</u>		<u>(7,056)</u>
		(8,299)	(6,982)
<b>CAPITAL EXPENDITURE</b>			
Developments, improvements and other capital works		(7,527)	(5,911)
Other capital expenditure		<u>-</u>	<u>-</u>
		(7,527)	(5,911)
Sale of housing properties and land		<u>1,369</u>	<u>3,406</u>
		(6,158)	(2,505)
<b>CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>		<u>(13,106)</u>	<u>(13,629)</u>
<b>MANAGEMENT OF LIQUID RESOURCES</b>		-	-
<b>FINANCING</b>			
Loans advances received		12,478	13,000
Grant received		<u>628</u>	<u>628</u>
		13,106	13,628
<b>(DECREASE) IN CASH</b>		<u><u>-</u></u>	<u><u>0</u></u>

The notes on pages 23 to 35 form an integral part of the financial statements.

## NEW CHARTER HOUSING (NORTH) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

#### 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.

##### **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.

The Capitalisation Policy includes the capitalisation of roofs, doors and windows, with the balance being expended through the Income & Expenditure Account.

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

## NEW CHARTER HOUSING (NORTH) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

#### 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.

#### 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.

#### 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'.

#### 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.

#### Deferred Taxation

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



**NEW CHARTER HOUSING (NORTH) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2008**

	2008			2007		
	General needs £'000	Temporary social £'000	Total £'000	General needs £'000	Temporary social £'000	Total £'000
<b>3 INCOME FROM SOCIAL HOUSING LETTINGS</b>						
Gross rent receivable (net of voids)	22,038	123	22,161	20,720	121	20,841
Charges for Support Services	282	-	282	335	-	335
Service charges receivable	1,558	158	1,716	1,520	133	1,653
Gross rents and service charges receivable	<u>23,878</u>	<u>281</u>	<u>24,159</u>	<u>22,575</u>	<u>254</u>	<u>22,829</u>
Net rents receivable	<u>23,878</u>	<u>281</u>	<u>24,159</u>	<u>22,575</u>	<u>254</u>	<u>22,829</u>
Other income	-	-	-	-	-	-
Turnover from social housing lettings	<u>23,878</u>	<u>281</u>	<u>24,159</u>	<u>22,575</u>	<u>254</u>	<u>22,829</u>

**EXPENDITURE ON SOCIAL HOUSING LETTING ACTIVITIES**

Management Services	9,097	247	9,344	9,354	168	9,522
Routine maintenance	232	-	232	289	-	289
Planned maintenance	7,394	34	7,428	8,026	3	8,029
Major repairs expenditure	455	-	455	411	-	411
Rent losses from bad debts	5,919	-	5,919	7,986	-	7,986
Depreciation of housing properties	258	1	259	324	2	326
Loss on investment programme disposals	3,033	14	3,047	2,819	13	2,832
Depreciation of other assets	316	-	316	670	-	670
Operating costs on social housing lettings	<u>26,719</u>	<u>296</u>	<u>27,015</u>	<u>29,894</u>	<u>186</u>	<u>30,080</u>
Operating (deficit)/surplus on social housing lettings	<u>(2,841)</u>	<u>(15)</u>	<u>(2,856)</u>	<u>(7,319)</u>	<u>68</u>	<u>(7,251)</u>
Rent loss from voids	<u>(451)</u>	<u>(32)</u>	<u>(483)</u>	<u>(578)</u>	<u>(49)</u>	<u>(626)</u>

Service Charge income is fully eligible for Housing Benefit.

**NEW CHARTER HOUSING (NORTH) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2008**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
<b>4 SURPLUS ON SALE OF FIXED ASSETS</b>		
Proceeds of sale	1,369	3,406
Cost of sales	(463)	(1,485)
Profit on sale of fixed assets	<u>906</u>	<u>1,921</u>

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
<b>5 INTEREST RECEIVABLE AND OTHER INCOME</b>		
Bank interest receivable	0	0
Inter company loan interest receivable	74	74
	<u>74</u>	<u>74</u>

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
<b>6 INTEREST PAYABLE</b>		
On bank loans, overdrafts and other loans	<u>8,373</u>	<u>7,056</u>
	<u>8,373</u>	<u>7,056</u>

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
<b>7 DEFICIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		
Is stated after charging:		
Depreciation of Fixed Assets & Other Fixed Assets	3,063	2,847
Auditors remuneration (inc VAT)		
- in their capacity as auditors	16	16
Loss on disposal of items replaced as part of investment programme	<u>316</u>	<u>670</u>

**8 DIRECTOR'S EMOLUMENTS**

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

**9 EMPLOYEE INFORMATION**

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

NEW CHARTER HOUSING (NORTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

	2008 £'000	2007 £'000
10 TAXATION ON SURPLUS ON ORDINARY ACTIVITIES		
<b>a Analysis of tax charge in the year/period</b>		
<b>UK corporation tax</b>		
Current tax on income for the year/period	-	-
Adjustments in respect of prior periods	-	-
	<u>-</u>	<u>-</u>
<b>Deferred tax</b>		
Origination /reversal of timing difference	-	-
Adjustments in respect of prior periods	-	-
	<u>-</u>	<u>-</u>
<b>Total current tax</b>	<u>-</u>	<u>-</u>

TAXATION ON SURPLUS ON ORDINARY ACTIVITIES (CONTINUED)

**b Factors affecting tax charge for the year**

The tax assessed is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below :

	£'000	£'000
Deficit on ordinary activities before tax	(8,307)	(12,014)
Current tax at 30%	(2,492)	(3,604)
Effects of:		
Expenses not deductible for tax purposes	14	3
Capital allowances for period in excess of depreciation	(8)	0
Creation of tax losses not recognised	1,549	2,622
Non qualifying depreciation	666	623
Excess of taxable profits over book profits on sale of properties	272	356
<b>Current tax charge</b>	<u>-</u>	<u>-</u>

A deferred tax asset of £9,778,368 (2007 - £9,140,806) in relation to tax losses and £23,135 in relation to ACA's. Deferred tax liability of £730,579 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 (NORTH) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2008**

**11 TANGIBLE FIXED ASSETS - FREEHOLD HOUSING PROPERTIES**

<b>COST OR VALUATION</b>	<b>Housing Properties Completed £'000</b>	<b>Under Construction £'000</b>	<b>Total £'000</b>
	-	-	-
<b>As at 1st April 2007</b>	162,781	1,552	164,333
Additions in year:			
Improvements	2,266	26	2,292
Completed	4,741	(1,552)	3,189
Under construction	-	2,045	2,045
Revaluation	9,080		9,080
Disposals	(899)		(899)
At 31st March 2008	<u>177,969</u>	<u>2,071</u>	<u>180,040</u>
<b>LESS GRANT FUNDING</b>			
At 1st April 2007	(2,684)	-	(2,684)
Completed schemes in year	-	-	-
Received during the year	(628)	-	(628)
Disposals	-	-	-
At 31st March 2008	<u>(3,312)</u>	<u>-</u>	<u>(3,312)</u>
<b>LESS SOCIAL HOUSING GRANT</b>			
At 1st April 2007	(996)	-	(996)
Completed schemes in year	-	-	-
Received during the year	-	-	-
Disposals	-	-	-
At 31st March 2008	<u>(996)</u>	<u>-</u>	<u>(996)</u>
<b>LESS DEPRECIATION</b>			
At 1st April 2007	-	-	-
Charge for year	(3,047)	-	(3,047)
Disposals	4	-	4
Revaluation	3,043	-	3,043
At 31st March 2008	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET BOOK VALUE AT 31st MARCH 2008</b>	<u>173,661</u>	<u>2,071</u>	<u>175,732</u>
<b>NET BOOK VALUE AT 31st MARCH 2007</b>	<u>159,101</u>	<u>1,552</u>	<u>160,653</u>

Improvement expenditure Capitalised is £1.488m, expensed as Revenue £5.917m. Total expenditure £7.405m. 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:

	<b>£</b>	<b>£</b>	<b>£</b>
Historic cost	92,097	2,071	94,168
Depreciation	(3,047)	-	(3,047)
Revaluation reserve	84,611	-	84,611
	<u>173,661</u>	<u>2,071</u>	<u>175,732</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 2008 and the valuations were undertaken in accordance with the RICS Appraisal and Valuation Manual.

**NEW CHARTER HOUSING (NORTH) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2008**

**12 FIXED ASSETS - OTHER TANGIBLE ASSETS**

	Leasehold Premises £'000	IT equipment £'000	Furniture & equipment £'000	Total £'000
<b>COST</b>				
At 1st April 2007	152	30	18	200
Additions in year	-	-	-	-
Disposals	-	-	-	-
At 31st March 2008	152	30	18	200
<b>DEPRECIATION</b>				
At 1st April 2007	91	30	18	139
Charge for year	15	-	-	15
Disposals	-	-	-	-
At 31st March 2008	106	30	18	154
<b>NET BOOK VALUE</b>				
At 31st March 2008	46	-	-	46
<b>NET BOOK VALUE</b>				
At 31st March 2007	61	-	-	61

NEW CHARTER HOUSING (NORTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

13 DEBTORS	2008 £'000	2007 £'000
Arrears of rent and service charges	2,195	2,408
less Provision for bad and doubtful debts	(1,219)	(1,233)
	<u>976</u>	<u>1,175</u>
Housing benefit overpayments	251	270
less Provision for bad and doubtful debts	(126)	(135)
	<u>125</u>	<u>135</u>
Rechargeable repairs	866	704
less Provision for bad and doubtful debts	(433)	(352)
	<u>433</u>	<u>352</u>
Trade Debtors	17	46
less Provision for bad and doubtful debts	-	-
	<u>17</u>	<u>46</u>
Amount due from parent and from fellow subsidiaries - Trade	59	77
Amount due from parent and from fellow subsidiaries - Loans	1,230	1,230
Prepayments and accrued income	27	81
Other debtors	668	49
	<u>3,535</u>	<u>3,145</u>

The amount due from the Parent and from fellow subsidiaries relates to loans made to New Charter Housing Trust Ltd - £1,010,062 (2006 - £1,010,062 ) and New Charter Building Company Ltd - £220,465 (2006 - £220,465). The loans are at a fixed interest rate of 6.07% and are repayable within 30 years.

Rent and service charge arrears, net of provision for bad and doubtful debts, represents 4.04% (2006 - 5.15%) of the annual rent and service charge receivable.

14 CREDITORS - Amounts falling due within one year	2008 £'000	2007 £'000
Amount due to parent undertakings	4,018	2,550
Amount due to fellow subsidiary undertakings	-	-
Trade creditors	472	425
Accruals and deferred income	361	1,268
Repairs and Maintenance Accruals	298	388
Accrual for Properties under Construction	416	190
Grants received in advance	-	-
RTB clawback	-	1,995
Rent and service charges paid in advance	320	331
	<u>5,885</u>	<u>7,147</u>

15 CREDITORS - Amounts falling due after more than one year	2008 £'000	2007 £'000
Housing and development loans	133,868	121,390
Disposal Proceed's Funds - Opening Balance	1,351	597
Transferred to	473	900
Transferred from	0	-146
Disposal Proceed's Fund - Closing Balance	<u>1,824</u>	<u>1,351</u>
	<u>135,692</u>	<u>122,741</u>

**NEW CHARTER HOUSING (NORTH) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2008**

16 LOANS	2008 £'000 Housing Loans by instalments	2007 £'000 Housing Loans by instalments
Within one year or on demand	-	-
In more than five years	133,868	121,390
	<u>133,868</u>	<u>121,390</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 £52.55m under facility B bearing interest at an average rate of 6.01%.

17 RESERVES	Revenue £'000	Revaluation £'000	Total £'000
As at 1st April 2007	-	-	-
As at 1st April 2007	(41,221)	75,191	33,970
(Deficit) for the year	(8,307)	-	(8,307)
Revaluation	-	12,133	12,133
Deficit arising on revaluation	2,653	(2,713)	(60)
At 31st March 2008	<u>(46,875)</u>	<u>84,611</u>	<u>37,736</u>

18 NOTES TO THE CASHFLOW STATEMENT

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

	2008 £'000	2007 £'000
Operating (deficit)	(914)	(6,953)
Depreciation charges	3,062	2,847
Decrease/(Increase) in debtors	(390)	373
(Decrease) in creditors	(723)	(1,079)
Profit on disposal on improvements to housing properties	316	670
Net cash inflow/(outflow) from operating activities	<u>1,351</u>	<u>(4,142)</u>

b Reconciliation of net cash inflow to movement in net debt

	2008 £'000	2007 £'000
(Decrease)/increase in cash in year	-	-
Change in net debt resulting from cash flows	(12,478)	(13,000)
Change in net debt	<u>(12,478)</u>	<u>(13,000)</u>
New finance leases	-	-
Net debt at beginning of year	(121,390)	(108,390)
Net debt at end of year	<u>(133,868)</u>	<u>(121,390)</u>

c Analysis of changes in net debt

	At 31st March 2008 £'000	Cash Flows £'000	At 31st March 2007 £'000
Cash & investments	-	-	-
Debt due within one year	-	-	-
Debt due after one year	(133,868)	(12,478)	(121,390)
	<u>(133,868)</u>	<u>(12,478)</u>	<u>(121,390)</u>
	<u>(133,868)</u>	<u>(12,478)</u>	<u>(121,390)</u>

**NEW CHARTER HOUSING (NORTH) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2008**

<b>19</b>	<b>CAPITAL COMMITMENTS</b>	<b>2008</b>	<b>2007</b>
		<b>£'000</b>	<b>£'000</b>
	Capital expenditure that has been contracted for but has not been provided for in the financial statements- £538K is relating to investment work of bathrooms, kitchen improvements and roofs. £113K is relating to the development of Hampson & Waddicor and £1,611K to the development of Lakes Rd	2,262	-
	Capital expenditure that has been authorised by the Board of Management but has not yet been contracted for is relating to the remainder of the investment programme.	10,578	17,543

The amount contracted for at 31st March 2008 will be funded from grants and loans approved by local authorities and the Housing Corporation or will be financed from private finance loans. The Board expect the expenditure they have authorised to be fully financed by the local authorities, the Housing Corporation or from private finance loans.

**20 PENSIONS**

The Trust participates as a contributing member of the Greater Manchester Pension Fund, (administered by Tameside MBC in accordance with the Local Government Pension Fund Regulations). The scheme is a defined benefit scheme providing benefits on final pensionable pay. The Pension cost is assessed in accordance with the advice of an independent professionally qualified actuary using the projected unit method of valuation. Assets and liabilities have been identified on a group basis but the split between each individual Company is not available.

The results and assumptions for the Group as at 31st March 2008 are as follows :

Valuation date	31st March 2008
Valuation Method	Projected unit
Value of assets	£59,658 million
Investment Return per annum	7.20%
Salary scale increases per annum	5.10%
Pension increases per annum	3.60%

The Pension contributions made by the Trust in the year to 31st March 2008 totalled £2.997m covering 812 employees (2007 - £2,585m, 806 employees). The employers contribution rate was 18.7% of pensionable salary. From 1st April 2008 the level of employer's contribution will increase to 20.2% 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 20.2% of pensionable pay will apply in future years.

The major assumptions used in this valuation were:

	<b>2008</b>	<b>2007</b>	<b>2006</b>
Rate of increase in salaries	5.10%	4.70%	4.60%
Rate of increase in pensions in payment and deferred pensions	3.60%	3.20%	3.10%
Discount rate applied on scheme liabilities	6.90%	5.40%	4.90%
Inflation assumption	3.60%	3.20%	3.10%

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 HOUSING (NORTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

**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 2008 £000	value at 2007 £000	value at 2006 £000
Equities	37,643	41,034	35,685
Bonds	11,148	9,783	8,659
Other - property	5,190	6,053	5,059
Cash	5,677	4,556	5,072
Total market value of assets	59,658	61,426	54,475
Present value of scheme liabilities	68,574	79,708	78,088
Surplus/deficit in the scheme - pension asset/(liability)			
Related deferred tax liability asset			
<b>Net pension asset/(liability)</b>	<b>(8,916)</b>	<b>(18,282)</b>	<b>(23,613)</b>

	Long term rate of return 2008	Long term rate of return 2007	Long term rate of return 2006
Equities	7.70%	7.80%	7.40%
Bonds	5.70%	4.90%	4.60%
Other - property	5.70%	5.80%	5.50%
Cash	4.80%	4.90%	4.60%

**Movement in deficit during the year**

	2008 £'000	2007 £'000
Surplus/(deficit) in scheme at beginning of year		
Current service cost	(18,282)	(23,613)
Contributions paid	2,968	(3,488)
Past service cost	2,945	2,801
Other finance income/(cost)	(28)	(100)
Actuarial gain/(loss)	(228)	(367)
	9,645	6,485
Surplus/(deficit) in the scheme at the end of the year	<b>(8,916)</b>	<b>(18,282)</b>

**Analysis of other pension costs charged in arriving at operating profit/loss**

	2008 £'000	2007 £'000
Current service cost	2,968	3,488
Past service cost	28	100
Gains/(losses) on settlements or curtailments	190	96
	<b>3,186</b>	<b>3,684</b>

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

**Analysis of amounts included in other finance income/costs**

	2008 £'000	2007 £'000
Expected return on pension scheme assets	4,340	3,645
Interest on pension scheme liabilities	(4,378)	(3,916)
	<b>(38)</b>	<b>(271)</b>

**Analysis of amount recognised in statement of total recognised gains and losses**

	2008 £'000	2007 £'000
Actual return less expected return on scheme assets	(6,659)	370
Experience gains and losses arising on scheme liabilities	(1,058)	68
Changes in assumptions underlying the present value of scheme liabilities	17,362	6,047
Actuarial gain recognised in statement of total recognised gains and losses	<b>9,645</b>	<b>6,485</b>

**History of experience gains and losses**

	Year ended 31st March 2008 £000	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	(6,659)	370	6,839	1,900	5,310
Percentage of year end scheme assets	(11.20%)	0.60%	12.60%	4.50%	13.90%
Experience gains and losses on scheme liabilities:					
Amount	(1,058)	68	122	(6,580)	(30)
Percentage of year end present value of scheme liabilities	(1.50%)	0.10%	0.20%	(10.90%)	0.10%
Total amount recognised in statement of total recognised gains and losses:					
Amount	9,645	6,485	(4,414)	(6,020)	1,700
Percentage of year end present value of scheme liabilities	14.10%	8.10%	(5.70%)	(10.00%)	3.50%

**NEW CHARTER HOUSING (NORTH) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2008**

**Reconciliation to the balance sheet**

	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Net assets excluding pension liability	0	90,139	98,674
Pension liability	(8,916)	(18,282)	(23,613)
Net assets including pension liability	(8,916)	71,857	75,061

**21 LEGISLATIVE PROVISIONS**

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

**22 HOUSING STOCK**

Dwellings owned and in management:

	<b>2008</b>	<b>2007</b>
General needs	7,369	7,362
Supported housing	217	217
Temporary social housing	36	36
	7,622	7,615

**23 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.

**24 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

**25 LIMITED BY GUARANTEE**

The Company is Limited by guarentee and does not have share capital. Members liability would be limited to £1 should the company be wound up. Membership does not give any entitlement to the right to a dividend or any other distribution. Members have equal voting rights.

**26 RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemptions under FRS8 from the requirement to disclose relations with the Group companies on the grounds that it is a 90% subsidiary and that the Parent entity prepares Consolidated financial statements.