

**Northern Rock Homes Limited**  
**Directors' report and financial statements**  
**for the 18 months ended 31 December 2011**

**Registered Number 02306045**

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# Northern Rock Homes Limited

## Directors' report and financial statements for the 18 months ended 31 December 2011

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# **Northern Rock Homes Limited**

## **Directors and advisers**

### **Directors**

P M Hopkinson

P A McLelland

### **Company secretary**

J Shipley

### **Registered office**

Northern Rock House

Gosforth

Newcastle upon Tyne

NE3 4PL

### **Registered number**

02306045

### **Independent auditors**

Chartered Accountants and Statutory Auditors

PricewaterhouseCoopers LLP

Benson House

33 Wellington Street

Leeds

LS1 4JP

# **Northern Rock Homes Limited**

## **Directors' report for the 18 months ended 31 December 2011**

The directors present their report and the audited financial statements of the company for the 18 months ended 31 December 2011. The company has changed its accounting reference date in the period from 30 June to 31 December. This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

### **Principal activities**

The company was incorporated in England and Wales and is a private limited company domiciled in England. The principal activity of the company was the development of residential housing for sale.

The main objectives of the company were to provide housing at low cost, mainly for first time buyers and to assist in the revitalisation of inner city housing stock. The company has completed its activities in the development of residential projects.

The company did not trade during the current or preceding period. As at the date of signing the financial statements the directors have not made any decisions regarding the future of the company.

### **Results**

The results for the period are set out in the statement of comprehensive income on page 6.

### **Post balance sheet events**

Details of post balance sheet events are given in note 13 to the financial statements.

### **Directors**

The directors who held office during the period and up to the date of signing the financial statements are given below.

C T Greener (Resigned on 1 November 2010)

S K Dhirani (Resigned on 1 November 2010)

P M Hopkinson (Appointed on 1 November 2010)

P A McLelland (Appointed on 1 November 2010)

### **Financial risk management**

Financial risk is managed at group level and is discussed in the Northern Rock (Asset Management) plc group financial statements. Details of financial risk management within Northern Rock Homes Limited are given in note 12.

### **Statement of directors' responsibilities**

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 period. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements the directors are required to

## Northern Rock Homes Limited

- select suitable accounting policies and apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Disclosure of information to auditors**

In the case of each person who was a director at the date of approval of this report

- (1) so far as every director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (2) each director has taken all the steps they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

By order of the board



J Shipley  
Company secretary  
9 July 2012

# **Northern Rock Homes Limited**

## **Independent auditors' report to the members of Northern Rock Homes Limited**

We have audited the financial statements of Northern Rock Homes Limited for the period ended 31 December 2011 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement, the statement of accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

### **Respective responsibilities of directors and auditors**

As explained more fully in the directors' responsibilities statement set out on pages 2 and 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit and cash flows for the period then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the Companies Act 2006

### **Opinion on other matter prescribed by the Companies Act 2006**

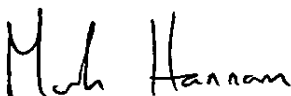
In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

## Northern Rock Homes Limited

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report



Mark Hannam (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds  
9 July 2012

## Northern Rock Homes Limited

### Statement of comprehensive income for the 18 months ended 31 December 2011

	Note	18 months ended 31 December 2011 £	Year ended 30 June 2010 £
Other income		2,324	-
<b>Profit before income tax</b>		<b>2,324</b>	<b>-</b>
Income tax expense	3	(476)	(5,462)
<b>Profit / (loss) and total comprehensive income / (expense) for the financial period attributable to equity holders of the parent company</b>		<b>1,848</b>	<b>(5,462)</b>

All of the results of the company relate to discontinued operations

# Northern Rock Homes Limited

## Balance sheet as at 31 December 2011

	Note	31 December 2011 £	30 June 2010 £
<b>ASSETS</b>			
<b>Current assets</b>			
Sharebuy properties	4	178,430	178,430
Other receivables	5	2,156,000	2,158,665
Deferred tax asset	6	-	-
		<b>2,334,430</b>	<b>2,337,095</b>
<b>Total assets</b>		<b>2,334,430</b>	<b>2,337,095</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Corporation tax payable		(476)	(2,665)
Other payables	7	-	(2,324)
<b>Total liabilities</b>		<b>(476)</b>	<b>(4,989)</b>
<b>Net assets</b>		<b>2,333,954</b>	<b>2,332,106</b>
<b>Equity</b>			
Ordinary shares	8	6	6
Retained earnings	9	2,333,948	2,332,100
<b>Total equity</b>		<b>2,333,954</b>	<b>2,332,106</b>

The financial statements on pages 6 to 17 were approved by the board of directors and authorised for issue on 9 July 2012 and were signed on its behalf by



P M Hopkinson  
Director

Northern Rock Homes Limited is registered in England and Wales under company number 02306045

## Northern Rock Homes Limited

### Statement of changes in equity for the 18 months ended 31 December 2011

	Ordinary shares £	Retained earnings £	Total £
Balance at 1 July 2009	6	2,337,562	2,337,568
Loss and total comprehensive expense for the financial year	-	(5,462)	(5,462)
Balance at 30 June 2010	6	2,332,100	2,332,106
Balance at 1 July 2010	6	2,332,100	2,332,106
Profit and total comprehensive income for the financial period	-	1,848	1,848
<b>Balance at 31 December 2011</b>	<b>6</b>	<b>2,333,948</b>	<b>2,333,954</b>

# Northern Rock Homes Limited

## Cash flow statement for the 18 months ended 31 December 2011

	18 months ended 31 December 2011 £	Year ended 30 June 2010 £
<b>Net cash flows from operating activities</b>		
Profit before taxation	2,324	-
Adjusted for		
Income taxes paid	(2,665)	-
Other non cash movements	-	(2,665)
Net cash flows from operating activities before changes in operating assets and liabilities	(341)	(2,665)
 Changes in operating assets and liabilities		
Net decrease in other receivables	2,665	2,665
Net decrease in other payables	(2,324)	-
<b>Net movement in cash and cash equivalents</b>	-	-
Opening cash and cash equivalents	-	-
<b>Closing cash and cash equivalents</b>	-	-

# Northern Rock Homes Limited

## Statement of accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. Accounting policies have been applied consistently to all the periods presented, unless otherwise stated.

### Accounting convention

The financial statements of Northern Rock Homes Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the going concern basis and under the historical cost convention. The company is a wholly owned subsidiary of Northern Rock (Asset Management) plc (NRAM). NRAM is dependent upon financing facilities provided by HM Treasury, which are repayable on demand. HM Treasury has confirmed to the directors of NRAM its intention to continue to provide funding until at least 1 October 2013.

A summary of the more important accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the period, if applicable.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

### Sharebuy properties

The company's equity share of sharebuy properties represents freehold land and buildings and is included in the balance sheet at the lower of cost and net realisable value. Cost includes expenditure that is directly attributable to the acquisition of the items. No depreciation is charged in respect of sharebuy properties.

### Share capital

Ordinary shares are classified as equity.

### Other receivables

Other receivables are measured at amortised cost.

### Other payables

Other payables are measured at amortised cost.

### Taxation

#### i) Current tax

Income tax payable/(receivable) is calculated on taxable profits/(losses) based on the applicable tax law in each jurisdiction and is recognised as an expense/(income) for the period except to the extent that it relates to items that are charged or credited to other comprehensive income or to equity.

Where there are tax losses that can be relieved against a tax liability for a previous period, it recognises those losses as an asset, because the tax relief is recoverable by refund of tax previously paid. This asset is offset against an existing current tax balance.

Where tax losses can be relieved only by carry forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward, if provided for, are set off against deferred tax liabilities carried in the balance sheet.

## Northern Rock Homes Limited

Current tax assets and liabilities are only offset when they arise in the same reporting tax group and where there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously

### ii) Deferred tax

Deferred tax is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the date of the balance sheet and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities, rolled over gains on disposal of property, plant and equipment and change in accounting basis on adoption of IFRS.

Deferred tax assets are recognised when it is probable that future taxable profit will be available against which these temporary differences can be utilised.

The tax effects of carry forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax assets and liabilities are only offset when they arise in the same reporting tax group and where there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### New standards, amendments and interpretations

The following new standards, amendments to standards or interpretations that are relevant to the company have been endorsed for adoption by the EU but are not effective for financial periods beginning 1 July 2010.

- A revised version of IAS 24 'Related Party Disclosures' issued in November 2009 which was effective from 1 January 2011.
- The October 2010 amendments to IFRS 7 'Financial Instruments Disclosures' which was effective from 1 July 2011.
- The 2010 Annual Improvements to IFRS, which were effective from 1 January 2011.

The following new standards, amendments to standards or interpretations that are relevant to the company have been issued but are not effective for financial periods beginning 1 July 2010 and have not been endorsed by the EU.

- IFRS 9 'Financial Instruments'
- IFRS 13 'Fair Value Measurement'
- IAS 27 'Separate Financial Statements'
- The December 2010 amendments to IAS 12 'Income Taxes'
- The June 2011 amendments to IAS 1 'Presentation of Financial Statements'
- The December 2011 amendments to IFRS 7 and IAS 32 'Financial Instruments Presentation'

All other new standards, amendments to standards and interpretations are not considered relevant to, and have no impact upon, the Financial Statements of the Company.

# Northern Rock Homes Limited

## Notes to the financial statements for the 18 months ended 31 December 2011

### 1 Auditors' remuneration

The audit fee of £492 (year ended 30 June 2010 £870) has been included in the overall audit fee for the Northern Rock (Asset Management) group, which has been paid by Northern Rock (Asset Management) plc. Details of the overall fee can be found in the Northern Rock (Asset Management) plc financial statements.

### 2 Directors' emoluments and employee information

None of the directors received any emoluments in respect of their services to the company during the period or in the previous period.

The company has no employees other than the directors in the current or previous period.

### 3 Income tax expense

	18 months ended 31 December 2011 £	Year ended 30 June 2010 £
<b>The income tax expense for the period comprises:</b>		
UK corporation tax on profits for the period	476	2,665
Group relief – prior periods	-	2,665
<b>Total current tax:</b>	<b>476</b>	<b>5,330</b>
Deferred tax (note 6)	-	132
<b>Income tax expense</b>	<b>476</b>	<b>5,462</b>

#### Factors affecting the tax expense in the period

The tax on the company's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the company as follows:

	18 months ended 31 December 2011 £	Year ended 30 June 2010 £
<b>Profit before income tax</b>	<b>2,324</b>	<b>-</b>
Tax thereon at 20.5% (2010: 21%)	476	-
Marginal relief	-	(99)
Write off of deferred tax	-	132
Imputed inter-company interest receivable on balances between Group companies (result of UK transfer pricing rules)	-	5,429
<b>Income tax expense</b>	<b>476</b>	<b>5,462</b>

# Northern Rock Homes Limited

## 3 Income tax expense (continued)

The small company rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2011. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 20.5%.

## 4 Sharebuy properties

	Freehold land and buildings £
<b>Cost</b>	
At 1 July 2010 and at 31 December 2011	178,430

Under the terms of the contracts with residents, the company's interests in sharebuy properties can only be realised when residents decide to sell the properties, or when residents exercise their option to increase their own equity share.

## 5 Other receivables

	31 December 2011 £	30 June 2010 £
Amounts owed by parent undertaking	2,156,000	2,156,304
Group relief receivable	-	2,361
	<b>2,156,000</b>	<b>2,158,665</b>

Amounts owed by parent undertaking are unsecured, do not carry any interest and are payable on demand.

## 6 Deferred tax

Deferred tax asset comprises:	31 December 2011 £	30 June 2010 £
Accelerated capital allowances	-	-
		£
Balance as at 1 July 2009		132
Charge to the income statement		(132)
<b>Balance as at 30 June 2010 and 31 December 2011</b>		<b>-</b>

# Northern Rock Homes Limited

## 7 Other payables

	31 December 2011 £	30 June 2010 £
Accruals and deferred income	-	2,324

## 8 Ordinary shares

	31 December 2011 £	30 June 2010 £
<b>Authorised</b>		
1,000 ordinary shares of £1 each	1,000	1,000
<b>Allotted and fully paid</b>		
6 ordinary shares of £1 each	6	6

There is only one class of ordinary share which carries no right to fixed income

## 9 Retained earnings

	£
Balance at 1 July 2009	2,337,562
Loss for the period	(5,462)
Balance at 30 June 2010	2,332,100
Balance at 1 July 2010	2,332,100
Profit for the period	1,848
<b>Balance at 31 December 2011</b>	<b>2,333,948</b>

# Northern Rock Homes Limited

## 10 Ultimate parent undertaking

All shares in Northern Rock (Asset Management) plc were transferred to the Treasury Solicitor as nominee for HM Treasury on 22 February 2008 as a result of The Northern Rock Transfer Order 2008. On 1 October 2010 all shares in Northern Rock (Asset Management) plc were acquired via a share-for-share exchange by UK Asset Resolution Limited, a private limited company incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales, which is wholly owned by the Treasury Solicitor as nominee for HM Treasury. As such the company considers Her Majesty's Government to be the ultimate controlling party.

Northern Rock (Asset Management) plc is the parent company of the smallest group to consolidate the company's financial statements and UK Asset Resolution Limited is the parent company of the largest group to consolidate the company's financial statements. Copies of the group financial statements can be obtained from Northern Rock (Asset Management) plc, Northern Rock House, Gosforth, Newcastle upon Tyne, NE3 4PL.

## 11 Related party transactions

	18 months ended 31 December 2011 £
<b>Amounts owed by Northern Rock (Asset Management) plc:</b>	
Loans outstanding at 1 July 2010	2,156,304
Net amounts repaid	(304)
<b>Loans outstanding at 31 December 2011</b>	<b>2,156,000</b>
	Year ended 30 June 2010 £
<b>Amounts owed by Northern Rock (Asset Management) plc:</b>	
Loans outstanding at 1 July 2009 and 30 June 2010	2,156,304

# Northern Rock Homes Limited

## 12 Financial risk management

31 December 2011	Financial assets		Total
	Loans and receivables	Non financial assets	
	£	£	£
Sharebuy properties	-	178,430	178,430
Other receivables	2,156,000	-	2,156,000
<b>Total assets</b>	<b>2,156,000</b>	<b>178,430</b>	<b>2,334,430</b>

30 June 2010	Financial assets		Total
	Loans and receivables	Non financial assets	
	£	£	£
Sharebuy properties	-	178,430	178,430
Other receivables	2,158,665	-	2,158,665
<b>Total assets</b>	<b>2,158,665</b>	<b>178,430</b>	<b>2,337,095</b>

31 December 2011		Financial liabilities at amortised cost
		£
	Corporation tax payable	476
	<b>Total liabilities</b>	<b>476</b>

30 June 2010		Financial liabilities at amortised cost
		£
	Corporation tax payable	2,665
	Other payables	2,324
	<b>Total liabilities</b>	<b>4,989</b>

The carrying value of each financial asset and liability is considered to be a reasonable approximation of the fair value due to the short term maturity dates of these items

# **Northern Rock Homes Limited**

## **12 Financial risk management (continued)**

### **Market risk**

Market risk is the risk that changes in the level of interest rates, the rate of exchange between currencies or the price of securities or other financial contracts, including derivatives, will have an adverse impact on the results and operations or financial condition of the company

Other receivables within Northern Rock Homes Limited largely comprise amounts owed by the parent undertaking. This loan does not carry any interest and is therefore not subject to market risk.

### **Credit risk**

The credit risk on amounts owed by the parent undertaking is mitigated by the ongoing financial support provided by HM Treasury. HM Treasury has confirmed that it is its intention to continue to fund Northern Rock (Asset Management) plc so as to maintain the company as a going concern and enable it to meet its debts as and when they fall due until at least 1 October 2013.

All receivables as at 31 December 2011 were neither past due nor impaired. The maximum credit exposure is the carrying value of the asset.

### **Liquidity risk**

Liquidity risk represents the risk of being unable to pay liabilities as they fall due and arises from the mismatch in cash flows generated from current and expected assets, liabilities and derivatives.

Amounts owed by the parent undertaking are all repayable on demand and are expected to be fully repaid within the next 12 months.

### **Capital management**

Capital is managed at group level. See Northern Rock (Asset Management) plc financial statements for full details.

## **13 Events after the balance sheet date**

The directors are of the opinion that there have been no significant events which have occurred since 1 January 2012 to the date of this report that are likely to have a material effect on the company's financial position as disclosed in these financial statements.