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**NEW CHARTER HOUSING (NORTH) LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDING
31ST MARCH 2001**



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NEW CHARTER HOUSING (NORTH)
LIMITED

(Company Number 3807022)

REPORT

&

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH 2001

NEW CHARTER HOUSING (NORTH) LIMITED

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NEW CHARTER HOUSING (NORTH) LIMITED

Board of Management

Chair	Stephen Jones
Vice Chair	James Burns
Other Members	Andrew Broadhurst Michael Creamer Stephen Cross David Evans William Harrison Wendy Power (until 31 st July 2000) Brian Spencer (until 15 th May 2000) Stanley Webster (until 15 th May 2000) Alan Bezer (from 7 th August 2000) John Grimshaw (from 7 th August 2000) Elizabeth Coase (from 18 th September 2000) Keith Yates (from 18 th September 2000) Joseph Fitzpatrick (from 11 th June 2001) Steve Simpson (from 18 th July 2001) Hamid Ghafoor (coopted from 18 th July 2001) Khalil Rehman (coopted from 18 th July 2001)

Chief Executive Ian Munro

Executive Officers

Group Director of Finance Martin Frost

**Group Company Secretary &
Director of Legal Services** Danny McLoughlin

Director of Operations Stephen Hodson

Registered Office Frederick House
Dukinfield Road
HYDE SK14 4PL

Auditors KPMG
St James Square
MANCHESTER M2 6DS

Internal Auditors Deloitte & Touche
PO Box 500
201 Deansgate
MANCHESTER M60 2AT

Principal Bankers Cooperative Bank plc
PO Box 101
Balloon Street
MANCHESTER M60 4EP

Lead Funders Nationwide Building Society

Registered by the Housing Corporation (H4266)

NEW CHARTER HOUSING (NORTH) LIMITED

DIRECTORS REPORT

The Directors present herewith the Financial Statements of the Company for the period ended 31st March 2001.

PRINCIPAL ACTIVITIES

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

FUTURE DEVELOPMENT

The Company was established for the purpose of receiving the transfer of part of the housing stock of Tameside Metropolitan Borough Council, and for the management, maintenance and improvement thereof.

REVIEW OF THE YEAR

The Company was incorporated on 9th July 1999, was dormant throughout the period to 26th March 2000, and has traded since that point. Consequently, the period was the Company's first full year of trading.

Customer, regulator and funder expectations were immense. This presented the Board and the Executive with the challenge of making an early impact across a wide range of activities, whilst simultaneously developing organisation skills and procedures to maintain progress long term.

Intentions

All our work was driven by our mission statement:-

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.

Additionally we needed to:-

- Honour Tameside Council's pledges to tenants
- Meet Business Plan and Funders' obligations

- Observe and fulfil statutory and regulatory requirements
- Establish an organisation fit for top class service provision

Operationally this required us to concentrate on:

- Delivering the RPI + 1% capped rent increase
- Massive improvements in repairs, maintenance and improvement investment
- Preserving the rights of transferring tenants
- Involving tenants as customers and partners more in the direction and operation of the business.

Achievements

- Most notable was a dramatic increase in the number, value and improvement in response times relating to responsive repairs. The urgent repair response time improvement was most notable of all and reflected positively in opinion surveys of tenants conducted in the Autumn.
- Large investment schemes, particularly at
 - Hillgate, Ashton
 - Crowhill, Ashton
 - Cambridge Road, Droylsden
 - Broadoak, Ashton
 - Palace Road, Ashton

brought overdue improvements to over 700 tenants and made an early statement about the Company's commitment to achieving standards and involving customers.

- Part of the huge Council backlog of "stored" repairs was cleared in the first half of the year, initially reinforcing the Company's credibility as a refreshing agent of change.
- Rent increase was confined to the RPI + 1% capping formula.
- These key objectives were achieved alongside massive organisational development and investment aimed at assuring improved future service.
- Complete new information systems and communication networks were installed and partly implemented.
- Tenants and Tameside Tenants & Residents Association representatives have been regular attendees at our Board meetings as observers and tenant groups have led the development of client briefs on all aspects of our improvement schemes.
- A successful ballot was completed to form a Tenants Management Organisation on the Brushes Estate, Stalybridge and a local estate office developed.

- New staff have been recruited and inducted to fill gaps left by Tameside Metropolitan Borough Council and to deliver additional services demanded of a stand-alone high quality landlord. Additionally, middle-management recruitment enabled a team approach to be developed to give clear service performance and accountability to all parts of the organisation.

In all these areas the year was productive, successful and undoubtedly of greater benefit to the majority of tenants.

The Agenda going forward

- The Company remains conscious of the fact that its mission is long term. Investment programmes were always intended for delivery over ten years and service quality improvements ought never to cease, therefore applying the learning of our experience to current and future activity assumes major importance.

Emerging in the year were the following issues which became the drivers and priorities for continuing attention.

- Void losses need more rapid reduction. The issue is more one of repairing our properties quickly enough in order to get them let rather than one of any significant lack of demand. Some progress was made during the year despite the inherited backlog and improved specification dictated by our mission statement but not good enough to match initial business plan assumptions. The challenges involve further processing improvements and adjusting the balance between resources applied for existing tenants and those of immediate benefit to new tenants.
- Stored repairs were not completed in spite of considerable progress. A large proportion of these repairs remain outstanding and were a constant source of frustration for both tenants and staff, and detracted from other excellent repair achievements.
- Rent Income and Recovery levels remained high by any appropriate yardsticks but signs were emerging or being predicted of likely downturns relating to
 - increasing proportions of tenants with Housing Benefit payments received in arrears
 - changing payment facilities
 - more frequent changes in benefit entitlement
- Revision of Investment Programmes was undertaken and continues in order to achieve:
 - better focus on systematic asset enhancement
 - greater certainty and detailed information for tenants and operational staff

- Greater attention to environment, security and neighbourhood amenity issues emerged as a need. Regardless of investment in buildings and traditional landlord service improvements, tenants judge satisfaction with their landlord in the context of feelings about wider neighbourhood status and perception. Whilst many small initiatives and partnerships were developed, the Company recognises that this wide and complex issue necessitates even greater attention and dedicated investment.

Generally this year has been marked by great progress made by the Company and considerable achievement in investment and service improvement. This has been accompanied by more detailed awareness of the remaining tasks and priorities and development of an organisation and strategy capable of delivering in the future.

Financial Position

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 £114.903m), 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.

The financial statements demonstrate a net current liability position of £0.690m as at 31st March 2001. However, the availability of the long term funding provides for this position to be resourced by drawdown of the loan facility. 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, the extent of rental loss from void properties, 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 met in full.

Within the context of these comments the financial statements show that, during the period, a deficit of £1.514m was accrued. This should be placed in the context of the original Business Plan which projected drawings under the loan facility of £3.026m – actual drawings were £0.950m. The statements reflect the first year of operations of the Company, and therefore include the costs of setting up the Company, including the information technology infrastructure referred to above. Equally, the prime purpose of the Company, in repairing, maintaining and improving its assets is reflected by revenue expenditure of £7.970m and capital expenditure of £3.366m. Rental streams, being the major source of the Company's income, have been strong, albeit that the comments above relating to the reduction in rental loss from void properties must form an integral element of the management strategy. The Company's cash flow has been improved substantially arising from increased levels of sales under the preserved Right to Buy provisions enjoyed by tenants who transferred from Tameside MBC, together with

significant savings on interest charges consequent upon the terms of the Group Loan Facility Agreement, which was framed at lower interest rate levels than projected within the Business Plan. The savings accruing from this latter item will be available to the Group over the life of the Loan Facility.

DIRECTORS

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

	<u>Appointed</u>	<u>Resigned</u>
Stephen Jones - Chair	2 nd August 1999	
James Burns - Vice Chair	2 nd August 1999	
Andrew Broadhurst	2 nd August 1999	
Michael Creamer	2 nd August 1999	
David Evans	2 nd August 1999	
William Harrison	2 nd August 1999	
Wendy Power	2 nd August 1999	31 st July 2000
Brian Spencer	2 nd August 1999	15 th May 2000
Stanley Webster	14 th October 1999	15 th May 2000
Stephen Cross	15 th May 2000	
Alan Bezer	7 th August 2000	
John Grimshaw	7 th August 2000	
Elizabeth Coase	18 th September 2000	
Keith Yates	18 th September 2000	

Since the end of the period the following have served:

Joseph Fitzpatrick	11 th June 2001
Hamid Ghafoor (co-opted)	18 th July 2001
Khalil Rehman (co-opted)	18 th July 2001

NEW CHARTER HOUSING (NORTH) LIMITED

AUDITORS

At the Board meeting of New Charter Housing Trust Ltd on 25th April 2000 the Directors appointed KPMG to act as Auditors for the Group and for each of the Companies therein. KPMG were reappointed at the Annual General Meeting of the Company held on 14th September 2000.

The Auditors, KPMG, are willing to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

STATEMENT OF DIRECTORS RESPONSIBILITIES

Company Law requires the Directors to prepare statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period. In preparing those financial statements the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimated that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention of fraud and other irregularities.

Internal Financial Controls

The Board acknowledge their ultimate responsibility for ensuring that the Company has in place a system of controls that is appropriate to the various business environments within which it operates. These controls are designed to give reasonable assurance with respect to:

- The reliability of financial information used within the Company or for publication;

- The maintenance of proper accounting records
- The safeguarding of assets against unauthorized use or disposition.

It is the Board's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable assurance but not absolute assurance against material financial mis-statement or loss.

In undertaking this responsibility the Board should ensure that:

- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorized use of the Company's assets;
- Experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- Forecasts and budgets are prepared which allow the Board and management to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated, as appropriate;
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant Committees comprising Board members;
- The Audit Committee reviews reports from management, from the internal auditors and from the external auditors, to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Company. The Audit Committee makes regular reports to the Board;
- Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

On behalf of the Board, the Audit Committee has reviewed the effectiveness of the system of internal financial control in existence in the Company for the year ended 31st March 2001. In undertaking this review, and particularly within the context of a new organization, the Audit Committee has considered the background to the Group, pre-transfer planning, and implementation and development of financial control systems.

The creation of this Company, within the context of the New Charter Group, brought with it a number of significant issues. The complexity and size of the Group, and the

need to commence operations overnight, meant that, despite the pre-transfer planning in terms of the constitution, funding and policy and procedural framework, there would undoubtedly be areas which remained to be addressed as the organization developed.

Fundamental to these were the overall areas of financial control, particularly in the context of the statutory and regulatory regimes, and especially so given that the Group was faced with the challenge of implementing a new financial and management information system. Consequently, the thrust of the initial Internal Audit programme was targeted at prime financial systems and controls, in order to determine the extent to which these required strengthening. The recommendations on these issues have been followed up and the consequential changes now provide the basis for effective financial control.

The Group's financial and management information system is now in place, following extensive implementation work during 2000/01. The specification of the system was designed to ensure that all the financial and management information requirements for effective governance of the Group were met. Of necessity the development work that took place in the months immediately subsequent to transfer led to a lack of information in the early life of the Group. During the course of the year information became increasingly more meaningful and the outputs from the systems now provide the basis for effective reporting and control of the organization.

With specific regard to the key areas, fundamental to effective internal financial control, and which are identified above the Audit Committee has concluded as follows:

Formal Policies and Procedures

Prior to transfer and as a part of the Registration process with the Housing Corporation formal policies and procedures were adopted. Inter-alia these included Financial Regulations and Contracts Standing Orders, procedural documents relating to fundamental financial processes, a scheme of delegation and controls over banking and payment processes. During the course of the year the Internal Audit programme reviewed the effectiveness of these controls, and identified areas, which required strengthening. These have been reported to the Audit Committee together with the corrective action, which has been implemented. Equally the Finance Committee has also reviewed in full the Financial Regulations of the Group, and has approved amendments, which have further reinforced policies and procedures. In summary the Audit Committee has concluded that whilst at the start of the year formal policies and procedures were reasonably framed and fundamentally effective, these have been further strengthened by the enhancements, which have been implemented during the year.

Staffing

It has been noted by the Audit Committee that the majority of staff responsible for managing within the Group were transferred under TUPE Regulations from Tameside MBC, and as such there has been an extensive learning process as staff have adapted to a new legislative and regulatory environment. The Group Executive Management Team

has been subject to an independent appraisal process during the course of the year, and reviews of performance are scheduled to be held with all staff during the summer of 2001. This process will inform the construction of the Group's Training and Development programme into the medium term. With particular reference to the finance function, during the past twelve months the opportunity has also been taken to redress the difficulties, which arose from the staffing levels within the Finance Department, which were inherited on transfer from the Council. Under the agreement with Tameside MBC a significant proportion of the financial planning and control resource was retained by the Council for the three months subsequent to transfer. This led to a slower than anticipated development of the internal financial function with a consequent impact. Considerable improvements were apparent during the course of the year, once the resource became available. A full evaluation of the structural needs of the financial function has been undertaken in the context of the differing requirements of the Group, and a structure is now in place that will ensure that internal financial control is effected.

Budget Planning and Monitoring

The budget for the companies within the Group was set prior to transfer, and reflected the expenditure and income of the Council's housing function, together with specific provision for identified areas of new activity. In terms of the monitoring and control of budgets the implementation phase of the Group's prime financial information system during the period for four months after transfer precluded effective monitoring. This was noted by the Board at that time. Subsequent to implementation the opportunity was taken to deliver a continual improvement process with regard to financial monitoring information, and this was particularly evident in the information provided to the Group's funders under the provisions of the Loan Facility Agreement, which requires rigorous monitoring of budgets, cashflows and service outputs in the context of covenant compliance. The process of improving the planning, monitoring, controlling and reporting processes will feature prominently during the forthcoming 12 months.

Board Consideration of New Developments

The Group's Financial Regulations require full Board consideration of budgets, including proposals for development and new initiatives. This follows a cycle, which allows for consideration by the Group's Finance Committee which forms a view of schemes and budgets within the overall financial context of the Group, prior to approval as part of the Group, and individual Company, activities.

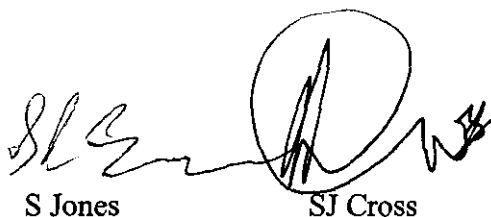
Audit Committee

The Audit Committee receives all reports from the Group's internal auditors, and notes the recommendations together with the progress on implementation. As indicated above the main thrust of the audit programme in the early part of 2000/01 was centred upon financial systems and controls. The recommendations arising from these reports have been followed up by the Group's internal auditors to determine the extent to which implementation has taken place, and these subsequent reports have also been reported to

the Audit Committee. The minutes of the Committee are considered by the Board of New Charter Housing Trust Ltd as an integral element of its oversight of the business of the Group as a whole.

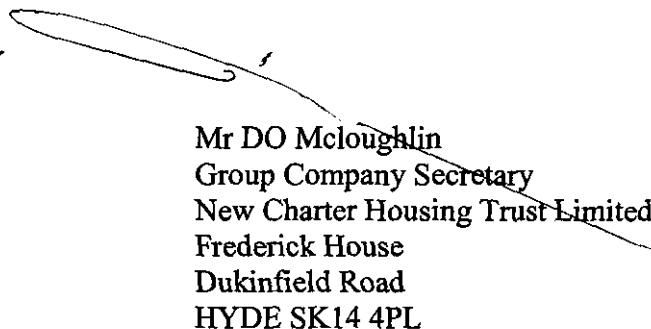
Within the context of the comments above, the various Internal Audit reports, the monitoring and reporting information provided to the Board and the policies and procedures adopted and implemented, the Audit Committee, on behalf of the Board, has reviewed the system of internal financial control in existence for the Company for the year ended 31st March 2001. As at that date the work, which has been undertaken in the twelve months since transfer, has ensured that an effective framework of internal financial control is in place, and is one that is being further developed over the course of the next twelve months. On this basis no weaknesses were found which resulted in material losses, contingencies of uncertainties that require disclosure in the financial statements, or in the auditors report on the financial statements.

The report of the Board of Management was approved and signed on its behalf by the Chair of the Board, Stephen Jones, and Stephen Cross, (Director), on 4 October 2001.

The image shows two handwritten signatures. The first signature on the left is for S Jones, and the second signature on the right is for SJ Cross. Both signatures are in black ink and appear to be cursive or stylized.

S Jones

SJ Cross

The image shows a long, horizontal handwritten signature in black ink, which appears to be for Mr DO Mcloughlin. The signature is written in a cursive style and extends across the width of the text block.

Mr DO Mcloughlin
Group Company Secretary
New Charter Housing Trust Limited
Frederick House
Dukinfield Road
HYDE SK14 4PL



St James's Square
Manchester
M2 6DS

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

We have audited the financial statements on pages 15 - 29.

Respective responsibilities of the Board of Management and auditors

The Company's Board of Management is responsible for preparing the Board of Management's report and, as described on page 9, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors are established in the United Kingdom by statute, the Auditing Practices Board, the Housing Corporation, and by our profession's ethical guidance.

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, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000. We also report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, if 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 the directors' remuneration and transactions with the Company is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an 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 Board of Management 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 of the state of the Company's affairs as at 31 March 2001 and of its surplus/(deficit) for the year then ended and have been properly prepared in accordance with the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000. With respect to the Board of Management's statement on internal financial controls on pages 9 - 13, in our opinion the Board of Management has provided the disclosures required by the Circular and the statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.


KPMG

Chartered Accountants
Registered Auditors

5 October 2001

NEW CHARTER HOUSING (NORTH) LTD
INCOME AND EXPENDITURE ACCOUNT
FOR THE 53 WEEKS ENDED 31 MARCH 2001

		Period Ending 31-Mar-01 £
Turnover	2	19,860,466
Operating costs	2	(17,831,317)
Operating Surplus	2	<u>2,029,149</u>
Surplus on sale of Property	4	981,218
Surplus on Ordinary Activities before Interest		<u>3,010,367</u>
Interest Receivable and Other Income	5	126,526
Interest Payable and Similar Charges	6	(4,651,343)
DEFICIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(1,514,450)</u>
TAXATION		
Tax on Ordinary Activities	10	-
Grant Receivable Against Taxation	10	-
INCOME AND EXPENDITURE ACCOUNT CARRIED FORWARD		<u><u>(1,514,450)</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Deficit for the financial year	(1,514,450)
Unrealised surplus on the revaluation of properties	25,672,732
Total recognised surpluses and deficits for the year	<u><u>24,158,282</u></u>

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS

Reported deficit on ordinary activities before taxation	<u><u>(1,514,450)</u></u>
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NEW CHARTER HOUSING (NORTH) LTD

BALANCE SHEET

AS AT 31 MARCH 2001

		As at 31-Mar-01	
		£	£
FIXED ASSETS			
Tangible assets - housing properties	11		94,387,439
Other tangible assets	12		29,400
			<u>94,416,839</u>
CURRENT ASSETS			
Stock	13	20,276	
Debtors	14	2,115,350	
Cash at Bank		0	
			<u>2,135,626</u>
CREDITORS			
Amounts falling due within one year	15	<u>(2,825,695)</u>	
NET CURRENT LIABILITIES			(690,069)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u><u>93,726,770</u></u>
CREDITORS			
Amounts falling due after more than one year	16		69,568,488
CAPITAL AND RESERVES			
Revaluation Reserves	18	25,672,732	
Revenue Reserve	18	<u>(1,514,450)</u>	
			24,158,282
			<u><u>93,726,770</u></u>

The financial statements on pages 15 to 17 were approved on behalf of the Board on 4 October 2001 were signed on its behalf by:

S Jones

(Chair)

S J Cross

(Director)

D O McLoughlin

(Group Company Secretary)

The notes on pages 18 to 29 form an integral part of the financial statements.

NEW CHARTER HOUSING (NORTH) LTD
CASH FLOW STATEMENT
FOR THE 53 WEEKS ENDED 31 MARCH 2001

		Period Ending 31-Mar-01
	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	19	4,977,817
RETURNS ON INVESTMENTS AND SERVICING FINANCE		
Interest Received	37,311	
Interest Paid	<u>(4,604,820)</u>	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(4,567,509)
CAPITAL EXPENDITURE		
Developments, improvements and other capital works	(3,291,606)	
Other Capital Expenditure	<u>(67,609,855)</u>	
	(70,901,461)	
Grants received	-	
Sale of housing properties	<u>1,931,298</u>	
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(68,970,163)
		<u>(68,559,855)</u>
MANAGEMENT OF LIQUID RESOURCES		
Movement in short term deposits		-
FINANCING		
Loans advances received	68,559,855	
Other Long Term Creditors	-	
Provisions	<u>-</u>	
NET CASH INFLOW FROM FINANCING		68,559,855
INCREASE IN CASH		<u><u>(0)</u></u>

NEW CHARTER HOUSING (NORTH) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 53 WEEKS ENDED 31 MARCH 2001

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 "Accounting by Registered Social Landlords" issued in March 1999. A summary of the more important accounting policies is set out below.

Basis of Accounting

The Company was incorporated on 9th July 1999, was dormant throughout the period to 26th March 2000, and has traded since that point. Consequently, the period was the Company's first full year of trading. The financial statements have been prepared under the historical cost convention of accounting, in accordance with the Housing Act 1996 and comply with the Accounting Requirements for Registered Social Landlords' General Determination 2000.

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 Existing Use Value (Social Housing).

Major repairs to properties of a capital nature which will improve the value of the property are included in the cost of the properties when the expenditure is incurred.

Depreciation:

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

An annual impairment review is undertaken of housing properties, and where appropriate the carrying value of the property is adjusted to take account of permanent diminution in value.

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:

Office furniture & equipment	5 years	(20% per annum)
Computer equipment - infrastructure	5 years	(20% per annum)
Computer equipment - other	2 years	(50% per annum)

Pension Costs

Contributions to pension schemes are calculated as a percentage of pensionable salaries of the employees, determined in accordance with actuarial advice. The cost of providing pensions is charged to the Income and Expenditure Account over the periods during which the Company benefits from the employees' services.

NEW CHARTER HOUSING (NORTH) LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 53 WEEKS ENDED 31 MARCH 2001

VAT

New Charter Housing Trust 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. The Building Company reclaims in full the VAT incurred on works relating to external contracts.

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 31 March 2005.

Bad and Doubtful Debts

The Company provides against rent arrears of current and former tenants and other miscellaneous debts to the extent that they are considered to be irrecoverable.

Stock

Stock is valued at the lower of cost and net replacement value

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

	Turnover	Operating costs	Operating surplus
Social housing lettings (note 3)	19,379,059	17,732,947	1,646,112
Other activities	224,425	98,370	126,055
Negative Goodwill on Transfer	256,982	-	256,982
	<u>19,860,466</u>	<u>17,831,317</u>	<u>2,029,149</u>

NEW CHARTER HOUSING (NORTH) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 53 WEEKS ENDED 31 MARCH 2001

3 INCOME FROM LETTINGS	General needs	Temporary social	Total
Rent receivable net of service charges	20,595,255	154,510	20,749,765
Service charges receivable	265,693	-	265,693
<i>Gross rents receivable</i>	<u>20,860,948</u>	<u>154,510</u>	<u>21,015,458</u>
Less: rent loss from voids	(1,605,081)	(31,318)	(1,636,399)
Net rents receivable	<u>19,255,867</u>	<u>123,192</u>	<u>19,379,059</u>
Turnover from social housing lettings	<u>19,255,867</u>	<u>123,192</u>	<u>19,379,059</u>
EXPENDITURE ON LETTINGS			
Management	7,956,691	42,016	7,998,707
Services	218,939	0	218,939
<i>Routine maintenance</i>	5,626,248	11,757	5,638,005
<i>Planned maintenance</i>	556,983	8,017	565,000
Major repairs expenditure	1,767,057	0	1,767,057
Rent losses from bad debts	245,505	18,129	263,634
Depreciation of housing properties	1,259,697	3,308	1,263,005
Impairment of housing properties	0	0	0
Depreciation of other assets	18,600	0	18,600
Other costs	0	0	0
Operating costs on social housing lettings	<u>17,649,720</u>	<u>83,227</u>	<u>17,732,947</u>
Operating surplus/(deficit) on social housing lettings	<u>1,606,147</u>	<u>39,965</u>	<u>1,646,112</u>
Service Charge income is fully eligible for Housing Benefit.			

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4 OTHER OPERATING INCOME

Proceeds of Sale	2,321,533
Cost of Sale (including amount due to Tameside MBC)	(1,340,315)
Surplus on disposal of assets	<u>981,218</u>

5 INTEREST RECEIVABLE AND OTHER INCOME

Bank interest receivable	44,554
Inter Company Loan interest receivable	81,972
	<u>126,526</u>

6 INTEREST PAYABLE

On bank loans, overdrafts and other loans	<u>4,651,343</u>
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7 SURPLUS ON ORDINARY ACTIVITIES BEFOR TAXATION

Is stated after charging:

Depreciation	1,281,605
Auditors remuneration (inc VAT) - in their capacity as auditors	12,766
	<u>1,294,371</u>

8 DIRECTORS EMOLUMENTS

The Company is controlled by voluntary Boards of Management who receive no remuneration.

The remuneration paid to the Group Executive Management Team, (GEMT), was:

Aggregate emoluments payable to GEMT (including pension contributions & benefits in kind)	<u>£67,136</u>
Emoluments payable to the highest paid member of GEMT (excluding pension contributions but inc benefits in kind)	<u>£61,822</u>

NEW CHARTER HOUSING (NORTH) LTD
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The number of directors, including the highest paid director, who received emoluments (excluding pension contributions) in the following ranges were as follows:

	Number
Over £50,000	<u>1</u>
Aggregate amount of highest paid director's pension	<u>£5,314</u>

The Company's Operations Director is a normal member of the Greater Manchester Pension Fund scheme and does not receive enhanced rates

Expenses payable to members of the Board who were neither officers nor employees of the Company

£564

9 EMPLOYEE INFORMATION

The average number of persons employed during the year

Management	62
Manual	<u>29</u>
	<u>91</u>
Full Time	87
Part Time	<u>4</u>
	<u>91</u>

Staff costs for the above persons were:

Wages and salaries	1,243,682
Social security costs	81,692
Other pension costs	<u>101,862</u>
	<u>1,427,236</u>

10 TAXATION ON SURPLUS ON ORDINARY ACTIVITIES

United Kingdom Corporation tax	-
Corporation tax net liability	<u>-</u>
	<u>-</u>
Tax relief grant receivable at the following rates	<u>-</u>
	<u>-</u>

NEW CHARTER HOUSING (NORTH) LTD
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11 TANGIBLE FIXED ASSETS - FREEHOLD HOUSING PROPERTIES

	Housing Properties Completed £	Total £
COST OR VALUATION		
At transfer 27 March 2000	67,561,855	67,561,855
Additions in period:		
Improvements	3,365,938	3,365,938
Revaluation	24,419,902	24,419,902
Disposals	(960,256)	(960,256)
At 31 March 2001	<u>94,387,439</u>	<u>94,387,439</u>
DEPRECIATION		
At beginning of year	-	-
Charge for period	1,263,005	1,263,005
Disposals	(10,175)	(10,175)
Revaluation	(1,252,830)	(1,252,830)
At 31 March 2001	<u>0</u>	<u>0</u>
NET BOOK VALUE AT 31 MARCH 2001	<u>94,387,439</u>	<u>94,387,439</u>

Comparable amounts determined according to the historical cost convention

Cost and valuation is represented by:

Historic cost	69,967,537	69,967,537
Depreciation	(1,252,830)	(1,252,830)
Revaluation Reserve	25,672,732	25,672,732
	<u>94,387,439</u>	<u>94,387,439</u>

A valuation was performed in the year by DTZ Peda Consulting, Chartered Surveyors, who are independent of the Group. The valuation was based on Existing Use Value (Social Housing) as at 31st March 2001.

There were no housing properties under construction at 31 March 2001.

12 OTHER FIXED ASSETS

	IT Equipment £	Furniture & equipment £	Total £
COST			
At transfer 27 March 2000	30,000	18,000	48,000
Additions in period	-	-	-
Disposals	-	-	-
At 31 March 2001	<u>30,000</u>	<u>18,000</u>	<u>48,000</u>
DEPRECIATION			
At beginning of year	-	-	-
Charge for period	15,000	3,600	18,600
Disposals	-	-	-
At 31 March 2001	<u>15,000</u>	<u>3,600</u>	<u>18,600</u>
NET BOOK VALUE AT 31 MARCH 2001	<u>15,000</u>	<u>14,400</u>	<u>29,400</u>

NEW CHARTER HOUSING (NORTH) LTD
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31-Mar-01
£

13 STOCK

<i>Raw materials and consumables</i>	20,276
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14 DEBTORS

<i>Arrears of rent and service charges</i>	888,024
<i>less Provision for bad and doubtful debts</i>	(263,634)
	624,390

<i>Amount due from Parent and from fellow subsidiaries</i>	1,295,333
<i>Other debtors</i>	73,300
<i>Prepayments and accrued income</i>	122,327
	2,115,350

15 CREDITORS - Amounts falling due within one year

<i>Housing and development loans</i>	996,523
<i>Amount due to fellow subsidiary</i>	316,558
<i>Trade creditors</i>	243,866
<i>Accruals and deferred income</i>	975,115
<i>Amounts due for property improvements</i>	74,332
<i>Rent and service charges paid in advance</i>	209,132
<i>Other taxation and social security</i>	10,169
	2,825,695

The average number of days between date of invoice and payment in 2000/2001 was 54

16 CREDITORS - Amounts falling after more than one year

<i>Housing and development loans</i>	68,840,000
<i>RTB Clawback</i>	373,105
<i>Deferred expenditure</i>	355,383
	69,568,488

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17 LOANS

Housing loans included in creditors due within one year and due after more than one year are secured by specific charges on the Company's housing properties and are repayable at varying rates of interest. The long term loans are at a fixed rate of 6.6% and are repayable within 30 years. The remaining short term loans bear interest at variable rates based on LIBOR with an average of 6.56% for the year. All loans are sourced through the Group Loan Facility, with funders being Nationwide BS, Britannia BS, Royal Bank of Scotland, KBC Bank, Leeds & Holbeck BS and Cheshire BS.

	Housing Loans by instalments
Within one year or on demand	950,000
In more than one year but not more than 2 years	-
In more than two years but not more than 5	-
In more than 5 years	68,840,000
	<u>69,790,000</u>

Borrowing facilities

Undrawn committed borrowing facilities at 31 March 2001 were £45,113,000.

18 RESERVES

	Revenue £	Revaluation £	Total £
As at 1 April 2000	-	-	-
(Deficit) for the year	(1,514,450)	-	(1,514,450)
Surplus arising on revaluation		25,672,732	25,672,732
Transfer of realised surplus	-		0
	<u>(1,514,450)</u>	<u>25,672,732</u>	<u>24,158,282</u>

NEW CHARTER HOUSING (NORTH) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 53 WEEKS ENDED 31 MARCH 2001

19 NOTES TO THE CASH FLOW STATEMENT

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

	2000/2001
	£
Operating surplus	3,010,367
Depreciation charges	1,281,605
(Increase)/decrease in debtors	(794,489)
(Increase)/decrease in stock	(20,276)
Increase/(decrease) in creditors	2,481,828
Profit on sale of tangible fixed assets	(981,218)
	<u><u>4,977,817</u></u>

b Reconciliation of net cash inflow to movement in net debt

Increase in cash in year	0
Change in net debt resulting from cash flows	(69,836,523)
Change in net debt	<u>(69,836,523)</u>
Net debt at beginning of year	-
Net debt at end of year	<u><u>(69,836,523)</u></u>

c Analysis of changes in net debt

	At 26 March	Cash Flows	At 31 March
	2000		2001
Cash & investments	-	0	0
	<u>-</u>	<u>0</u>	<u>0</u>
Debt due within one year	-	(996,523)	(996,523)
Debt due after one year	-	(68,840,000)	(68,840,000)
	<u>-</u>	<u>(69,836,523)</u>	<u>(69,836,523)</u>
	<u><u>-</u></u>	<u><u>(69,836,523)</u></u>	<u><u>(69,836,523)</u></u>

NEW CHARTER HOUSING (NORTH) LTD
NOTES TO THE FINANCIAL STATEMENTS
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20 CAPITAL COMMITMENTS

Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>£1,041,060</u>
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Capital expenditure that has been authorised by the Board of Management but has not yet been contracted for	<u>£3,062,497</u>
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The amount contracted for at 31 March 2001 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.

21 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.

Contributions to the scheme are determined by the Fund's actuary on the basis of triennial valuations. The most recent valuation for which information is available was at 31 March 1998; details of the scheme's valuations within this valuation were:

	At 31 March 1998
Market Value	£5.413 billion
Funding Level	107%
Common Rate of Contribution (for 3 years commencing 1 April 1999)	8.40%
Financial Assumptions	
Investment Return - Equities	7.20%
- Bonds	6.70%
Rate of Pay Increase	4.90%
Price Inflation / Pension Increases	3.40%

NEW CHARTER HOUSING (NORTH) LTD
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The Pension contributions made by the Trust in the year to 31 March 2001 totalled £1.120 million covering 697 employees. The employer's contribution rate was 9.5%. From 1 April 2001 the level of employer's contribution remains at 9.5%. The future level of contributions is currently under review as part of the 2001 valuation.

22 LEGISLATIVE PROVISIONS

The Company is registered with the Housing Corporation under the Housing Act 1996 - Registration H4266

23 CONTINGENT LIABILITIES

In common with other RSLs, it appears that New Charter may have been issuing rent notices which do not fully comply with s.13 of the Housing Act 1988. It is understood that a group of RSLs is progressing a test case through the courts in order to clarify the issue and New Charter has received legal advice that s.13(2) of the above Act must be *accorded with*. *In the opinion of the Board, the maximum liability of New Charter were it required to refund the affected rent increases is estimated at £7,501*

The Fairfield estate in Droylsden was constructed in the 1980's. Tameside MBC is currently pursuing legal action against the sub-contractor who built the estate alleging that sub-standard building materials and techniques were employed. As at 31st March 2001 a number of residents on the estate had initiated legal proceedings against New Charter Housing (North) Ltd claiming poor quality housing. (As at September 2001 approximately 30 residents had initiated claims)

Were New Charter Housing (North) Ltd to be found liable consideration would be given to the invoking of the indemnity clause within the Transfer Agreement, as a means of recouping some, or all, of any liability.

With regard to the outcome of the legal actions and the potential exposure of New Charter Housing (North) Ltd, the Board, based on legal advice, believe that it is too early for definitive conclusions to be reached.

24 HOUSING STOCK AS AT 31ST MARCH 2001

Dwellings owned and in management:

New developments

-

Transferred/acquired

8,492

8,492

NEW CHARTER HOUSING (NORTH) LTD
NOTES TO THE FINANCIAL STATEMENTS
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25 RELATED PARTY TRANSACTIONS

Tenant Board members are subject to normal commercial terms in their tenancy agreements and gain no advantage from their position on the Board. Council Board members also receive no advantage from their position.

The Independent Board members have links with a number of organisations, including Portico Housing Association and Ashton Pioneer Homes. Again no advantage is gained from these links.

26 NEGATIVE GOODWILL

As part of the transfer agreement with Tameside MBC, current tenant arrears valued at £612,365 were purchased for £355,383. Under FRS10 Goodwill and Intangible Assets, the value of these arrears exceeding the acquisition cost has been recognised as Negative Goodwill.

The Company has recognised the full value of this goodwill (£256,982) in the first year of operation as it is a matter of policy that any payments made towards rent charges are initially allocated towards the payment of arrears.

27 CASH AT BANK AND IN HAND

There is a charge in favour of the Co-operative Bank plc over the Company's cash and bank balances.