

**Company Number: 3807022**

**TSA Number: LH4266**

**NEW CHARTER HOMES LTD**  
**(Formerly New Charter Housing (North) Ltd)**

**DIRECTORS' REPORT**  
**AND**  
**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2009**

THURSDAY



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**NEW CHARTER HOMES LIMITED**

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## **NEW CHARTER HOMES LIMITED**

### **MEMBERS, SENIOR STAFF, ADVISORS, BANKERS AND LEAD FUNDERS**

#### **Board of Management**

Chair	Julie Hardman
Vice-Chair	Jim Middleton
Other Members	Gordon Tow Jacqui Fendall Jacqui McCann Alan Alcock Geoff Loughlin Joan Ryan Margaret Downs Martin Wareing Desmond Jeffery Tony Powell

**Group Chief Executive** Ian Munro

#### **Executive Officers**

Group Director of Finance and Deputy Chief Executive	Martin Frost
Group Company Secretary and Director of Legal Services	Danny McLoughlin
Lead Executive	Tony Powell

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

**Registered by** The Tenants Services Authority (LH4266).

**Auditor** **Baker Tilly UK Audit LLP**  
3 Hardman Street  
Manchester  
M3 3HF

**Internal Auditor**

**Beever & Struthers**  
St Georges House  
215-219 Chester Road  
Manchester M15 4JE

**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 2009**

The Directors present the Financial Statements of the Company for the year ended 31<sup>st</sup> March 2009.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is providing rented housing within the district of Tameside. New Charter Homes Limited is a company limited by guarantee.

### **FUTURE DEVELOPMENTS**

The Company and its predecessors were established to receive the homes previously owned by Tameside MBC and transferred to New Charter North and South Companies in March 2000. The original objective of the transfer was to undertake a programme of investment over a ten year period. As this investment programme reaches its end in 2010 the Board is looking forward to ensuring investment in existing homes is sustained and the wider responsibilities we feel we have for the wellbeing of our tenants and the wider community is enhanced. We also seek to maximise opportunities across Greater Manchester to provide high quality new accommodation.

### **REVIEW OF THE YEAR**

The transfer from Tameside MBC was predicated on Government policy at that time and the creation of two separate companies for receipt of the stock from Tameside MBC was as a requirement of the then Housing Minister. Whilst the arrangement served tenants well, changes to the Group over the course of 2008 led to a review of constitutional arrangements. On 1<sup>st</sup> October 2008 the assets and liabilities of New Charter [South] were transferred to New Charter [North] which subsequently changed its name to New Charter Homes.

The new Board Members have a range of skills and experience to ensure a robust governance structure is in place. A business cycle of reports has been developed which will ensure governance compliance.

The Tenant Satisfaction Survey for New Charter Homes, undertaken independently in January 2009, has once again provided excellent tenant satisfaction results. In the key performance indicators the performance levels are amongst the highest in the country.

Overall satisfaction with New Charter Homes	93%
Repairs satisfaction	86%
Tenant involvement satisfaction	85%

The management of our neighbourhoods and the involvement of our tenants continues to be a priority focus. During the last 12 months we have expanded our Community Regeneration activities and the process of introducing a new Resident-Led Self-Regulated Structure has been implemented. This new structure will form the basis of ensuring that New Charter Homes tenants are empowered and directly involved in the services provided.

**(Report of the Board of Management continued)**

At the end of March 2009 the number of void properties was at the lowest recorded number and the success of over-achieving Business Plan targets provides for additional income.

We have been successful in obtaining and winning contracts to deliver services for Housing Advice and the Councils Housing Register. In addition, our Tenancy Enforcement team has obtained substantial funding to extend the Family Intervention Scheme and have obtained external monies to provide a Prolific Offenders Support Project.

Our New Charter Homes 10 year investment programme continues to be delivered largely through New Charter Building Company and is on target to achieve and exceed all our transfer promises and ensure all our homes achieve the Decent Homes Standard by 2010.

Our repairs service continues to deliver high levels of performance and customer satisfaction. Cyclical maintenance including gas servicing is effectively managed and delivered. Caretaking and grounds maintenance services have been extended and improved and together with our environmental improvements programme have delivered real benefits to the security, layout and appearance of many of our estates.

Collection performance for the Group of 99.26% met Business Plan requirements and is a pleasing result given the economic pressures currently being experienced by tenants. The Revenues function works on the basis of arrears prevention and support which resulted, for the second year running, in a reduction of the number of tenants being evicted for rent arrears.

During the year we have seen the development of a very successful Welfare Benefit and Debt Advice Service, with both services being fully utilised by tenants struggling in the current economic climate. Work with these tenants has resulted in an increase in their personal income by £232K per year plus the removal of £71K worth of unsecured debt. This enables tenants to sustain their tenancy and improve their quality of life.

Support at the pre-tenancy stage has continued to be well received with positive feedback being given to the staff involved.

There was more development activity in 2008/2009 than in any other year since the formation of the Group. Over 220 properties came into management and progress made on a further 70. This amounted to £14.4M in total, a major investment in the future of the Group.

For New Charter Homes the year saw the acquisition of Cavendish Mill in Ashton with 165 tenanted flats coming into management. The second phase of Lakes Road, Stalybridge, completed with 39 new houses and flats, our special needs project at Somerset House opened with 11 flats with communal facilities for people with learning disabilities and work started on two new sites for general family housing: Hickenfield, Hyde (11 homes) and Crowhill, Ashton (22 homes).

This last year has been a very good year, not only for New Charter Homes, but for the Group as a whole. In November 2008 Gedling Homes joined the Group structure and there are considerable benefits which this will provide for the Group and subsidiary organisations. New Charter was

**(Report of the Board of Management continued)**

successful in being awarded 52<sup>nd</sup> place in the "Best 100 Companies to Work For" list 2009. This was a tremendous achievement and reflects how the organisation has developed and progressed over the last nine years.

**EMPLOYMENT PRACTICES**

As a member of New Charter Housing Trust Group we adhere to Group wide 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 are 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 of 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 are 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.

We are committed to ensuring the health, safety and welfare of all employees and others who maybe affected by our acts or omissions so far as is reasonably practicable. Works carried out by us will so far as is reasonably practicable comply with the requirements of the Health and Safety at Work Act 1974 and other legislation.

**(Report of the Board of Management continued)**  
**FINANCIAL REVIEW**

The financial position and results for the year are set out on pages 18 to 36 of these statements.

**Results for the year**

The deficit for New Charter Homes for the year, before movements to reserves, was **£17.705m** which was within the approved plan. This compares with a deficit of **£16.590m** in the previous year.

The main variances against the projections for the year were

- A reduction in void expenditure.
- Increased expenditure on responsive repairs.
- A reduction in the number of Right to Buy sales resulting in a reduction in income.
- A Reduction in New Development expenditure due to a number of schemes not commencing as expected.

**Surplus/reserves**

Total reserves as at 31st March 2009 were **£108.301m** (2008 - £87.113m).

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

**Summary Balance Sheet**

New Charter Homes Balance Sheet as at 31st March 2009 is summarised on page 19 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 as at 31<sup>st</sup> March 2009.

The financial statements demonstrate a net current liability position of **£663k** as at 31<sup>st</sup> March 2009 (2008 – net current liability £592k).

**Cash flows**

New Charter Homes cash flows are summarised on page 20.

The principal sources of cash inflows in the year were:

- rental and other income of **£50.338m** (2008 - £48.430m),
- the sale of housing properties under RTB and land sales of **£1.040m** (2008 - £2.728m) and
- total drawdowns on the Group Loan Facility of **£20.501m** (2008 - £22.598m).



## **(Report of the Board of Management continued)**

The principal cash outflows were:

- operating costs of **£54.211m** (2008 - £51.724m),
- investment in assets, particularly housing stock, of **£13.386m** (2008 - £15.014m) and
- servicing of debt of **£14.630m** (2008 - £15.088m).

## **Capital structure and treasury policy**

The Company's financial strategy is underpinned by a Business Plan, which acknowledges the requirements set out in the rent plan to achieve rent convergence by 2012 and the Investment Strategy which is to achieve decent homes by 2010. These have been used to secure long term funding, over a thirty year period, from two lenders, with the Nationwide Building Society being lead lender and facility agent.

The funding profile, amounting in total to a facility for the Company of **£290m**, reflects the fact that in the initial years of the Company, accrued deficits will be recorded until the ten year investment strategy is fulfilled which is due to be completed by March 2010. An updated stock condition survey has been commissioned and the results will be fed into future projections.

Surpluses are projected which enable the repayment of all outstanding loans.

Long-term borrowings at the year-end totalled **£259.650m** (2008 - £239.149m).

Close monitoring of the business is exercised by funders, 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 **91.5%** 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><b>Appointed</b></u>	<u><b>Resigned Homes</b></u>
Alan Alcock	(T)	1 <sup>st</sup> October 2008	
Geoff Loughlin	(I)	1 <sup>st</sup> October 2008	
Gordon Tow – Co-opted		1 <sup>st</sup> October 2008	
Jacqui Fendall	(I)	1 <sup>st</sup> October 2008	
Jacqui McCann – Co-opted		1 <sup>st</sup> October 2008	
Jim Middleton – Vice chair	(C)	1 <sup>st</sup> October 2008	

**(Report of the Board of Management continued)**

Joan Ryan	(I)	1 <sup>st</sup> October 2008
Julie Hardman – Chair	(T)	1 <sup>st</sup> October 2008
Margaret Downs	(C)	1 <sup>st</sup> October 2008
Martin Wareing	(C)	1 <sup>st</sup> October 2008
Desmond Jeffery	(T)	1 <sup>st</sup> October 2008
Tony Powell – Co-opted	(E)	1 <sup>st</sup> October 2008

		<b><u>Appointed</u></b>	<b><u>Resigned</u></b>
<b><u>Previously North</u></b>			
Andrew Broadhurst - Chair	(I)	2 <sup>nd</sup> August 1999	1 <sup>st</sup> October 2008
Philip Smith	(T)	22 <sup>nd</sup> November 2001	1 <sup>st</sup> October 2008
Gordon Tow – Vice-chair	(C)	1 <sup>st</sup> May 2002	1 <sup>st</sup> October 2008
Jim Middleton	(C)	5 <sup>th</sup> April 2004	1 <sup>st</sup> October 2008
Jacqui Fendall	(I)	14 <sup>th</sup> February 2006	1 <sup>st</sup> October 2008
Jacqui McCann	(I)	14 <sup>th</sup> February 2006	1 <sup>st</sup> October 2008
Maria Bailey	(C)	26 <sup>th</sup> September 2005	1 <sup>st</sup> October 2008
Rex Charlton	(I)	14 <sup>th</sup> February 2006	1 <sup>st</sup> October 2008
Alan Alcock	(T)	15 <sup>th</sup> August 2006	1 <sup>st</sup> October 2008
<b><u>Previously South</u></b>			
Alaha Begum – Co-opted		16 <sup>th</sup> November 2004	1 <sup>st</sup> October 2008
Anne Simmonite	(I)	2 <sup>nd</sup> August 1999	1 <sup>st</sup> October 2008
Audrey White	(T)	10 <sup>th</sup> May 2006	1 <sup>st</sup> October 2008
Geoff Loughlin	(I)	15 <sup>th</sup> August 2006	1 <sup>st</sup> October 2008
Joan Ryan	(I)	8 <sup>th</sup> May 2002	1 <sup>st</sup> October 2008
Joe Fitzpatrick	(C)	26 <sup>th</sup> September 2005	1 <sup>st</sup> October 2008
Julie Hardman – Chair	(T)	2 <sup>nd</sup> August 1999	1 <sup>st</sup> October 2008
Malcolm Burbidge	(T)	30 <sup>th</sup> September 2004	1 <sup>st</sup> October 2008
Margaret Downs	(C)	2 <sup>nd</sup> August 1999	1 <sup>st</sup> October 2008
Martin Wareing	(C)	2 <sup>nd</sup> June 2004	1 <sup>st</sup> October 2008
Tony Berry	(I)	2 <sup>nd</sup> August 1999	1 <sup>st</sup> October 2008
Vincent Ricci – Vice Chair	(C)	2 <sup>nd</sup> August 1999	1 <sup>st</sup> October 2008

(T = Tenant Director; I = Independent Director; C = Council nominee Director; E = Executive Director)

The Board wishes to record its appreciation of the work and commitment shown by Directors who served during this trading year.

**AUDITOR**

A resolution to reappoint Baker Tilly UK Audit LLP as the Group's auditor will be proposed at the AGM. Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

**(Report of the Board of Management continued)**

**Statement of directors' responsibilities in respect of the Directors' 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 auditor**

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

**(Report of the Board of Management continued)**  
**Internal Controls**

The Tenant Services Authority (TSA), formerly the Housing Corporation, amended the requirements with regard to the Trust Board's overall responsibilities with regard to matters relating to internal control. The Trust Board, through the Audit committee must be satisfied that measures are in place, which cover such matters as;

- An understanding of internal control
- Prevention of fraud
- Effectiveness of internal control processes and systems
- Understanding of risk and minimisation 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

To assist in this work the TSA indicates that it would be appropriate for the Board to provide assurance 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.

**Group Chief Executive's Statement of Internal Control 2008/9**

No system of internal control can possibly seek to eliminate all risks. The system adopted at New Charter is designed to manage risk insofar as possible given the present understanding of the internal and external risks faced by the Group.

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

There have been no significant changes in levels of risk without concomitant management measures 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.

**(Report of the Board of Management continued)**

The Group carried out significant constitutional changes during the year and as a consequence has aligned risk and its management much more clearly with overall governance arrangements. Subsidiaries, particularly New Charter Homes, are now more focussed and clearly responsible for their operational areas.

Board Members have been actively engaged in understanding and prioritising risk.

**Mechanisms to provide effective internal control**

I have reviewed the systems and policies designed to deliver internal control and I am satisfied that these have remained in place throughout the financial year 2008/9. 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 the formulation and approval of the Business Plan. This has been scrutinised and given a level of full assurance by our internal auditors Beever and Struthers.
- 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 Loan Facilities for New Charter Trust, New Charter Homes, Aksa Housing and for Gedling Homes require formal annual approval by Funders of the relevant Business Plans. These approvals were given unconditionally in 2008/9.
- Monitoring of control systems by Audit Committee, Internal Audit and GMT.
- All Board reports are required to show a Risk Evaluation in terms of Financial and Legal/Governance implications.
- Management information and performance control systems are in place to regularly report financial results and other performance indicators to Group management team and to Boards. This process has been scrutinised by our internal auditors and has been given a level of full assurance.
- Contract Standing Orders, Financial Regulations and Scheme of Delegations are in place and were reviewed during 2008/9.
- The fraud-register and whistle blowing policy are in place. The fraud register is considered at every Audit Committee. All policies and procedures are programmed for regular review including Health and Safety and IT Disaster Recovery; these now include Business Continuity Planning.

**(Report of the Board of Management continued)**

- There is on-going development of a continual improvement culture across the Group.
- Culture of risk awareness developed through individual Key Work Objectives, with performance managed through a regular review process.

**Process for assessing and managing risk during 2008/9**

- 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, including co-opted members and is chaired by an independent director of the Trust Board.
- Internal and External Auditors have unfettered access to Audit Committee members.
- In line with best practice, Audit Committee members hold an annual meeting with Internal and External Auditors in the absence of officers.
- Audit Committee have agreed and monitored an annual audit programme, which has been determined against an analysis of known and anticipated risk.
- All Internal Audit reports are presented to Audit Committee who take responsibility for ensuring recommendations are implemented. Internal audit also undertake follow up assignments to ensure compliance, as appropriate.
- Audit Committee are kept informed of developing best practice including Housing Corporation Risk Management Topic Papers.
- Internal Audit remains a contracted out service.
- Risk register produced and a revised process for managing the risk appetite introduced to identify, evaluate and manage risks to organisational objectives. Presented to and monitored by Audit Committee.
- Work with external auditors both before and during closure of accounts meant an unqualified opinion was offered.
- Baker Tilly presented their Audit Strategy to the February 2008 Audit Committee which did not identify any additional risk for the Group. Audit Committee considered their Audit highlights Memorandum in August 2008.
- The Tenant Service Authority Regulatory Judgement for the Group places all factors effectively at "green" (although the TSA have stopped using "traffic lights" in their assessments).

**(Report of the Board of Management continued)**

- The Tenant Services Authority recognises viability as a key issue and the judgement states that **“The Group meets the expectations set out in the Regulatory Code in terms of financial viability”**. This has been further reinforced by notification that the judgement is sufficient to not require a formal Annual Viability Review to be undertaken.
- As part of the planning for the entry of Gedling Homes into the Group, external independent validation of the consolidated Business Plan was carried out by Baker Tilly.
- 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
- Overall Group exposure as a consequence of the ‘Credit Crunch’ is limited.
  - The Group has not developed any shared ownership or for sale products
  - Interest rates are largely fixed and so costs of borrowing are known and managed over significant periods of time and this approach formed a key feature of the funding facility for Gedling Homes
  - The Building Company viability is managed through ensuring a significant forward order book, which is linked to reducing the reliance upon direct employees to deliver external work
  - Scenario planning well in hand for future disinflation during 2009/10
- 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; retendering during the year saw overall premium fall reflecting a good claims record.
- There has been no instance of substantial fraud during the year. Only one entry, relating to the theft of a door, was made in 2008/9.
- No Regulatory or Supervisory action by the Tenant Services Authority has been taken during the year, beyond normal, planned, regulatory engagement.
- The Company has received external accreditation in such areas as
  - Investors in People

**(Report of the Board of Management Continued)**

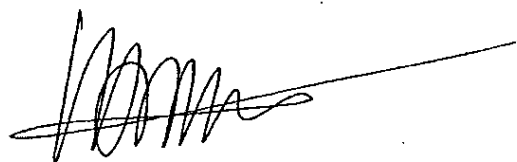
- Best Companies 2 Star – Outstanding Organisation
- Times Top 100 Best Companies to work for
- ROSPA Gold Award
- In a Mock Audit Commission Inspection in September 2007, 2 Star “Good” service with “Promising Prospects for Improvement”
- Gas safe; NICEE FENSA etc. accreditations up to date

This gives an external validation of a variety of controls in place throughout the organisation.

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 minimise risk. Of the fifteen reports considered by the Committee, one gave limited, ten were substantial and four were full assurance. A review of the 65 recommendations made during the year showed an implementation rate of 75.2% for the year. Whilst Internal Audit advice suggests that this is an acceptable level of performance and the actual number of outstanding ‘significant’ recommendations is five, I am taking steps to improve this rate of compliance.

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.

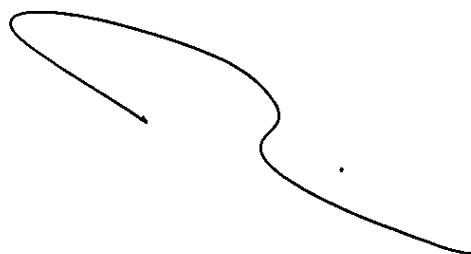


**I H MUNRO**  
GROUP CHIEF EXECUTIVE  
NEW CHARTER HOUSING TRUST LTD

**5<sup>th</sup> August 2009**

The report of the Board of Management was approved on 5<sup>th</sup> August 2009 and signed by order of the board by:

Mr D O McLoughlin  
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 Homes Limited**

We have audited the financial statements on pages 18 to 36.

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 (as amended by the Housing Act 2004) 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 the Report of the Board of Management and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**(Independent Auditor's Report continued)**

**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 as at 31 March 2009 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 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*

Baker Tilly UK Audit LLP

Registered Auditor

Chartered Accountants

3 Hardman Street

Manchester

M2 5BL

*25/9/2009*

**NEW CHARTER HOMES LIMITED**  
**INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE YEAR ENDED 31 MARCH 2009**

		2009	2008
		£'000	£'000
Turnover	2	50,338	48,430
Operating costs	2	(54,211)	(51,724)
Operating deficit	2	<u>(3,873)</u>	<u>(3,294)</u>
Profit on sale of fixed assets	4	671	1,654
<b>DEFICIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION</b>		<u>(3,202)</u>	<u>(1,640)</u>
Interest receivable and other income	5	127	138
Interest payable and similar charges	6	(14,630)	(15,088)
<b>DEFICIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>(17,705)</u>	<u>(16,590)</u>
<b>TAXATION</b>			
Taxation on ordinary activities	10	-	-
<b>DEFICIT FOR THE YEAR</b>		<u>(17,705)</u>	<u>(16,590)</u>
<b>REVENUE RESERVE BROUGHT FORWARD</b>		(70,556)	(58,488)
<b>TRANSFER FROM REVALUATION RESERVE</b>		3,914	4,523
<b>REVENUE RESERVE CARRIED FORWARD</b>		<u><u>(84,347)</u></u>	<u><u>(70,556)</u></u>
<b>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES</b>			
Deficit for the financial year		(17,705)	(16,590)
Unrealised surplus on the revaluation of properties	17	38,893	25,037
Total recognised gains and losses for the year		<u><u>21,188</u></u>	<u><u>8,447</u></u>
<b>NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS</b>			
Deficit on ordinary activities before taxation		(17,705)	(16,590)
Difference between the historical cost depreciation charges and the actual depreciation charge for the year calculated on the revalued amount		(115)	(19)
Historical cost deficit on ordinary activities before taxation		<u><u>(17,820)</u></u>	<u><u>(16,609)</u></u>

All of the above results derive from continuing operations.  
The notes on pages 21 to 36 form an integral part of the financial statements.

NEW CHARTER HOMES LIMITED

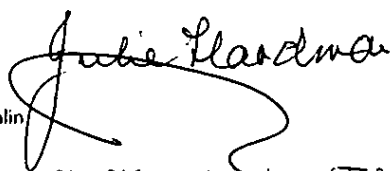
BALANCE SHEET

AS AT 31 MARCH 2009

		2009	2008
		£'000	£'000
<b>FIXED ASSETS</b>			
Tangible assets - housing properties	11	361,460	321,050
		<u>361,460</u>	<u>321,050</u>
Other tangible assets	12	9,606	8,574
		<u>371,066</u>	<u>329,624</u>
<b>CURRENT ASSETS</b>			
Debtors	13	7,209	6,921
		<u>7,209</u>	<u>6,921</u>
<b>CREDITORS</b>			
Amounts falling due within one year	14	(7,872)	(7,513)
<b>NET CURRENT LIABILITIES</b>		(663)	(592)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>370,403</u>	<u>329,032</u>
<b>CREDITORS</b>			
Amounts falling due after more than one year	15	262,102	241,919
<b>CAPITAL AND RESERVES</b>			
Revaluation reserve	17	192,648	157,669
Revenue reserve	17	(84,347)	(70,556)
		<u>108,301</u>	<u>87,113</u>
		<u>370,403</u>	<u>329,032</u>

The financial statements on pages 18 to 36 were approved by the Board and authorised for issue on the 5th August 2009 and are signed on its behalf by:

J Hardman



(Chair)

D O McLoughlin

(Group Company Secretary)

The notes on pages 21 to 36 form an integral part of the financial statements.

**NEW CHARTER HOMES LIMITED**

**CASHFLOW STATEMENT**

**FOR THE YEAR ENDED 31 MARCH 2009**

		2009		2008
	£'000	£'000	£'000	£'000
<b>NET CASH OUTFLOW/INFLOW FROM OPERATING ACTIVITIES</b>	<b>18</b>	<b>2,667</b>		<b>(1,626)</b>
 <b>RETURNS ON INVESTMENTS AND SERVICING FINANCE</b>				
Interest received	127		138	
Interest paid	<u>(14,630)</u>		<u>(15,088)</u>	
		<b>(14,503)</b>		<b>(14,950)</b>
 <b>TAXATION</b>		<b>-</b>		<b>-</b>
 <b>CAPITAL EXPENDITURE</b>				
Developments, improvements and other capital works	(11,634)		(9,350)	
Other capital expenditure	<u>-</u>		<u>(28)</u>	
	<u>(11,634)</u>		<u>(9,378)</u>	
Sale of housing properties and land	<u>1,040</u>		<u>2,728</u>	
		<b>(10,594)</b>		<b>(6,650)</b>
 <b>CASHFLOW BEFORE FINANCING</b>		<b>(22,430)</b>		<b>(23,226)</b>
 <b>FINANCING</b>				
Loans advances received	20,501		22,598	
Grant received	<u>1,929</u>		<u>628</u>	
		<b>22,430</b>		<b>23,226</b>
 <b>INCREASE/(DECREASE) IN CASH</b>		<b>-</b>		<b>-</b>

**Management of liquid resources**

Cash balances are held in the parent company who manage the funds on behalf of New Charter Homes Limited  
The notes on pages 21 to 36 form an integral part of the financial statements.

## NEW CHARTER HOMES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009

#### 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 2008. A summary of the more significant 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 and applicable Accounting Standards.

##### Finance Costs

Where it is prudent to do so, finance costs will be expensed through the Income and Expenditure Account in the year incurred otherwise added to the cost of the loan and expensed over the life of the loan.

##### Corporation Tax

The Company is subject to Corporation Tax, but has not yet incurred a tax charge as it is in a loss making position due to the large amount of expenditure committed to the investment programme. It does receive taxable income which is currently offset by reliefs and losses brought forward.

##### Merger of New Charter North and South

The business combination of New Charter North and New Charter South has been treated as a merger in accordance with FRS6. On 1st October 2008 assets and liabilities of New Charter South were transferred to New Charter North and subsequently New Charter North changed its name to New Charter Homes.

##### Turnover

The majority of Company turnover is generated from Rental and Service Charge income which is exempt from VAT and charged evenly to the Income and Expenditure Account over a 50 week period. Income is also generated from a Supporting People contract with Tameside MBC, where income is received monthly and a home contents insurance scheme, where tenants are charged weekly.

##### 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. Future improvement commitments are taken into account and properties under construction are held at cost. Major repairs to properties of a capital nature which will result in an increase in the net rental income over the life of the property are included in the cost of the properties when the expenditure is incurred.

##### Depreciation of Housing Properties

Housing Properties are depreciated over their expected useful economic lives on a straight line basis. The depreciation is calculated by deducting the land value from the revalued sum.

Housing Properties - Transferred/Acquired Stock	50 years	(2% per annum)
Housing Properties - New Developments	100 years	(1% per annum)

##### Impairment

In accordance with Financial Reporting Standard 11 (FRS11) Impairment of Fixed Assets and Goodwill, for assets with a remaining economic life greater than 50 years, an impairment review is undertaken. For those assets with a lower economic life, an impairment review is undertaken where there is an indication that 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 grants 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 a property it is shown under the disposal proceeds fund and recycled 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 HOMES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2009**

**Other Fixed Assets**

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following rates:

Freehold premises	30 to 50 years
Furniture & equipment	5 years
IT Equipment - infrastructure	5 years
IT Equipment - new acquisitions	5 years
Leasehold premises	Over life of lease

**Pension Costs**

The Trust 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 the triennial calculations by professionally qualified independent actuaries. In the intervening years, the actuary reviews the continuing appropriateness of the rates of contributions.

Defined benefit schemes are funded, with the assets held separately from the Group in separate trustee administered funds. A liability is recognised in the balance sheet in respect of the defined benefit plan which represents the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. A full valuation of the liability is calculated by an independent actuary every 3 years and updated on an annual basis using the projected unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses are recognised in reserves in the year in which they arise. Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight line basis over the vesting period.

**Provisions**

Provisions are made to the extent that the Company has no discretion to avoid the expenditure provided for. Specific provisions are held for rent and service charge debts, rechargeable repairs and trade debts.

**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.

**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 within the fund are accumulated within, 'Creditors: amounts falling due within one year'.

**Sales under Right to Buy Legislation**

Surpluses or deficits arising from the disposal of properties under Right to Buy legislation are disclosed on the face of the Income and Expenditure Account. The clawback agreement with Tameside Metropolitan Borough Council ended on 31st March 2005.

**Bad and Doubtful Debts**

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

**Loss on disposal on improvement to housing properties**

Any loss which may arise on the replacement of components as part of the initial stock transfer will be written off to the Income and Expenditure Account.

**NEW CHARTER HOMES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2009**

**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. It is accounted for on a non discounted basis.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the revenue of the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences occur. Revenue based on tax rates and laws enacted or substantively enacted at the Balance Sheet date.

**Capitalisation Policy**

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



NEW CHARTER HOUSING HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009

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

	2009			2008		
	Turnover	Operating costs	Operating surplus	Turnover	Operating costs	Operating surplus
	£'000	£'000	£'000	£'000	£'000	£'000
Income and expenditure from social housing lettings						
Housing accommodation	49,017	54,024	(5,007)	45,474	51,519	(6,045)
	49,017	54,024	(5,007)	45,474	51,519	(6,045)
See Note 3 for further detail.						
Other income and expenditure from social housing lettings						
Other Rental	632	76	556	615	88	527
Supporting People Contract Income	703	-	703	776	-	776
Home contents insurance scheme	115	111	4	114	117	(3)
Other activities	(129)	-	(129)	1,451	-	1,451
	1,321	187	1,134	2,956	205	2,751
	50,338	54,211	(3,873)	48,430	51,724	(3,294)

NEW CHARTER HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009

3 INCOME FROM SOCIAL HOUSING LETTINGS

	2009		2008	
	General needs £'000	Temporary social £'000	General needs £'000	Temporary social £'000
Gross rent receivable (net of voids)	44,435	255	41,562	148
Charges for Support Services	635	-	602	-
Service charges receivable	3,324	368	2,990	172
Gross rents and service charges receivable	48,394	623	45,154	320
Net rents receivable	48,394	623	45,154	320
Turnover from social housing lettings	48,394	623	45,154	320

EXPENDITURE ON SOCIAL HOUSING LETTING ACTIVITIES

Management Services	19,889	304	16,732	378
Routine maintenance	489	-	490	-
Planned maintenance	13,478	-	14,250	52
Major repairs expenditure	930	-	834	-
Rent losses from bad debts	11,388	-	11,575	-
Depreciation of housing properties	754	6	514	2
Loss on investment programme disposals	6,257	49	5,613	21
Depreciation of other assets	121	-	694	-
	359	-	364	-
Operating costs on social housing lettings	53,665	359	51,066	453
Operating deficit on social housing lettings	(5,271)	264	(5,912)	(133)
Rent loss from voids	(720)	(48)	(932)	(39)
Service Charge income is fully eligible for Housing Benefit.				

**NEW CHARTER HOMES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2009**

	2009 £'000	2008 £'000
<b>4 SURPLUS ON SALE OF FIXED ASSETS</b>		
Proceeds of sale	1,040	2,728
Cost of sales	(369)	(1,074)
Profit on sale of fixed assets	<u>671</u>	<u>1,654</u>

	2009 £'000	2008 £'000
<b>5 INTEREST RECEIVABLE AND OTHER INCOME</b>		
Inter company loan interest receivable	127	138
	<u>127</u>	<u>138</u>

	2009 £'000	2008 £'000
<b>6 INTEREST PAYABLE</b>		
On bank loans, overdrafts and other loans	14,630	15,088
	<u>14,630</u>	<u>15,088</u>

	2009 £'000	2008 £'000
<b>7 DEFICIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		
Is stated after charging:		
Depreciation of Freehold Housing Properties & Other Fixed Assets	6,665	5,999
Auditor remuneration (inc VAT)		
- in their capacity as auditor	30	32
Loss on disposal of items replaced as part of investment programme	<u>121</u>	<u>694</u>

**8 DIRECTORS EMOLUMENTS**

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

**NEW CHARTER HOMES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2009**

	2009 £'000	2008 £'000
<b>10 TAXATION ON SURPLUS ON ORDINARY ACTIVITIES</b>		
<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 different to the standard rate of corporation tax in the UK 28% (2008 - 30%). The differences are explained below :

	£'000	£'000
Deficit on ordinary activities before tax	(17,705)	(12,014)
Current tax at 28% (2008 - 30%)	(4,957)	(3,604)
Effects of:		
Expenses not deductible for tax purposes	3	3
Capital allowances for period in excess of depreciation	19	-
Creation of tax losses not recognised	3,532	2,622
Non qualifying depreciation	1,416	623
Excess of taxable profits over book profits on sale of properties	(13)	356
<b>Current tax charge</b>	<u>-</u>	<u>-</u>

A deferred tax asset of £13,618,177 (2008 - £9,778,368) in relation to tax losses and £70,170 in relation to ACA's has not been recognised due to insufficient certainty over the timing of the surpluses that would allow the asset to be realised. Deferred tax liability of £2,202,265 in relation to rollover relief has not been recognised as no binding contract to sell assets is in place at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009

## II TANGIBLE FIXED ASSETS - FREEHOLD HOUSING PROPERTIES

	Housing Properties Completed £'000	Under Construction £'000	Total £'000
<b>COST OR VALUATION</b>			
As at 1st April 2008	318,978	2,071	321,049
Additions in year:			
Improvements	1,068	-	1,068
Completed	4,982	(2,071)	2,911
Under construction	-	6,318	6,318
Revaluation	30,918	-	30,918
Disposals	(540)	-	(540)
At 31st March 2009	<u>355,406</u>	<u>6,318</u>	<u>361,724</u>
<b>LESS GRANT FUNDING</b>			
At 1st April 2008	-	-	-
Received during the year	(1,665)	(264)	(1,929)
Revaluation	1,665	-	1,665
At 31st March 2009	<u>-</u>	<u>(264)</u>	<u>(264)</u>
<b>LESS DEPRECIATION</b>			
At 1st April 2008	-	-	-
Charge for year	(6,421)	-	(6,421)
Disposals	2	-	2
Revaluation	6,419	-	6,419
At 31st March 2009	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET BOOK VALUE AT 31st MARCH 2009</b>	<u>355,406</u>	<u>6,054</u>	<u>361,460</u>
<b>NET BOOK VALUE AT 31st MARCH 2008</b>	<u>318,979</u>	<u>2,071</u>	<u>321,050</u>

Improvement expenditure capitalised is £1.068m (expensed as Operating Costs: £11.388m). Total expenditure £12.456m. The restated amounts have been included based on the valuation for Existing Use Value (Social Housing) assuming target rents.

## Comparable amounts determined according to the historical cost convention

Cost and valuation is represented by:

	£	£	£
Historic cost	169,065	6,054	175,119
Depreciation	(6,306)	-	(6,306)
Revaluation reserve	192,648	-	192,648
	<u>355,406</u>	<u>6,054</u>	<u>361,460</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 2009 and the valuations were undertaken in accordance with the RICS Appraisal and Valuation Manual.

NEW CHARTER HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009

12 FIXED ASSETS - OTHER TANGIBLE ASSETS

**COST**

At 1st April 2008	9,686	401	65	39	10,191
Additions in year	1,390	-	-	-	1,390
At 31st March 2009	11,076	401	65	39	11,581

**DEPRECIATION**

At 1st April 2008	1,225	288	65	39	1,617
Charge for year	317	41	-	-	358
At 31st March 2009	1,542	329	65	39	1,975

**NET BOOK VALUE**

At 31st March 2009	9,534	72	-	-	9,606
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**NET BOOK VALUE**

At 31st March 2008	8,461	113	-	-	8,574
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NEW CHARTER HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009

13 DEBTORS	2009 £'000	2008 £'000
Arrears of rent and service charges	5,154	4,253
less Provision for bad and doubtful debts	(2,802)	(2,374)
	<u>2,352</u>	<u>1,879</u>
Housing benefit overpayments	437	481
less Provision for bad and doubtful debts	(428)	(241)
	<u>9</u>	<u>240</u>
Rechargeable repairs	1,548	1,687
less Provision for bad and doubtful debts	(817)	(844)
	<u>731</u>	<u>843</u>
Trade Debtors	283	157
less Provision for bad and doubtful debts	-	-
	<u>283</u>	<u>157</u>
Amount due from parent and from fellow subsidiaries - Trade	652	715
Amount due from parent and from fellow subsidiaries - Loans	2,293	2,293
Prepayments and accrued income	299	36
Other debtors	590	757
	<u>7,209</u>	<u>6,921</u>

The amount due from the Parent and from fellow subsidiaries relates to loans made to New Charter Housing Trust Ltd - £1,882,998 (2008 - £1,882,998 ) and New Charter Building Company Ltd - £411,000 (2008 - £411,000). The loans are at a fixed interest rate of 5.54% and are repayable within 30 years

Rent and service charge arrears, net of provision for bad and doubtful debts, represents 4.8% (2008 - 4.13%) of the annual rent and service charge receivable.

14 CREDITORS - Amounts falling due within one year	2009 £'000	2008 £'000
Amount due to parent undertakings	3,812	4,236
Trade creditors	725	643
Accruals and deferred income	1,403	869
Repairs and Maintenance Accruals	1,181	731
Accrual for Properties under Construction	131	416
Rent and service charges paid in advance	620	618
	<u>7,872</u>	<u>7,513</u>

NEW CHARTER HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009

		2009 £'000	2008 £'000
<b>15 CREDITORS - Amounts falling due after more than one year</b>			
Housing and development loans		259,650	239,149
Disposal Proceed Funds - Opening Balance	2,769		2,269
Transferred to	328		1,119
Transferred from	-645		(619)
Disposal Proceeds Fund - Closing Balance	2,452	2,452	2,769
		<u>262,102</u>	<u>241,919</u>

		2009 £'000	2008 £'000
<b>16 LOANS</b>			
	Housing Loans by instalments		Housing Loans by instalments
In more than five years		259,650	239,149
		<u>259,650</u>	<u>239,149</u>

The housing loans are drawn down from total facilities of £290m and are secured by a fixed charge over the Company's housing properties and other assets. The loan currently outstanding under facility A bears interest at an average rate of 5.74%. 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 4.89%. Where possible rates will be fixed to minimise financial risk.

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

**BREAKDOWN OF LOANS**

			£000
<b>Facility A</b>			
Nationwide Building Society			137,347
Royal Bank of Scotland	£000		79,703
	62,397	6.210%	
	36,999	5.160%	
	24,256	6.205%	
	22,180	4.800%	
	17,167	7.225%	
	16,494	5.065%	
	13,935	5.800%	
	12,451	5.770%	
	3,871	4.726%	
	3,692	4.307%	
	3,608	4.306%	
			<u>217,050</u>
<b>Facility B</b>			
Nationwide Building Society			17,859
Royal Bank of Scotland			24,741
	9,518	5.287%	
	6,500	5.079%	
	5,191	4.306%	
	4,500	4.307%	
	3,920	4.726%	
	3,210	5.292%	
	3,000	2.236%	
	2,889	5.065%	
	2,272	5.287%	
	1,600	4.307%	
			<u>42,600</u>



**NEW CHARTER HOMES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2009**

17 RESERVES	Revenue £'000	Revaluation £'000	Total £'000
As at 1st April 2008	(70,556)	157,669	87,113
Deficit for the year	(17,705)	-	(17,705)
Revaluation	-	39,002	39,002
Deficit arising on revaluation	3,914	(4,023)	(109)
At 31st March 2009	<u>(84,347)</u>	<u>192,648</u>	<u>108,301</u>

**18 NOTES TO THE CASHFLOW STATEMENT**

a	Reconciliation of operating surplus to net cash inflow from operating activities	2009 £'000	2008 £'000
	Operating deficit	(3,873)	(3,294)
	Depreciation charges	6,665	5,998
	Increase in debtors	(288)	(793)
	Increase/(Decrease) in creditors	42	(4,230)
	Loss on disposal on improvements to housing properties	121	694
	Net cash inflow from operating activities	<u>2,667</u>	<u>(1,626)</u>

b	Reconciliation of net cash inflow to movement in net debt	2009 £'000	2008 £'000
	Movement in cash in year	-	-
	Change in net debt resulting from cash flows	(20,501)	(22,598)
	Change in net debt	<u>(20,501)</u>	<u>(22,598)</u>
	Net debt at beginning of year	(239,148)	(216,550)
	Net debt at end of year	<u>(259,649)</u>	<u>(239,148)</u>

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c Analysis of changes in net debt

	At 31st March 2009 £'000	Cash Flows £'000	At 31st March 2008 £'000
Cash	-	-	-
Debt due after one year	(259,649)	(20,501)	(239,148)
	(259,649)	(20,501)	(239,148)
	(259,649)	(20,501)	(239,148)

**19 CAPITAL COMMITMENTS**

	2009 £'000	2008 £'000
Capital expenditure that has been contracted for, but has not been provided for in the financial statements	2,410	2,595
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.	2,217	22,141

The amount contracted for at 31st March 2009 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 that the expenditure they have authorised will 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 2009 are as follows :

	31st March 2009
Valuation date	Projected unit
Valuation Method	£67,917,000
Value of assets	6.30%
Investment Return per annum	4.60%
Salary scale increases per annum	3.10%
Pension increases per annum	

The Pension contributions made by the Trust in the year to 31st March 2009 totalled £3.362m covering 795 employees (2008 - £2.945m, 812 employees). The employers contribution rate was 20.2% of pensionable salary. From 1st April 2009 the level of employer's contribution will increase to 21.7% of pensionable salary. The estimated Employers contributions for the year to 31st March 2010 is approximately £3.596,700.

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

The major assumptions used in this valuation were:

	2009	2008	2007
Rate of increase in salaries	4.60%	5.10%	4.70%
Rate of increase in pensions in payment and deferred pensions	3.10%	3.60%	3.20%
Discount rate applied on scheme liabilities	6.90%	6.90%	5.40%
Inflation assumption	3.10%	3.60%	3.20%

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.

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**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 are thus inherently uncertain, were:

	value at 2009 £000	value at 2008 £000	value at 2007 £000
Equities	34,962	37,643	41,034
Bonds	8,349	11,148	9,783
Other - property	3,653	5,190	6,053
Cash	5,218	5,677	4,556
Total market value of assets	52,182	59,658	61,426
Present value of scheme liabilities	67,917	68,574	79,708
<b>Net pension liability</b>	<b>(15,735)</b>	<b>(8,916)</b>	<b>(18,282)</b>

A deferred tax asset has not been recognised due to insufficient certainty over the timing of the surpluses that would allow the asset to be realised.

	Long term rate of return 2009	Long term rate of return 2008	Long term rate of return 2007
Equities	7.00%	7.70%	7.80%
Bonds	5.40%	5.70%	4.90%
Other - property	4.90%	5.70%	5.80%
Cash	4.00%	4.80%	4.90%

	2009 £'000	2008 £'000
<b>Reconciliation of defined benefit obligation</b>		
Opening Defined Benefit Obligation	68,574	79,708
Current service cost	2,070	2,968
Interest Cover	4,826	4,378
Contributions by members	1,033	916
Actuarial gain/(loss)	(8,268)	(18,258)
Past service cost	984	28
Losses/(Gains) on Curtailments	62	190
Actuarial gain/(loss)	(1,364)	(1,356)
Closing Defined Benefit Obligation	67,917	68,574

	2009 £'000	2008 £'000
<b>Reconciliation of Fair Value of Employer Assets</b>		
Opening Fair Value of Employer Assets	59,658	61,426
Expected return on Assets	4,219	4,340
Contributions by members	1,033	916
Contributions by the Employer	3,362	2,945
Actuarial gain/(loss)	(14,727)	(8,613)
Benefits Paid	(1,364)	(1,356)
Closing Fair Value of Employer Assets	52,182	59,658
Net closing balance	15,735	8,916

	2009 £'000	2008 £'000
<b>Analysis of pension costs charged in arriving at operating profit/(loss).</b>		
Current service cost	2,070	2,968
Past service cost	984	28
Gains/(losses) on settlements or curtailments	62	190
	3,116	3,186

Gains on settlements or curtailments recorded as non operating items totalled £62k respectively.

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	2009 £'000	2008 £'000
<b>Analysis of amounts included in other finance income/costs</b>		
Expected return on pension scheme assets	4,219	4,340
Interest on pension scheme liabilities	(4,826)	(4,378)
	<u>(607)</u>	<u>(38)</u>

	2009 £'000	2008 £'000
<b>Analysis of amount recognised in statement of total recognised gains and losses</b>		
Actual return less expected return on	(14,727)	(8,613)
Experience gains and losses arising on scheme liabilities	-	896
Changes in assumptions underlying the present value of scheme liabilities	7,908	17,362
	<u>(6,819)</u>	<u>9,645</u>

Actuarial (loss)/gain recognised in statement of total recognised gains and losses

**History of experience gains and losses**

	Year ended 31st March 2009 £000	Year ended 31st March 2008 £000	Year ended 31st March 2007 £000	Year ended 31st March 2006 £000	Year ended 31st March 2005 £000
Difference between the expected and actual return on scheme assets:					
Amount	(14,727)	(8,613)	370	6,839	1,900
Percentage of year end scheme assets	(21.68%)	(12.56%)	0.60%	12.60%	4.50%
Experience gains and losses on scheme liabilities:					
Amount	-	896	68	122	(6,580)
Percentage of year end present value of scheme liabilities	0.00%	1.31%	0.10%	0.20%	(10.90%)
Total amount recognised in statement of total recognised gains and losses:					
Amount	(6,459)	9,645	6,485	(4,414)	(6,020)
Percentage of year end present value of scheme liabilities	(9.50%)	14.10%	8.10%	(5.70%)	(10.00%)

**Reconciliation to the balance sheet**

	2009 £'000	2008 £'000	2007 £'000
Net assets excluding pension liability	116,149	96,451	90,136
Pension liability	(15,735)	(8,916)	(18,282)
Net assets including pension liability	<u>100,414</u>	<u>87,535</u>	<u>71,854</u>

**21 LEGISLATIVE PROVISIONS**

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

**22 HOUSING STOCK**

	2009	2008
Dwellings owned and in management:		
General needs	11,927	13,888
Supported housing	2,530	430
Temporary social housing	113	55
	<u>14,570</u>	<u>14,373</u>

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**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  
Cheshire  
OL6 7AT

**25 RELATED PARTY TRANSACTION**

The Company has taken advantage of the exemption under FRS8 from the requirement to disclose relations to the Group companies on the grounds that it is wholly controlled subsidiary and that the Parent entity prepares Consolidated Financial Statements.