

NEW CHARTER HOUSING (NORTH)
LIMITED

(Company Number 3807022)

REPORT

&

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH 2002



NEW CHARTER HOUSING (NORTH) LIMITED

| CONTENTS | Page |
|---|-------------|
| Members, Senior Staff, Advisors, Bankers & Lead Funders | 2 |
| Report of the Board of Management | 4 |
| Auditors Report | 15 |
| Income and Expenditure | 16 |
| Balance Sheet | 17 |
| Cash Flow Statement | 18 |
| Notes to the Financial Statements | 19 |

NEW CHARTER HOUSING (NORTH) LIMITED

Board of Management

| | | |
|---------------|--------------------|---|
| Chair | Stephen Jones | (until 22 nd November 2001) |
| | James Burns | (from 26 th November 2001) |
| Vice Chair | James Burns | (until 22 nd November 2001) |
| | Andrew Broadhurst | (from 26 th November 2001) |
| Other Members | Philip Allen | (from 22 nd November 2001 until 25 th March 2002) |
| | Elizabeth Coase | |
| | Michael Creamer | |
| | David Evans | |
| | Joseph Fitzpatrick | (from 11 th June 2001) |
| | William Harrison | |
| | Steve Simpson | (from 18 th July 2001) |
| | Philip Smith | (from 22 nd November 2001) |
| | Graham Tossell | (from 22 nd November 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 &
Deputy Chief Executive 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 LLP
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 FOR THE YEAR ENDED 31st MARCH 2002

The Directors present herewith the Financial Statements of the Company for the period ended 31st March 2002.

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

New Charter Housing Trust Group's second full year of trading in 2001/2 saw the transition from Council Housing Department to Independent Social Landlord proceeding well. The Business Plan for 2001/2 acknowledged the size of the task which the Group faced. This past year has seen continuing consolidation of the Group's position, with an increasing understanding of the new operating environment.

The promises made to Tameside MBC tenants remain fundamental to the Group and provide the foundation of our business. These were:

- Rents
- Repairs
- Representation
- Rights

New Charter Mission and Values

New Charter was born out of the Local Authority housing service provision. As a Registered Social Landlord, its primary purpose is to provide homes for people in places where they want to live.

NEW CHARTER HOUSING (NORTH) LIMITED

DIRECTORS REPORT FOR THE YEAR ENDED 31st MARCH 2002

Our Mission is:

New Charter Housing Trust Group exists to build and support communities in the provision of safe, comfortable, secure and affordable homes through partnership with customers and others

New Charter Aims

Our three-year strategy is built around six key aims. These help shape our objectives each year and deliver our mission for the Group.

1. Deliver the pledges to tenants promised as part of the transfer.
2. Ensure we perform the three key landlord tasks of repairs, relets and rents to excellent levels of satisfaction.
3. Develop the organisational culture so there is full integration across the Group with especial reference to the Building Company.
4. Perform as a sound, well managed group of companies with particular reference to ensuring people are:
 - properly rewarded and motivated for the business
 - developed as individuals and teams in a way which maximises their contribution to the success of the Company
5. Ensure that performance and customer service are at the heart of everything we do.
6. Look to growth through judicious development, merger, acquisition, or further transfer to secure the business future.

| | Objectives 2001/2 | Performance 2001/2 |
|---|--|--|
| A | Reduce voids to 4.5% target within the financial year | Void levels reduced to 4.5% of total stock, from beginning of year high of 7.5%. |
| B | Maintain current excellent rent collection performance above 99% | Collection from April – March 2002 was 99% |

| | | |
|---|---|---|
| C | Deliver an investment programme consistent with achieving the 10-year offer to tenants. For 2001/2 this will include 750 rewires, 450 new kitchens, 650 new bathrooms, 900 heating installations, new doors and windows to 1600 properties, and 1400 homes painted. | At end March 2002: 411 rewires 1224 kitchens 289 bathrooms 763 heating installations 2255 homes with new windows/doors 1330 homes painted £6m transferred from original programme to meet demand for void repairs. |
| D | Clear the backlog of stored repairs (repairs inherited from TMBC) by October 2001 | Stored repairs were almost entirely completed by end of March 2002. Slippage was due to early poor performance by contractors, subsequently rectified. |
| E | Improve day-to-day repair times to exceed the Housing Corporation performance targets by the end of 2001/2002 | At end March 2002: 100% emergency) All within 100% urgent) Housing Corpn. 95.9% routine) time targets |
| F | Address and improve on areas of customer dissatisfaction identified in customer survey data | Major customer survey completed, and results incorporated into future plans |
| G | Preserve the rent guarantee to transferring tenants at RPI plus 1% until September 2005 | Rent increase of RPI + 1% implemented 1 st October 2001 |
| H | Reduce exposure to risk across New Charter and remain financially sound. | Risk register revised. Insurance officer appointed. Internal Audit work plan reflected risk assessment. Business Plan approved by funders. No serious problems identified by Housing Corporation at first year visit. |
| I | Increase the ways in which we | Consultation/information with local |

| | | |
|---|---|---|
| | involve tenants in our business | tenants on investment Increased communication arrangements and liaison with Federation including Communications sub-group, Tenants Fed representation at GEMT, regular mailings to Federation and tenants groups |
| J | Introduce a common housing register for the Tameside area | Tameside MBC abandoned idea in favour of a web based advertising site. New Charter fully contributed to development. |
| K | Limit growth of management costs | Growth of management costs during 2001/2 has been controlled within agreed development of the organisation. |
| L | Ensure the Building Company remains financially viable and becomes clearly competitive, delivering a profit | Viability considerably improved. Independent consultants recommendations met. Surplus delivered. |
| M | Retain existing Tameside contracts for Housing Aid, Homelessness and Housing Register | All contracts extended by TMBC whilst it considers its procurement. Best Value study co-operation. |
| N | Redress current causes of dissatisfaction among Company employees | Whole Company intervention carried out, resulting action plan implemented and communicated to staff via newsletter. Employee development review implemented. 2500 training days delivered Main areas of dissatisfaction dealt with |
| O | Put in place an effective management development framework based on competencies. | Programme started April 2001 already leading to increased financial skills 360° appraisal carried out Supervisor programme commenced |

| | | |
|---|--|---|
| | | Feb 2002 GEMT development started |
| P | Maintain a clean, tidy and attractive environment on all estates. | Significant failure due to inadequacy of new grounds maintenance contractor – now corrected. Improved caretaking service launched January 2002 with 7-day coverage. |
| Q | Reduce crime and antisocial behaviour in partnership with the Police and other agencies. | Data Exchange Protocol implemented. Specific security measures including fencing, alleygating and repeat victim initiatives implemented. Direct involvement in local strategy development/problem solving and case intervention groups. Existing specialist team reviewed and resources increased. |

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 £5.129m as at 31st March 2002. 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.

NEW CHARTER HOUSING (NORTH) LIMITED

DIRECTORS REPORT FOR THE YEAR ENDED 31st MARCH 2002

Within the context of these comments the financial statements show that, during the period, a deficit of £5.190m was accrued. This should be placed in the context of the original Business Plan which projected drawings under the loan facility of £7.442m – actual drawings were £5.400m. The statements reflect the first two years 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 £8.999m and capital expenditure of £6.059m.. 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 | (T) | * | 2 nd August 1999 | 22 nd November 2001 |
| James Burns | (I) | | 2 nd August 1999 | |
| Philip Allen | (T) | | 22 nd November 2001 | 25 th March 2002 |
| Alan Bezer | (T) | * | 7 th August 2000 | 22 nd November 2001 |
| Andrew Broadhurst | (I) | | 2 nd August 1999 | |
| Elizabeth Coase | (T) | ** | 18 th September 2000 | |
| Michael Creamer | (I) | | 2 nd August 1999 | |
| Stephen Cross | (C) | | 15 th May 2000 | 1 st February 2002 |
| David Evans | (C) | | 2 nd August 1999 | |
| Joseph Fitzpatrick | (C) | | 11 th June 2001 | |
| William Harrison | (C) | | 2 nd August 1999 | |
| John Grimshaw | (T) | * | 7 th August 2000 | 22 nd November 2001 |
| Steven Simpson | (I) | | 18 th July 2001 | |
| Philip Smith | (T) | | 22 nd November 2001 | |
| Graham Tossell | (T) | | 22 nd November 2001 | |
| Keith Yates | (C) | *** | 18 th September 2000 | |
| Hamid Ghafoor (co-opted) | (I) | | 18 th July 2001 | |

NEW CHARTER HOUSING (NORTH) LIMITED

DIRECTORS REPORT FOR THE YEAR ENDED 31st MARCH 2002

Khalil Rehman (co-opted) (I) 18th July 2001

T = Tenant Director; I = Independent Director; C = Council nominee Director

* Tenant Director: retired – not re-elected

** Tenant Director – re-elected 22nd November 2001

*** Council nominee Director – removed under Article 58 (non attendance)

Since the end of the period the following
has served:

| | | |
|------------|-----|---------------------------|
| Alan Bezer | (T) | 8 th July 2002 |
| Gordon Tow | (C) | 1 st May 2002 |

NEW CHARTER HOUSING (NORTH) LIMITED

DIRECTORS REPORT FOR THE YEAR ENDED 31st MARCH 2002

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 22nd November 2001. Following the conversion of KPMG into a limited liability partnership the Board of the Company, on 8th July 2002, accepted the resignation of KPMG and appointed KPMG LLP as Auditors.

The Auditors, KPMG LLP, 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.

NEW CHARTER HOUSING (NORTH) LIMITED

DIRECTORS REPORT FOR THE YEAR ENDED 31st MARCH 2002

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;

NEW CHARTER HOUSING (NORTH) LIMITED

DIRECTORS REPORT FOR THE YEAR ENDED 31st MARCH 2002

- Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

On behalf of the Board, the Audit Committee has reviewed the effectiveness of the system of internal control in existence in the Company for the year ended 31st March 2002, and has approved the following statement.

"The Audit Committee of the New Charter Housing Trust Group has reviewed the effectiveness of New Charter's system of internal control, and is satisfied that a sound system of internal control has been in place throughout the financial year and is ongoing. This has been demonstrated by:

- *Continuing appointment of internal and external auditors*
- *Establishment of a Group-wide Risk Management Policy and process*
- *Establishment of an Audit Committee with unfettered access to auditors and a comprehensive predetermined annual audit programme*
- *Establishment and monitoring of operational policies and procedures through senior management and operational management meetings and performance reviews*
- *Establishment of a fraud register and a whistle-blowing policy, including the reporting of any significant control failings to senior management*
- *Provision of management reports on operational and financial matters to all Boards and Committees, and*
- *Provision of information on and monitoring of Key Performance Indicators*

In addition over the coming year it is planned to enhance the control environment by:

- *Continuing to embed risk management as part of day to day operations*
- *Better ally risk management priorities with Internal Audit programme*
- *Developing culture of continual improvement across the whole organisation*

Any significant control weaknesses detected over the previous year are being addressed by:-

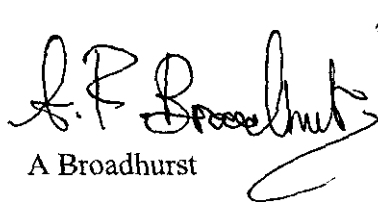
NEW CHARTER HOUSING (NORTH) LIMITED

DIRECTORS REPORT FOR THE YEAR ENDED 31st MARCH 2002

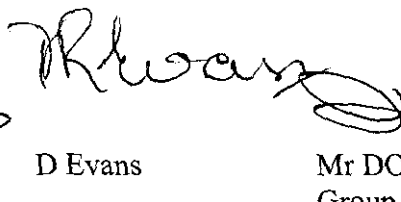
- *Ensuring weaknesses are addressed through regular management and Non-Executive review*

The review of the effectiveness of the system of internal control has taken account of the work of the internal auditors, who have provided assurance statements on individual systems and processes, and of the Executive Management Team within the organisation who have responsibility for the development and maintenance of the internal control framework within their areas of responsibility. Account has also been taken of comments made by external auditors and other review bodies, including the Housing Corporation, in their reports."

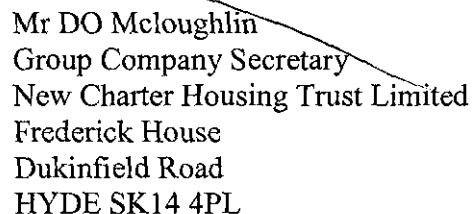
The report of the Board of Management was approved and signed on its behalf by the Vice Chair of the Board, Andrew Broadhurst, and David Evans, (Director), on 16th September 2002.



A Broadhurst



D Evans



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



St James' Square
Manchester
M2 6DS

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

We have audited the financial statements on pages 16 - 32.

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 11, 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 review whether the Boards' statement on page 13 reflects the Company's compliance with the Housing Corporation Circular R2 - 18/96 'Internal financial control and financial reporting', and we report whether the Board has provided the disclosures required by the Circular and whether the statement is not inconsistent with information of which we are aware from our audit of the financial statements. We are not required to form an opinion on the effectiveness of the Association's system of internal financial controls.

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 2002 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 General Determination 2000. With respect to the Board of Management's statement on internal financial controls on pages 12 - 14, 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 LLP *KPMG LLP*
Chartered Accountants
Registered Auditors

4 October 2002

NEW CHARTER HOUSING (NORTH) LTD
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2002

| | | 2002 £ | 2001 £ |
|---|----------|---------------------------|---------------------------|
| Turnover | 2 | 19,642,771 | 19,860,466 |
| Operating costs | 2 | (20,908,965) | (17,831,317) |
| Operating surplus | 2 | <u>(1,266,194)</u> | <u>2,029,149</u> |
| Surplus on sale of properties | 4 | 465,702 | 981,218 |
| (Deficit)/surplus on ordinary activities before interest | | <u>(800,492)</u> | <u>3,010,367</u> |
| Interest receivable and other income | 5 | 118,286 | 126,526 |
| Interest payable and similar charges | 6 | (4,747,318) | (4,651,343) |
| DEFICIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | <u>(5,429,524)</u> | <u>(1,514,450)</u> |
| TAXATION | | | |
| Taxation on ordinary activities | 10 | - | - |
| Grant receivable against taxation | 10 | - | - |
| DEFICIT FOR THE YEAR/PERIOD | | <u>(5,429,524)</u> | <u>(1,514,450)</u> |
| ACCUMULATED DEFICIT BROUGHT FORWARD | | (1,514,450) | - |
| TRANSFER FROM REVALUATION RESERVE | | 819,452 | - |
| INCOME AND EXPENDITURE ACCOUNT CARRIED FORWARD | | <u><u>(6,124,522)</u></u> | <u><u>(1,514,450)</u></u> |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

| | | |
|---|---------------------------|--------------------------|
| Deficit for the financial year | (6,124,522) | (1,514,450) |
| Unrealised (deficit)/surplus on the revaluation of properties | (819,452) | 25,672,732 |
| Total recognised gains and losses for the year/period | <u><u>(6,943,974)</u></u> | <u><u>24,158,282</u></u> |

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS

| | | |
|--|---------------------------|---------------------------|
| Deficit on ordinary activities before taxation | (5,429,524) | (1,514,450) |
| Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount | 489,093 | - |
| Historical cost deficit on ordinary activities before taxation | <u><u>(4,940,431)</u></u> | <u><u>(1,514,450)</u></u> |

The notes on pages 19 to 32 form an integral part of the financial statements.

NEW CHARTER HOUSING (NORTH) LTD

BALANCE SHEET

AS AT 31 MARCH 2002

| | | 2002 £ | 2001 £ |
|--|----|--------------------|--------------------|
| FIXED ASSETS | | | |
| Tangible assets - housing properties | 11 | 85,118,287 | 94,387,439 |
| Less depreciation | 11 | <u>-</u> | <u>-</u> |
| | | 85,118,287 | 94,387,439 |
| Other tangible assets | 12 | <u>147,350</u> | <u>29,400</u> |
| | | 85,265,637 | 94,416,839 |
| CURRENT ASSETS | | | |
| Stock | 13 | 9,360 | 20,276 |
| Debtors | 14 | <u>2,876,135</u> | <u>2,115,350</u> |
| | | 2,885,495 | 2,135,626 |
| CREDITORS | | | |
| Amounts falling due within one year | 15 | <u>(8,014,562)</u> | <u>(2,825,695)</u> |
| NET CURRENT LIABILITIES | | (5,129,067) | (690,069) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>80,136,570</u> | <u>93,726,770</u> |
| CREDITORS | | | |
| Amounts falling due after more than one year | 16 | 72,536,945 | 69,568,488 |
| CAPITAL AND RESERVES | | | |
| Revaluation reserve | 18 | 13,724,147 | 25,672,732 |
| Revenue reserve | 18 | <u>(6,124,522)</u> | <u>(1,514,450)</u> |
| | | 7,599,625 | 24,158,282 |
| | | <u>80,136,570</u> | <u>93,726,770</u> |

The financial statements on pages 16 to 32 were approved on behalf of the Board on 16th September 2002 and were signed on its behalf by:

A Broadhurst

(Vice Chair)

D Evans

(Director)

D O McLoughlin

(Group Company Secretary)

The notes on pages 19 to 32 form an integral part of the financial statements.

NEW CHARTER HOUSING (NORTH) LTD

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2002

| | | 2002 £ | 2001 £ |
|---|--------------------|--------------------|---------------------|
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 19 | 3,539,906 | 4,977,817 |
| RETURNS ON INVESTMENTS AND SERVICING FINANCE | | | |
| Interest received | 106,157 | 37,311 | |
| Interest paid | <u>(4,710,848)</u> | <u>(4,604,820)</u> | |
| | | (4,604,691) | (4,567,509) |
| CAPITAL EXPENDITURE | | | |
| Developments, improvements and other capital works | (6,059,598) | (3,291,606) | |
| Other capital expenditure | (151,722) | (67,609,855) | |
| Sale of housing properties | <u>1,876,105</u> | <u>1,931,298</u> | |
| | | (4,335,215) | (68,970,163) |
| CASHFLOW BEFORE FINANCING | | <u>(5,400,000)</u> | <u>(68,559,855)</u> |
| MANAGEMENT OF LIQUID RESOURCES | | - | - |
| FINANCING | | | |
| Loans advances received | 5,400,000 | 68,559,855 | |
| | | 5,400,000 | 68,559,855 |
| (DECREASE)/INCREASE IN CASH | | <u><u>-</u></u> | <u><u>-</u></u> |

The notes on pages 19 to 32 form an integral part of the financial statements.

NEW CHARTER HOUSING (NORTH) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002

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" issued in March 1999. A summary of the more important accounting policies which have been applied consistently is set out below.

Basis of Accounting

The financial statements have been prepared under the historical cost convention as amended for the valuation of housing properties and comply with the Companies Act 1985, Accounting Requirements for Registered Social Landlords General Determination 2000 and the SORP, published in March 1999.

Recent Accounting Standards

The transitional requirements of Financial Reporting Standard 17 (FRS17) Accounting for Retirement Benefits have been adopted. Further details are set out in note 21.

Financial Reporting Standard 18 (FRS18) Accounting Policies has been adopted.

After careful review the directors are satisfied that the current Accounting Policies are the most appropriate and therefore no changes in Accounting Policies are required.

Turnover

Turnover represents rental and service charge income and sundry housing and non-housing services income

Housing Properties

The policy is to revalue housing properties on an annual basis. All properties are valued on the basis of Existing Use Value (Social Housing) with the assumption that target rent is the maximum rent.

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. original cost.

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

Impairment

In accordance with Financial Reporting Standard 11 (FRS11) Impairment of Fixed Assets and Goodwill, for assets with a remaining economic life greater than 50 years an impairment review is undertaken. For those assets with a lower economic life an impairment review is undertaken where there is an indication the assets may be impaired. If assets are found to be impaired the amount of impairment is disclosed in the note 3 analysis to the income and expenditure account.

Social Housing Grant and other capital grants

Where developments have been financed wholly or partly by Social Housing Grant (SHG) or any other form of capital grant subsidy, the cost of those developments is reduced by the grant received.

When SHG in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

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

NEW CHARTER HOUSING (NORTH) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002

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 - new acquisitions | 5 years | (20% per annum) |
| Computer equipment - other | 2 years | (50% per annum) |
| Leasehold premises | Over life of lease | |

Pension Costs

The company operates a defined benefit pension scheme based on final pensionable salary. Details of the scheme are set out in note 21. Contributions from the Group and participating employees are paid into an independently administered fund. These payments are made in accordance with triennial calculations by professionally qualified independent actuaries. In the intervening years, the actuary reviews the continuing appropriateness of the rates of contributions.

Provisions

Provisions are made to the extent that the Company has no discretion to avoid the expenditure provided for.

Revaluation Reserve—

The revaluation reserve represents the changes in valuation of housing properties.

VAT

New Charter Housing Trust Group is registered as a Group for VAT purposes. The Trust's main income stream, being rent, is exempt from VAT. The majority of expenditure is subject to VAT, which the Trust is unable to reclaim - this expenditure is therefore shown inclusive of VAT. VAT can be reclaimed under the partial exemption method for certain other activities and is credited to the Income and Expenditure Account. The Trust's Group status allows the Building Company to process inter-company transactions exclusive of VAT.

Leaseholder Service Charge Sinking Fund

The Group is required to set aside sums in respect of future maintenance on certain properties subject to leasehold arrangements. Amounts accumulated in the fund are included within, 'Creditors: amounts falling due within one year'.

Sales under Right to Buy Legislation

Surpluses or deficits arising from the disposal of properties under Right to Buy legislation are disclosed on the face of the Income and Expenditure Account. The surpluses or deficits disclosed are net of any sums payable to Tameside Metropolitan Borough Council under the terms of a clawback agreement ending 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 realisable value.

NEW CHARTER HOUSING (NORTH) LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

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

| | 2002 | | | 2001 | | |
|--|-------------------|-------------------|--------------------|-------------------|-------------------|-------------------|
| | Turnover | Operating costs | Operating surplus | Turnover | Operating costs | Operating surplus |
| Income and expenditure from social housing lettings | | | | | | |
| Housing accommodation | 19,369,738 | 17,697,184 | 1,672,554 | 19,379,059 | 16,469,942 | 2,909,117 |
| Depreciation of housing properties | - | 1,743,975 | (1,743,975) | - | 1,263,005 | (1,263,005) |
| Loss on investment programme disposals | - | 1,339,045 | (1,339,045) | | | |
| | <u>19,369,738</u> | <u>20,780,204</u> | <u>(1,410,466)</u> | <u>19,379,059</u> | <u>17,732,947</u> | <u>1,646,112</u> |
| Other income and expenditure from social housing lettings | | | | | | |
| Negative goodwill on transfer | - | - | - | 256,982 | - | 256,982 |
| Garages rental | 91,702 | 24,988 | 66,714 | 103,513 | 26,240 | 77,273 |
| Home contents insurance scheme | 80,248 | 103,773 | (23,525) | 68,352 | 72,129 | (3,777) |
| Other activities | 101,083 | - | 101,083 | 52,560 | 1 | 52,559 |
| | <u>273,033</u> | <u>128,761</u> | <u>144,272</u> | <u>481,407</u> | <u>98,370</u> | <u>383,037</u> |
| | <u>19,642,771</u> | <u>20,908,965</u> | <u>(1,266,194)</u> | <u>19,860,466</u> | <u>17,831,317</u> | <u>2,029,149</u> |

FOR THE YEAR ENDED 31 MARCH 2002

EXPENDITURE ON SOCIAL LETTING ACTIVITIES

| | | | | | | |
|---|--------------------|---------------|--------------------|-------------------|---------------|-------------------|
| Management | 8,101,937 | 41,792 | 8,143,729 | 7,956,691 | 42,016 | 7,998,707 |
| Services | 336,054 | - | 336,054 | 218,939 | - | 218,939 |
| Routine maintenance | 5,868,305 | 27,892 | 5,896,197 | 5,626,248 | 11,757 | 5,638,005 |
| Planned maintenance | 525,603 | 1,000 | 526,603 | 556,983 | 8,017 | 565,000 |
| Major repairs expenditure | 2,576,317 | - | 2,576,317 | 1,767,057 | - | 1,767,057 |
| Rent losses from bad debts | 172,984 | 11,528 | 184,512 | 245,505 | 18,129 | 263,634 |
| Depreciation of housing properties | 1,739,227 | 4,748 | 1,743,975 | 1,259,697 | 3,308 | 1,263,005 |
| Loss on investment programme disposals | 1,339,045 | - | 1,339,045 | - | - | - |
| Impairment of housing properties | - | - | - | - | - | - |
| Depreciation of other assets | 33,772 | - | 33,772 | 18,600 | - | 18,600 |
| Operating costs on social housing lettings | 20,693,244 | 86,960 | 20,780,204 | 17,649,720 | 83,227 | 17,732,948 |
| Operating surplus/(deficit) on social housing lettings | (1,509,163) | 98,697 | (1,410,466) | 1,606,147 | 39,965 | 1,646,112 |

Page 22

NEW CHARTER HOUSING (NORTH) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002

| | 2002 £ | 2001 £ |
|---|------------------|------------------|
| 4 OTHER OPERATING INCOME | | |
| Proceeds of sale | 1,868,215 | 2,321,533 |
| Cost of Sale (including amount due to Tameside MBC) | (1,402,513) | (1,340,315) |
| Surplus on disposal of assets | <u>465,702</u> | <u>981,218</u> |
| | 2002 £ | 2001 £ |
| 5 INTEREST RECEIVABLE AND OTHER INCOME | | |
| Bank interest receivable | 37,071 | 44,554 |
| Intercompany loan interest receivable | 81,215 | 81,972 |
| | <u>118,286</u> | <u>126,526</u> |
| | 2002 £ | 2001 £ |
| 6 INTEREST PAYABLE | | |
| On bank loans, overdrafts and other loans | <u>4,747,318</u> | <u>4,651,343</u> |
| | 2002 £ | 2001 £ |
| 7 SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION | | |
| Is stated after charging: | | |
| Depreciation | 1,815,672 | 1,281,605 |
| Loss on disposal of items replaced as part of investment programme | 1,339,045 | - |
| Auditors remuneration (inc VAT) - in their capacity as auditors | <u>13,157</u> | <u>12,766</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: | | |
| | 2002 | 2001 |
| Aggregate emoluments payable to GEMT (including pension contributions & benefits in kind) | <u>£67,979</u> | <u>£67,136</u> |
| Emoluments payable to the highest paid member of GEMT (excluding pension contributions but inc benefits in kind) | <u>£62,842</u> | <u>£61,822</u> |

NEW CHARTER HOUSING (NORTH) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002

8 DIRECTORS EMOLUMENTS (CONTINUED)

2002

2001

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

£60,001 - £70,000

1

1

Aggregate amount of highest paid director's pension

£5,137

£5,314

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

£2,180

£564

9 EMPLOYEE INFORMATION

2002

2001

The average number of persons employed during the year

Managing housing services

89

62

Manual

1

29

90

91

Full time

84

87

Part time

6

4

90

91

Staff costs for the above persons were:

2002
£

2001
£

Wages and salaries

1,289,299

1,243,682

Social security costs

84,512

81,692

Other pension costs

108,030

101,862

1,481,841

1,427,236

NEW CHARTER HOUSING (NORTH) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002

| 10 TAXATION ON SURPLUS ON ORDINARY ACTIVITIES | 2002 £ | 2001 £ |
|---|-------------|-------------|
| a Analysis of tax charge in the year/period | | |
| UK corporation tax | | |
| Current tax on income for the year/period | - | - |
| Adjustments in respect of prior periods | - | - |
| | <hr/> | <hr/> |
| Deferred tax | | |
| Origination /reversal of timing difference | - | - |
| Adjustments in respect of prior periods | - | - |
| | <hr/> | <hr/> |
| | <hr/> | <hr/> |
| Total current tax (note 10b) | <hr/> <hr/> | <hr/> <hr/> |
| b Factors affecting tax charge for the year/period | | |
| Deficit on ordinary activities before tax | (5,429,524) | |
| Current tax at 30% | (1,628,857) | |
| Effects of: | | |
| Expenses not deductible for tax purposes | 7,552 | |
| Adjustment to tax charge in respect of prior periods | - | |
| Capital allowances for period in excess of depreciation | - | |
| Deferred tax losses not recognised | 1,621,305 | |
| | <hr/> | |
| Current tax charge (note 10a) | <hr/> <hr/> | |

NEW CHARTER HOUSING (NORTH) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002

11 TANGIBLE FIXED ASSETS - FREEHOLD HOUSING PROPERTIES

| | Housing Properties Completed £ | Total £ |
|--|---|-------------------|
| COST OR VALUATION | | |
| At 1st April 2001 | 94,387,439 | 94,387,439 |
| Additions: | | |
| Improvements | 6,059,598 | 6,059,598 |
| Revaluation | (12,873,108) | (12,873,108) |
| Disposals | (2,455,642) | (2,455,642) |
| At 31st March 2002 | <u>85,118,287</u> | <u>85,118,287</u> |
| LESS DEPRECIATION | | |
| At 1st April 2001 | - | - |
| Charge for period | 1,781,900 | 1,781,900 |
| Disposals | (37,925) | (37,925) |
| Revaluation | (1,743,975) | (1,743,975) |
| At 31st March 2002 | <u>-</u> | <u>-</u> |
| NET BOOK VALUE AT 31st MARCH 2002 | <u>85,118,287</u> | <u>85,118,287</u> |
| NET BOOK VALUE AT 31st 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 | 74,390,945 | 74,390,945 |
| Depreciation | (2,996,805) | (2,996,805) |
| Revaluation reserve | 13,724,147 | 13,724,147 |
| | <u>85,118,287</u> | <u>85,118,287</u> |

A valuation was performed in the year by DTZ Pida Consulting, Chartered Surveyors, who are independent of the Group. The valuation was based on Existing Use Value (Social Housing) as at 31st March 2002.

There were no housing properties under construction at 31st March 2002.

NEW CHARTER HOUSING (NORTH) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002

12 OTHER FIXED ASSETS

| | Leasehold Premises £ | IT Equipment £ | Furniture & equipment £ | Total £ |
|--|----------------------------|-------------------|-------------------------------|------------|
| COST | | | | |
| At 1st April 2001 | - | 30,000 | 18,000 | 48,000 |
| Additions in period | 151,722 | - | - | 151,722 |
| Disposals | - | - | - | - |
| At 31st March 2002 | 151,722 | 30,000 | 18,000 | 199,722 |
| LESS DEPRECIATION | | | | |
| At 1st April 2001 | - | 15,000 | 3,600 | 18,600 |
| Charge for period | 15,172 | 15,000 | 3,600 | 33,772 |
| Disposals | - | - | - | - |
| At 31st March 2002 | 15,172 | 30,000 | 7,200 | 52,372 |
| NET BOOK VALUE AT 31st MARCH 2002 | 136,550 | - | 10,800 | 147,350 |
| NET BOOK VALUE AT 31st MARCH 2001 | - | 15,000 | 14,400 | 29,400 |

13 STOCK

| | 2002 £ | 2001 £ |
|-------------------------------|-----------|-----------|
| Raw materials and consumables | 9,360 | 20,276 |

14 DEBTORS

| | 2002 £ | 2001 £ |
|---|-----------|-----------|
| Arrears of rent and service charges | 972,509 | 888,024 |
| less Provision for bad and doubtful debts | (433,876) | (263,634) |
| | 538,633 | 624,390 |
| Housing benefit overpayments | 83,867 | 85,700 |
| less Provision for bad and doubtful debts | (41,933) | (42,850) |
| | 41,934 | 42,850 |
| Rechargeable repairs | 66,102 | 33,888 |
| less Provision for bad and doubtful debts | (33,051) | (16,944) |
| | 33,051 | 16,944 |
| Amount due from parent and from fellow subsidiaries - TRADE | 169,040 | 65,188 |
| Amount due from parent and from fellow subsidiaries - LOANS | 1,230,145 | 1,230,145 |
| Other debtors | 860,100 | 13,506 |
| Prepayments and accrued income | 3,232 | 122,327 |
| | 2,876,135 | 2,115,350 |

NEW CHARTER HOUSING (NORTH) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002

14 DEBTORS (CONTINUED)

The amount due from the Parent and from fellow subsidiaries relates to loans made to New Charter Housing Trust Ltd - £1,010,064 (2001 - £1,010,064) and New Charter Building Company Ltd £220,465 (2001 - £220,465). The loans are at a fixed interest rate of 6.6% and are repayable within 30 years.

Rent and service charge arrears, net of provision for bad and doubtful debts represents 2.78% (2001 - 3.22%) of the annual rent and service charge receivable.

| | 2002 £ | 2001 £ |
|---|------------------|------------------|
| 15 CREDITORS - Amounts falling due within one year | | |
| Housing and development loans | 3,350,000 | 996,523 |
| Amounts due to parent and fellow subsidiary undertakings | 2,367,216 | 316,558 |
| Trade creditors | 795,544 | 243,866 |
| Accruals and deferred income | 1,135,401 | 975,115 |
| Amounts due for property improvements | - | 74,332 |
| Rent and service charges paid in advance | 366,401 | 209,132 |
| Other taxation and social security | - | 10,169 |
| | <u>8,014,562</u> | <u>2,825,695</u> |

The average number of days between date of invoice and payment in 2002 was 43 (2001 : 54)

| | 2002 £ | 2001 £ |
|--|-------------------|-------------------|
| 16 CREDITORS - Amounts falling due after more than one year | | |
| Housing and development loans | 71,840,000 | 68,840,000 |
| RTB clawback | 696,945 | 373,105 |
| Deferred expenditure | - | 355,383 |
| | <u>72,536,945</u> | <u>69,568,488</u> |

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, National Westminster Bank, KBC Bank, Leeds & Holbeck BS and Cheshire BS.

NEW CHARTER HOUSING (NORTH) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002

17 LOANS (CONTINUED)

| | 2002 £ Housing Loans by instalments | 2001 £ Housing Loans by instalments |
|---|---|---|
| Within one year or on demand | 3,350,000 | 950,000 |
| In more than one year but not more than 2 years | - | - |
| In more than 2 years but not more than 5 years | - | - |
| In more than 5 years | 71,840,000 | 68,840,000 |
| | <u>75,190,000</u> | <u>69,790,000</u> |

Borrowing facilities

Undrawn committed borrowing facilities at 31st March 2002 were £39,713,000.

18 RESERVES

| | Revenue £ | Revaluation £ | Total £ |
|----------------------------------|--------------------|-------------------|------------------|
| As at 1st April 2001 | (1,514,450) | 25,672,732 | 24,158,282 |
| (Deficit) for the year | (5,429,524) | - | (5,429,524) |
| Revaluation | - | (11,129,133) | (11,129,133) |
| (Deficit) arising on revaluation | 819,452 | (819,452) | - |
| Transfer of realised surplus | - | - | - |
| | <u>(6,124,522)</u> | <u>13,724,147</u> | <u>7,599,625</u> |

19 NOTES TO THE CASH FLOW STATEMENT

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

| | 2002 £ | 2001 £ |
|---|------------------|------------------|
| Operating (deficit)/surplus | (800,492) | 3,010,367 |
| Depreciation charges | 1,815,672 | 1,281,605 |
| (Increase) in debtors | (830,879) | (794,489) |
| Decrease/(increase) in stock | 10,916 | (20,276) |
| Increase in creditors | 2,471,346 | 2,481,828 |
| Loss on disposal of items replaced as part of improvement programme | 1,339,045 | - |
| Profit on sale of tangible fixed assets | (465,702) | (981,218) |
| | <u>3,539,906</u> | <u>4,977,817</u> |

NEW CHARTER HOUSING (NORTH) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002

19 NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

b Reconciliation of net cash inflow to movement in net debt

| | 2002 £ | 2001 £ |
|--|----------------------------|----------------------------|
| Reduction in cash in year | - | - |
| Change in net debt resulting from cash flows | (5,353,468) | (69,836,523) |
| Change in net debt | <u>(5,353,468)</u> | <u>(69,836,523)</u> |
| Net debt at beginning of year | (69,836,532) | - |
| Net debt at end of year | <u><u>(75,190,000)</u></u> | <u><u>(69,836,523)</u></u> |

c Analysis of changes in net debt

| | At 31st March 2002 | Cash Flows | At 31st March 2001 |
|--------------------------|----------------------------|---------------------------|----------------------------|
| Cash & investments | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| Debt due within one year | (3,350,000) | (2,353,468) | (996,532) |
| Debt due after one year | (71,840,000) | (3,000,000) | (68,840,000) |
| | <u>(75,190,000)</u> | <u>(5,353,468)</u> | <u>(69,836,532)</u> |
| | <u><u>(75,190,000)</u></u> | <u><u>(5,353,468)</u></u> | <u><u>(69,836,532)</u></u> |

20 CAPITAL COMMITMENTS

| | 2002 | 2001 |
|---|-------------------|-------------------|
| Capital expenditure that has been contracted for but has not been provided for in the financial statements | <u>£2,023,314</u> | <u>£1,041,060</u> |
| Capital expenditure that has been authorised by the Board of Management but has not yet been contracted for | <u>£8,059,195</u> | <u>£3,062,497</u> |

The amount contracted for at 31st March 2002 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 expects the expenditure they have authorised to be fully financed by the local authorities, the Housing Corporation or from private finance loans.

NEW CHARTER HOUSING (NORTH) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002

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. 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 2002 are as follows :

| | |
|----------------------------------|-----------------|
| Valuation date | 31st March 2002 |
| Valuation Method | Projected unit |
| Value of assets | £33.006 million |
| Investment Return per annum | 6.62% |
| Salary scale increases per annum | 4.30% |
| Pension increases per annum | 2.80% |

The Pension contributions made by the Trust in the year to 31st March 2002 totalled £1.219m covering 715 employees (2001 - £1.120 million covering 697 employees). The employers contribution rate was 9.5% of pensionable salary. From 1st April 2002 the level of employer's contribution will increase to 10.2% of pensionable salary.

Under the transitional requirements of FRS 17, the Trust is required to disclose further information on the assets and liabilities of the scheme on a market value basis as at the 31st March 2002. This information is set out below :

| | |
|-------------------------|-------|
| Actuarial assumptions : | |
| Discount Rate | 5.90% |
| Salary increase rate | 4.30% |
| Pension increase rate | 2.80% |
| Rate of inflation | 2.80% |

Scheme assets and expected returns for Greater Manchester Pension Fund :

| | Value £'000 | Expected rate of return |
|----------|------------------|-------------------------|
| Equities | 3,793,633 | 7.50% |
| Bonds | 1,555,446 | 5.50% |
| Property | 499,976 | 6.00% |
| Cash | 494,878 | 4.00% |
| Total | <u>6,343,933</u> | <u>6.62%</u> |

Value of pension assets and liabilities relating to New Charter Housing Trust Group :

| | |
|--------------------------------|--------------|
| Value of pension liabilities | 34,562 |
| Value of pension assets | 33,006 |
| Related deferred tax liability | - |
| Deficit in scheme | <u>1,556</u> |

NEW CHARTER HOUSING (NORTH) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002

22 LEGISLATIVE PROVISIONS

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

23 CONTINGENT LIABILITIES

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 2002 a number of residents on the estate had initiated legal proceedings against New Charter Housing (North) Ltd claiming poor quality housing. 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.

24 HOUSING STOCK

| | 2002 | 2001 |
|--|--------------|--------------|
| The number of properties owned and in management at the year end were as follows : | | |
| General needs | 8,104 | 8,204 |
| Supported housing | 264 | 264 |
| Temporary social housing | 24 | 24 |
| | <u>8,392</u> | <u>8,492</u> |

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 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.

27 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. The impairment review was carried out on income generating units made up of 'Towns' within New Charter (North) and it was considered that no impairment write-off was necessary.