



*Part of the New Charter Housing Trust Group*

# **NEW CHARTER BUILDING COMPANY LIMITED**

**(Company Number 3807120)**

## **REPORT**

**&**

## **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2005**

**NEW CHARTER BUILDING COMPANY LIMITED**

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## **NEW CHARTER BUILDING COMPANY LIMITED**

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

#### **Board of Management**

Chair	Vincent Ricci
Vice-Chair	Geoffrey Howarth
Other Members	Julie Hardman Stephen Hall Ian Munro Bill Skilki

**Group Chief Executive** Ian Munro

#### **Executive Officers**

Group Director of Finance & Deputy Chief Executive	Martin Frost
Group Company Secretary & Director of Legal Services	Danny McLoughlin
Group Director of Building	Andrew Stafford

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

**Auditors** KPMG LLP  
St James' Square  
Manchester  
M2 6DS

**Internal Auditors** Deloitte & Touche LLP  
PO Box 500  
201 Deansgate  
Manchester M60 2AT

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

## **REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2005**

The Directors present the Financial Statements of the Company for the year ended 31<sup>st</sup> March 2005.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is the provision of a building maintenance operation within the Tameside district. New Charter Building Company is a Company limited by guarantee.

### **FUTURE DEVELOPMENT**

The Company was established for the purpose of receiving the Building Maintenance DSO of Tameside Metropolitan Borough Council, and for the provision of a building maintenance operation within the New Charter Housing Group.

### **EMPLOYMENT PRACTICES**

The Group has an Equal Opportunities Policy, applicable to each company, which is fully compliant with all discrimination legislation and ensures that all applicants for jobs with any company receive a full and fair consideration based upon their aptitudes and abilities and regardless of any disability.

The Group is fully compliant with all discrimination legislation and, in particular, the Disabilities Discrimination Act 1995. Wherever possible, if an employee should suffer a disability during their period of employment, the Group will make reasonable adjustments to enable the employee to continue with their employment and any associated training etc.

Through its Equal Opportunities Policy, the Group ensures that all persons with a disability have access to training, career development and promotion. Through related policies, the company is committed to ensuring that all employees shall be free from discrimination of any kind.

The Group has regularly informed employees of issues relevant to their employment through meetings with Trade Union representatives and through direct means of communication.

During the course of the year's trading, the Group has continued to apply its policy on Trade Union recognition and met regularly with Trade Union workforce representatives. Furthermore the Group has established an Employees Forum which will consist of management and workforce representatives and is scheduled to meet on a regular basis to discuss relevant work issues.

Meetings are held regularly with senior managers to inform them of the financial and economic factors affecting the business through the medium of the Business Plan. The main objectives of the Business Plan and internal and external factors affecting the same, regularly form the basis of discussion with workforce representatives and managers who then disseminate to all employees. This system of communication is to be strengthened with the advent of the Employee Forum.

## **OPERATING REVIEW**

As a business the Building Company is rightly proud of the relationship it has further developed with its customers, suppliers, employees, trade unions, Board members and working parties. The recognition that to succeed needed careful planning, strong management and participants' support were priorities that the Building Company willingly took on board. In so doing, New Charter is a much stronger organisation today, as a result.

Support from all employees should not be underestimated, and their desire to continually improve has been the major influence in the assurance of delivery of all operational, financial and corporate targets.

After five years the objectives are now sustainable and the forward thinking is to expand the trading base of the Company and to develop the new found confidence into other markets. It is no coincidence that the Company's reputation has spread across the Social Housing market. The reciprocal respect that sweeps through the Company from all levels of employees has been the catalyst that has brought about the change and the new-found standing that the Company enjoys amongst its peers.

This mutual respect, allied to training and development, strategic planning and commercial awareness manifests itself into a cohesive unit that looks forward to delivering its services to a growing base of customers.

Achievements over the year include: -

- Void levels delivered to a record low, exceeding the 3.25% target.
- Responsive Repairs delivered at 99% across all categories.
- The delivery of 100% Gas Service visits within an 11-month cycle.
- The highest ever output of 22,432 elemental investment schemes.
- The introduction of a personal secure password facility to support the vulnerable.
- Over 27,000 appointments offered, achieving record levels and complimented with 2-hour appointment slot.
- Awarded accreditation status in Investors in People, The Guild of Builders and Contractors, Considerate Constructors, British Board of Agrément and Construction Line Health & Safety Assessment Scheme.
- The closure of the last two remaining Satellite Depots, achieving both cost savings and quality of life concerns for the adjoining tenants and residents.
- The introduction of detailed workflow charts on all Bathroom and Kitchen Installation Schemes so the customers are fully aware of what to expect whilst work is being carried out in their homes.
- The continuous support to Job Match, Nexus, Work Experience and Apprenticeships for over 45 Tameside young residents.
- Full acceptance and accountability for the Building Management to input all data for Responsive repairs into 'First' Software and for the correlation of all door and window installations into a revised KPI process. Both follow from the participation into the Repairs Intervention Workshops.

- Instigated a robust project management and ‘time in properties’ intelligence reporting mechanism for all elements on investment schemes.
- Cost savings of £2.5 million returned to the Group to re-invest in improving homes through direct rebate schemes.
- Extended the Group’s reputation by hosting visits from 12 RSL/Direct Labour Organisations from across the country interested in sharing good practice and detailed fact finding of our progress to-date.
- Increased a growing base of new customers that will contribute to our long-term strategic growth, retention and employment strategy.

#### Emerging Issues for 2005/06

- Recruit and ensure delivery of a further 1,593 Bathroom and Kitchens to a total of 3,400.
- Develop a Distribution Centre that improves service delivery, efficiencies and improved customer satisfaction whilst work is being undertaken in their neighbourhoods by reduction of site-based cabins.
- Explore potential further economies of scale through procurement partnerships including Fusion 21, present partners or developing our own stores services to other RSL’s.
- Develop for the Group and the Building Company, long-term strategic sustainable partners, to secure growth and long-term employment prospects.
- Support the introduction of the Job Evaluation exercise into the Building Company.
- Fully prepare for the Housing Corporation Inspection scheduled for May 2006.

## FINANCIAL REVIEW

The financial position and results for the year are set out on pages **13** to **24** of these statements.

The performance for the year shows a profit before interest and tax of **£0.495m** (2004 - £1.009m). It should be noted that this profit level is after returning over £2m to the Borrowing Group (the three RSL’s in New Charter), in line with the Group Financial Strategy.

Although income generated external to the Group has dropped in this financial year, the income generated from work done for internal customers has increased by 8.8%.

Direct costs and operating expenses have been tightly managed and controlled, leading to a consistent gross profit margin when compared against previous accounting periods.

A minimum annual sum of £100,000 from surplus is retained for reinvestment within the Company. This will be used to fund future initiatives referred to in the ‘operating review – emerging issues 2002/06’.

The improving financial position of the company must be noted. This base will provide the framework for developing the strategic direction and give assurance that the profitability can be maintained and delivered in line with the Group Business Plan.

## **DIRECTORS**

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

	<u>Appointed</u>	<u>Resigned</u>
Stephen Hall	4 <sup>th</sup> October 1999	
Vincent Ricci – Chair	5 <sup>th</sup> March 2002	
Julie Hardman	19 <sup>th</sup> June 2001	
Geoffrey Howarth – Vice Chair	24 <sup>th</sup> September 2002	
Ian Munro	18 <sup>th</sup> July 2001	
Bill Skilki	4 <sup>th</sup> October 1999	

While all Directors remained in place during 2004/05, Stephen Hall stood down from the position of Chair, and was replaced by Vincent Ricci, and Geoffrey Howarth became Vice-Chair, in October 2003.

## **AUDITORS**

At the Board meeting of New Charter Housing Trust Ltd on 25<sup>th</sup> April 2000 the Directors appointed KPMG to act as Auditors for the Group and for each of the Companies therein. KPMG was reappointed at the Annual General Meeting of the Company held on 22<sup>nd</sup> November 2001. Following the conversion of KPMG into a limited liability partnership, the Board of the Company on 10<sup>th</sup> July 2002 accepted the resignation of KPMG and appointed KPMG LLP as Auditors. KPMG LLP was re-appointed as Auditors at the Annual General Meeting of the Company on 30<sup>th</sup> September 2004.

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.

### **Internal Financial Controls**

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

- The reliability of financial information used within the Company or for publication;
- The maintenance of proper accounting records
- The safeguarding of assets against unauthorized use or disposition.

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

In undertaking this responsibility the Board should ensure that:

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



are being followed. This includes a general review of the major risks facing the Company. The Audit Committee makes regular reports to the Board;

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

On behalf of the Board, the Audit Committee has reviewed the effectiveness of the system of internal control in existence in the Company for the year ended 31<sup>st</sup> March 2005, and has approved the following statement of the Group Chief Executive.

### **Internal Control**

*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.*

*I can report that there have been no significant changes in levels of risk during the course of the year nor have there been any significant failings during the period. There has been no evidence of substantial fraudulent activity.*

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

### **Mechanisms to provide effective internal control**

*I have reviewed the systems & policies designed to deliver internal control and I am satisfied that these have remained in place throughout the financial year 2004/05. 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 & tenants are closely involved in formulation and approval of the Business Plan.*
- *Boards and Committees have a clear understanding of risk and risk management and have demonstrated a desire to ensure risk management features in all deliberations.*
- *The Group Loan Facility provides for a formal annual approval by Funders of the Business Plan.*
- *Monitoring of control systems by Audit Committee, Internal Audit & GMT.*
- *All Board reports are required to show a Risk Evaluation in terms of Financial & Legal/Governance implications.*

- *Management information & performance control systems are in place to regularly report financial results and other performance indicators to Boards*
- *Contract Standing Orders, Financial Regulations and Scheme of Delegations are in place and reviewed during 2004-5.*
- *The fraud-register and whistle blowing policy are in place. The fraud register is considered at every Audit Committee.*
- *All policies & procedures are programmed for regular review including Health & Safety and IT Disaster Recovery.*
- *There is on-going development of continual improvement culture across the Group.*
- *Culture of risk awareness developed through individual Key Work Objectives, with performance managed through regular review process.*

**Process for assessing and managing risk during 2004-5**

- *The Audit Committee has continued to meet on a regular basis to consider reports from Officers and Auditors.*
- *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 received presentations from each Executive Director detailing how they Manage Risk within their section of the organisation.*
- *Audit Committee members received risk management training.*
- *Audit Committee kept informed of developing best practice including Housing Corporations Risk Management Topic Papers.*
- *Internal Audit remains a contracted out service.*

- *Risk register produced to identify, evaluate & control risks to organizational objectives. Presented to & monitored by Audit Committee.*
  
- *Work with external auditors both before and during closure of accounts meant an unqualified opinion was offered.*
  
- *KPMG LLP presented their Audit Strategy Memorandum to the January 2005 Audit Committee which did not identify any additional risk for the group and recognized “the continual development and tightening of internal processes and controls”.*
  
- *The Housing Corporation Assessment for the Group places all factors at “green”.*
  
- *The Housing Corporation’s Annual Viability Statement makes clear that the Group “complies with the Regulatory code. The Group has satisfactory financial condition and exposures are mitigated to an acceptable degree”*
  
- *A number of weaknesses and threats were identified which must be addressed. within the Business Planning process:*
  - *Management cost savings are to be achieved*
  - *There is a need to tightly control responsive repairs expenditure*
  - *The investment programme is at risk of cost inflation pressures*
  
- *Management reports on operational and financial matters have continued to be provided to all relevant Boards and Committees.*
  
- *There has continued to be timely and regular reporting of key business information and performance indicators at Management and Board meetings.*
  
- *Insurance risk remains well managed.*

*The very few significant control weaknesses identified during the course of the year, were either promptly attended to or clear plans developed to minimise risk.*

*My conclusion is that systems of internal control provide assurance that risk is understood and managed.*

*There are no areas of exceptional or undue concern within the business.*

*I H Munro  
Group Chief Executive  
2<sup>nd</sup> August 2005*

The report of the Board of Management was approved and signed on its behalf by the Chair, Vincent Ricci, and Ian Munro (Director) on 1st September 2005.

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



St James' Square  
Manchester  
M2 6DS

## **Report of the independent auditors, KPMG LLP, to the members of New Charter Building Company Limited**

We have audited the financial statements on pages 13 to 24.

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 the Directors and auditors**

The company's Directors are responsible for preparing the Annual report and, as described on page 6, 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, 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 1985. We also report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the directors' remuneration and transactions with the Company is not disclosed.

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

### **Basis of audit opinion**

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

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2005 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

### **KPMG LLP**

*Chartered Accountants  
Registered Auditors*

**NEW CHARTER BUILDING COMPANY LTD**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDING 31 MARCH 2005**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
<b>Turnover</b>	25,406	26,374
Cost of sales	(20,247)	(20,199)
<b>Gross Profit</b>	5,159	6,175
Net operating expenses	(4,664)	(5,166)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION</b>	<b>3</b> 495	1,009
Interest payable and similar charges	<b>2</b> (77)	(61)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	418	948
<b>TAXATION</b>		
Taxation on ordinary activities	<b>6</b> (133)	(367)
<b>PROFIT FOR THE YEAR</b>	285	581
<b>ACCUMULATED PROFIT BROUGHT FORWARD</b>	1,129	548
<b>ACCUMULATED PROFIT CARRIED FORWARD</b>	1,414	1,129

All of the above results derive from continuing operations.

There were no recognised gains or losses other than those shown in the Profit and Loss account for the year.

The notes on pages 15 to 24 form an integral part of the financial statements.

NEW CHARTER BUILDING COMPANY LIMITED

BALANCE SHEET

AS AT 31 MARCH 2005

		2005	2004
		£'000	£'000
<b>FIXED ASSETS</b>			
Tangible fixed assets	7	65	117
<b>CURRENT ASSETS</b>			
Stock	8	422	393
Debtors	9	<u>3,832</u>	<u>5,777</u>
		4,254	6,170
<b>CREDITORS</b>			
Amounts falling due within one year	10	<u>(2,494)</u>	<u>(4,747)</u>
<b>NET CURRENT ASSETS</b>		1,760	1,423
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,825</u>	<u>1,540</u>
<b>CREDITORS</b>			
Amounts falling due after more than one year	11	(411)	(411)
<b>NET ASSETS</b>		<u>1,414</u>	<u>1,129</u>
<b>CAPITAL AND RESERVES</b>			
Profit and Loss Account	12	1,414	1,129
		<u>1,414</u>	<u>1,129</u>

The financial statements on pages 13 to 24 were approved on behalf of the Board on the 1st September 2005 and were signed by :

V Ricci (Chair)  
 I Munro (Director)  
 D O McLoughlin (Group Company Secretary)

The notes on pages 15 to 24 form an integral part of the financial statements.

**NEW CHARTER HOUSING BUILDING COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2005**

**1 ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. 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 and comply with the Companies Act 1985.

**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 15.

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 the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year. Turnover includes attributable profits and is stated after providing for any foreseeable losses on contracts.

**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:

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

**Pension Costs**

The company operates a defined benefit pension scheme based on final pensionable salary. Details of the scheme are set out in note 15. 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.

**VAT**

New Charter Housing Trust Group is registered as a Group for VAT purposes. The Trust's Group status allows the Building Company to process inter-company transactions exclusive of VAT. The Building Company reclaims in full the VAT incurred on works relating to external contracts.



**NEW CHARTER HOUSING BUILDING COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2005**

**Operating leases**

Costs in respect of operating leases are charged to the Profit and Loss account on a straight line basis over the lease term.

**Stock**

Stock is valued at the lower of cost and net realisable value. For work in progress and finished goods manufactured by the company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

**Related Party Transactions**

As the company is a wholly owned subsidiary of New Charter Housing Trust Ltd, which is incorporated and registered in England and Wales, the company has taken advantage of the exemption in Financial Reporting Standard 8 and has not disclosed related party transactions with parent and fellow subsidiary undertakings. The consolidated financial statements of New Charter Housing Trust Ltd, within which the company is included, can be obtained from the address given in note 16.

**Long Term Contracts**

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses which are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on the contracts are included in debtors and represent turnover recognised in excess of payments on account.

**Cash Flow Statement**

Under FRS1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the cash flow of the company in its own published consolidated accounts.

**Deferred Taxation**

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

**NEW CHARTER BUILDING COMPANY LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2005**

	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
<b>2 INTEREST PAYABLE AND SIMILAR CHARGES</b>		
On intercompany loans	27	27
Working capital	50	34
	<u>77</u>	<u>61</u>

	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
<b>3 PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION</b>		
Is stated after charging:		
Depreciation	52	51
Auditors remuneration (inc VAT)		
- in their capacity as auditors	17	16
Operating lease charges (Fleet Vehicles)	7	4
	<u>          </u>	<u>          </u>

**4 DIRECTORS EMOLUMENTS**

The remuneration paid to the Group Management Team, (GMT), and members of the Boards of Management was:

	<b>2005</b>	<b>2004</b>
Aggregate emoluments payable to GMT (including pension contributions & benefits in kind)	<u>£104,330</u>	<u>£99,301</u>
Emoluments payable to the highest paid member of GMT (excluding pension contributions but inc benefits in kind)	<u>£95,598</u>	<u>£91,602</u>

**NEW CHARTER BUILDING COMPANY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2005**

<b>DIRECTORS EMOLUMENTS (continued)</b>	<b>2005</b>	<b>2004</b>
The number of directors, including the highest paid director, who received emoluments (exc pension contributions) in the following ranges were as follows:		
£90,001 - £100,000	Number <u>1</u> <u>1</u>	Number <u>1</u> <u>1</u>
 Aggregate amount of highest paid director's pension	 <u>£8,732</u>	 <u>£7,699</u>
 The Company's Operations Director is a normal member of the Greater Manchester Pension Fund scheme and does not receive enhanced rates		
 Remuneration and expenses payable to members of the Board who were neither officers nor employees of the Company		
	<u>£6,896</u>	<u>£0</u>

**5 EMPLOYEE INFORMATION**

	<b>2005</b>	<b>2004</b>
The average number of persons employed during the year expressed in full time equivalent employees, was		
Management	30	30
Administrative	29	30
Direct labour	<u>244</u>	<u>275</u>
	<u>303</u>	<u>335</u>
 Full time	 300	 333
Part time	<u>3</u>	<u>2</u>
	<u>303</u>	<u>335</u>
 Staff costs for the above persons were:	 <b>2005</b> <b>£'000</b>	 <b>2004</b> <b>£'000</b>
Wages and salaries	7,723	7,493
Social security costs	599	561
Other pension costs	<u>814</u>	<u>728</u>
	<u>9,136</u>	<u>8,782</u>

**NEW CHARTER BUILDING COMPANY LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2005**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
<b>6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES</b>		
<b>a Analysis of tax charge in the year</b>		
<b>UK corporation tax</b>		
Current tax on income for the year/period	133	367
Adjustments in respect of prior periods	-	-
	133	367
<b>Deferred tax</b>		
Origination /reversal of timing difference	-	-
Adjustments in respect of prior periods	-	-
	-	-
<b>Total current tax</b>	133	367

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

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

	<b>£'000</b>	<b>£'000</b>
Surplus on ordinary activities before tax	418	1,225
Current tax at 30%	125	367
Effects of:		
Expenses not deductible for tax purposes	1	1
Capital allowances for period in excess of depreciation	27	-
Adjustment to tax charge in respect of prior periods	(20)	(6)
Deferred tax not provided	-	5
<b>Current tax charge</b>	133	367

A deferred tax asset of £47,787 (2004 - £21,081) has not been recognised in respect of tax losses which are available to offset taxable surpluses in future periods.

**NEW CHARTER BUILDING COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2005**

**7 FIXED ASSETS - OTHER TANGIBLE ASSETS**

	<b>Plant &amp; Machinery £'000</b>	<b>IT equipment £'000</b>	<b>Furniture &amp; equipment £'000</b>	<b>Total £'000</b>
<b>COST</b>				
At 1st April 2004	242	18	11	271
Additions in year	-	-	-	-
Disposals	-	-	-	-
At 31st March 2005	<u>242</u>	<u>18</u>	<u>11</u>	<u>271</u>
<b>DEPRECIATION</b>				
At 1st April 2004	128	17	9	154
Charge for year	49	1	2	52
Disposals	-	-	-	-
At 31st March 2005	<u>177</u>	<u>18</u>	<u>11</u>	<u>206</u>
<b>NET BOOK VALUE</b>				
At 31st March 2005	<u>65</u>	<u>-</u>	<u>-</u>	<u>65</u>
<b>NET BOOK VALUE</b>				
At 31st March 2004	<u>114</u>	<u>1</u>	<u>2</u>	<u>117</u>

NEW CHARTER BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

<b>8 STOCK</b>	<b>2005 £'000</b>	<b>2004 £'000</b>
Raw materials and consumables	422	393
	<u>422</u>	<u>393</u>

<b>9 DEBTORS</b>	<b>2005 £'000</b>	<b>2004 £'000</b>
Trade Debtors	294	261
Less Provision for bad and doubtful debts	(11)	(11)
	<u>283</u>	<u>250</u>
Amount due from parent and from fellow subsidiaries - Trade	3,512	5,414
Prepayments and accrued income	37	47
Other debtors	-	66
	<u>3,832</u>	<u>5,777</u>

<b>10 CREDITORS - Amounts falling due within one year</b>	<b>2005 £'000</b>	<b>2004 £'000</b>
Amount due to parent undertakings	5	1,360
Amount due to fellow subsidiary undertakings	27	311
Trade creditors	1,850	2,434
Payroll Creditor	293	-
Other taxation and social security	25	266
Accruals and deferred income	294	376
	<u>2,494</u>	<u>4,747</u>

The average number of days between date of invoice and payment was 36 (2004 : 38)

<b>11 CREDITORS - Amounts falling due after more than one year</b>	<b>2005 £'000</b>	<b>2004 £'000</b>
Amounts owed to fellow subsidiary undertakings	411	411
	<u>411</u>	<u>411</u>

This loan from the fellow subsidiary undertakings is at a fixed rate of interest at 6.6%. The loan is an inter-company loan from North and South and is repayable in line with the Group's external loan facility.

**NEW CHARTER BUILDING COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2005**

**12 RESERVES**

	<b>Revenue £'000</b>	<b>Total £'000</b>
As at 1st April 2004	1,129	1,129
Profit for the year	285	285
At 31st March 2005	<u>1,414</u>	<u>1,414</u>

**13 CAPITAL COMMITMENTS**

	<b>2005 £'000</b>	<b>2004 £'000</b>
Capital expenditure that has been authorised by the Board of Management but has not yet been contracted for	<u>-</u>	<u>127</u>

**14 OPERATING LEASE COMMITMENTS**

	<b>2005 £'000</b>	<b>2004 £'000</b>
At 31st March 2005 annual commitments under non-cancellable operating leases were as follows:		
Within one year or on demand	<u>7</u>	<u>9</u>

The operating leases in place in 2004 related to the vehicle fleet, which were held on an annual non-cancellable lease. This year, although the fleet number has remained the same, the contract has been altered to a daily hire charge, and is now immediately cancellable. This means that there is now no need to disclose the future annual commitment.

**15 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 2005 are as follows :**

Valuation date	31st March 2005
Valuation Method	Projected unit
Value of assets	£42.350 million
Investment Return per annum	6.85%
Salary scale increases per annum	4.40%
Pension increases per annum	2.90%

The Pension contributions made by the Trust in the year to 31st March 2005 totalled £1.540m covering 787 employees (2004 - £1.565m covering 818 employees). The employers contribution rate was 11.8% of pensionable salary. From 1st April 2005 the level of employer's contribution will increase to 14.1% of pensionable salary.

**NEW CHARTER BUILDING COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2005**

**15 PENSIONS (Continued)**

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 2005.

This information is set out below :

Actuarial assumptions :	<b>2005</b>	<b>2004</b>
Discount Rate	5.40%	5.50%
Salary increase rate	4.40%	4.40%
Pension increase rate	2.90%	2.90%
Rate of inflation	2.90%	2.90%

**Scheme assets and expected returns for Greater Manchester Pension Fund :**

	<b>2005</b>	<b>2005</b>	<b>2004</b>	<b>2004</b>
	<b>Value £'000</b>	<b>Expected rate of return</b>	<b>Value £'000</b>	<b>Expected rate of return</b>
Equities	4,684,815	7.70%	4,134,246	7.70%
Bonds	974,682	4.80%	970,567	5.10%
Property	700,293	5.70%	626,591	6.50%
Cash	560,466	4.80%	378,637	4.00%
<b>Total</b>	<b>6,920,256</b>	<b>6.85%</b>	<b>6,110,041</b>	<b>6.93%</b>

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

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Value of pension liabilities	(60,480)	(49,240)
Value of pension assets	42,350	38,230
Related deferred tax liability	-	-
<b>Deficit in scheme</b>	<b>(18,130)</b>	<b>(11,010)</b>

Under the transitional arrangements of FRS 17, no provision has been made by the Group for the Group's share of the deficit of the scheme. If provision were made, the following entries would be made:

<b>Balance Sheet presentation</b>	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Net assets excluding FRS 17 pension liability*	26,116	40,011
Net pension liability	(18,130)	(11,010)
<b>Net assets including FRS 17 pension liability</b>	<b>7,986</b>	<b>29,001</b>

**Reserves note**

Income and expenditure account excluding FRS 17 pension liability*	(22,358)	(12,354)
Pension reserve	(18,130)	(11,010)
<b>Income and expenditure account including FRS 17 pension liability</b>	<b>(40,488)</b>	<b>(23,146)</b>

\* Amounts exclude SSAP 24 provisions for Greater Manchester Pension Fund underfunding included within the Group Balance Sheet.

Under the transitional arrangements of FRS 17, the Group's pension charge for the year calculated under FRS 17 assumptions is not included in the financial statements (as this is currently calculated on a SSAP 24 basis). If the charge had been included on an FRS 17 basis, the following entries would be made.



NEW CHARTER BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

15 PENSIONS (Continued)

Analysis of the amount charged to the income and expenditure account	2005 £'000	2004 £'000
Service cost	2,460	2,240
Past service cost	190	170
Curtailements and settlements	120	60
Total operating charge	<u>2,770</u>	<u>2,470</u>

Analysis of net return on pension scheme	2005 £'000	2004 £'000
Expected return on pension scheme assets	2,720	2,060
Interest on pension scheme liabilities	(2,790)	(2,260)
Net return	<u>(70)</u>	<u>(200)</u>

Amounts recognised in the statement of total recognised gains and losses (STRGL)	2005 £'000	2004 £'000
Actual return less expected return on pension scheme assets	1,900	5,310
Experience gains and losses arising on the scheme liabilities	(6,580)	(30)
Change in financial and demographic assumptions underlying the scheme liabilities	(1,340)	(3,580)
Actuarial loss recognised in STRGL	<u>(6,020)</u>	<u>1,700</u>

PENSIONS (continued)

Movement in surplus during the year	2005 £'000	2004 £'000
Deficit in scheme at start of year	(11,010)	(11,600)
Movement in year:		
Current service charge	(2,460)	(2,240)
Contributions	1,740	1,550
Past service costs	(190)	(170)
Net interest/return on assets	(70)	(200)
Actuarial loss	(6,020)	1,700
Impact of settlements and curtailments	(120)	(50)
Deficit in scheme at end of year	<u>(18,130)</u>	<u>(11,010)</u>

History of experience gains or losses	2005 £'000	2004 £'000
Difference between the expected and actual return on assets:		
Amount	1,900	5,310
% of scheme assets	4.5%	13.9%
Experience gains and losses on the scheme liabilities:		
Amount	(6,580)	(30)
% of scheme liabilities	10.9%	0.1%
Total amounts recognised in STRGL:		
Amount	(6,020)	1,700
% of scheme liabilities	10.0%	-3.5%

16 ULTIMATE PARENT UNDERTAKING

The company is a subsidiary undertaking of New Charter Housing Trust Ltd, which was incorporated in the United Kingdom. The Company's principal address is:

Cavendish 249  
Cavendish Street  
Ashton-under-Lyne  
OL6 7AT