



Part of the New Charter Housing Trust Group

**NEW CHARTER BUILDING COMPANY
LIMITED**

(Company Number 3807120)

REPORT

&

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2008

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 Kieran Quinn	<i>until Sept 07</i> <i>from Sept 07</i>
Other Members	Julie Hardman Stephen Hall Ian Munro Andrew Stafford Liliane Laine-Slater	

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

Managing Director of
Building Andrew Stafford

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

Auditors Baker Tilly UK Audit LLP
Brazennose House
Lincoln Square
Manchester
M2 5BL

Internal Auditors Beever & Struthers
St Georges House
215-219 Chester Road
Manchester

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

**REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED
31ST MARCH 2008**

The Directors present the Financial Statements of the Company for the year ended 31st March 2008.

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.

GROUP EMPLOYMENT PRACTICES

The Group Equality & Diversity Policy has ensured that every reasonable effort is made to ensure that there is no harassment or unjustified discrimination on the grounds of colour, nationality, race, ethnic or national origin, religion, belief, disability, age, gender, gender reassignment, sexual orientation or marital status in the way it treats its employees, contractors, job applicants and visitors.

The Group remains committed to creating a working environment that offers equality of treatment and opportunity for all employees, and to provide them with the opportunity to develop their skills and abilities. This applied to all aspects of the Group's working practices and includes the recruitment and selection of employees, terms and conditions of employment, training, salary, work allocation, promotion and disciplinary procedures.

All employees were required to adhere to the Equality and Diversity Policy and it is a mandatory requirement that they undergo training and development activities to ensure that they carry out their duties and responsibilities in terms of promoting, developing, implementing and reviewing the Policy in the course of their work.

To encourage all sections to the community to seek employment, facilities necessary to offer a welcoming environment and flexible working patterns have been offered, provided that they do not conflict with service delivery. All vacancies were advertised widely and appropriately.

The Group has regularly informed employees of issues relevant to their employment through meetings with Trade Union representatives, the Employee Consultation Forum and through direct means of communication. During the year's trading, the Group has continued to apply its policy on Trade Union recognition and has provided time off for staff to attend trade union facilities.

CHARITABLE DONATION

A charitable donation has been made to AKSA Housing Association, a registered charity, under "Gift Aid" for the sum of £1,100,000. A charitable donation has been made to the New Children's Hospital Appeal, a registered charity, under "Gift Aid" for the sum of £75. A charitable donation has been made to Droylsden Youth Centre, a registered charity, under "Gift Aid" for the sum of £500. Donations have been made in the sum total of £2,955 to Denton Dance Emporium, Russell Scott Primary School, Tameside MBC Catering Services, Manchester Working Limited and Linden Road Primary School.

OPERATING REVIEW

REVIEW OF 2007/08.

There has been a recurring similarity in each of the annual Business Plans produced by New Charter Building Company Limited in recent years. We continue to drive the company forward to success, using our fully engaged team who possess the necessary skills and experience to deliver improvement and consistency within the repairs and maintenance function deemed essential in a service provider.

Each years' results, measured either by financial or other key performance indicators, clearly highlight the experience and knowledge that is commensurate with a company that knows its value and expertise in the field of service provision within the Social Housing Market.

Consistent improvement year on year has been achieved in the following activity areas relevant to the continual growth of a corporate/commercial building company:

- Financial Performance.
- Customer Satisfaction Levels.
- Responsive and Void Property Repairs.
- Number of kept appointments.
- Gas Servicing Outputs.
- Repair Timescales across all categories of repair.
- External Business Growth.

The year 2007/08 has been the most challenging year to date for the company. The year began with the first major funding reduction on internal work and the need to expand our external business to its highest ever target. Integral to this was the necessity to reduce management and operational costs parallel with continual improvement on service delivery to the Group's core business while remaining flexible to the Group's needs.

Once again major partnerships and acquisitions have increased repair stock levels to its highest ever number throughout the North West. With a reduced labour and management force the company has managed to return its rebate contribution to the Group along with maintaining a more than satisfactory overall financial performance.

As a result the report 2007/08 is presented with confidence, illustrating the commitment and reality that all employees have fully supported the Company in achieving ever more

challenging targets across all of the Businesses activities, within an ever increasing competitive market.

The success of any company can only be achieved by true partnership working. As a consequence thanks and praise are rightly extended to customers, suppliers, employees, Trade Unions, Board Members and partners for their roles in the continuing growth of New Charter Building Company.

ACHIEVEMENTS OVER THE YEAR.

- Responsive Repairs delivered to 99% plus across all categories.
- Void levels delivered to a further record low.
- Customer Satisfaction levels have reached their highest ever level.
- The number of kept appointments has again reached record levels.
- Gas servicing visits completed within the 11 month target for the third consecutive year.
- Record level of employee attendance at work.
- As a consequence sickness levels at an all time low.
- Accidents at work also at an all time low.
- Major growth of a successful/profitable external business unit.
- Re -accreditation received for Health & Safety via ROSPA Silver Award.
- Accreditation for ISO14001-2004 Environmental nearing completion.
- Certification Charter for supporting women in Science, Engineering and Technology.
- Awarded North West Apprentice of the Year Award, for best young plasterer by the BATJIC North West Region Construction Industry Awards for the second year running.
- Continued Apprentice intake Policy, in conjunction with the age profile exercise to sustain excellent service and growth.
- Completion of windows/doors programme 2 years earlier than transfer promise.
- Full participation and contribution to IIP Excellence award.
- Full participation and contribution to good/excellent rating on Mock Inspection Assessment.

All personnel readily accept their Corporate/social responsibility regarding community issues, which the company has eagerly supported through various initiatives; examples of some of these are listed below:

- 25 Work Experience Placements from Tameside Schools.
- 12 Wai Yin Placements to support women in construction.
- Learning Through Practice – Learning Difficulties Forum.
- 5 work placements for mature students – relating to trade experience/qualifications.
- Charitable support to clubs, youth groups, schools, theatres and societies.
- Charitable support to client supported elderly and vulnerable groups.
- Real jobs to local people for long term employment prospects.
- Step learning numeracy and literacy advancement.
- Community safety advertisement initiatives on building company fleet of vans.
- Development and communication of the business case for gender equality within the construction industry.

The company is mindful of its unique position in Neighbourhood and Community issues and considers this as a window of opportunity in returning something to the areas we proudly serve.

EMERGING ISSUES FOR 2008/09.

In an ever competitive market and with many contracts due for revision, the building company will have to be ever open to new business opportunities.

There are a number of items which require further input and they are as follows:

- Deliver external income of £3.735k for 2008/09.
- Increase the Reserve Fund in line with risk management policy.
- Review business case for further apprentice intake.
- Drive further efficiencies to support increased pension contributions.
- Further development of the strategic Partnership Alliance.
- Respond to the Group's request for input into the Academy whenever possible.
- Continue strategic planning acquisition aimed at long-term partnering to accommodate post 2010 work-flow.
- Network with new clients.

AREAS FOR IMPROVEMENT FOR 2008/09.

- Review improved communication channels to both our dispersed and office based workforce.
- Environmental issues need to be progressed, particularly in identifying the vision for advancement of the Environmental Guidelines within our everyday tasks, whilst remaining economically viable.
- Regular monthly meetings with the Supervisory Management team to review Health & Safety improvements and develop shared accountability.
- Increase resources to the front line by constantly reviewing efficiency savings.
- Correlate zero defects strategy into quality management review process.

FINANCIAL REVIEW

The financial position and results for the year are set out on pages **16 to 28** of these statements.

The performance for the year shows a profit before interest and tax of **£0.540m** (2007 - £0.385m). It should be noted that this profit level is after returning over £1.9m to the Borrowing Group (the three RSL's in New Charter) and £1.1m Gift Aid to Aksa in line with the Group Financial Strategy.

Income generated externally to the Group has increased in this financial year by 89.9%, and the income generated from work done for internal customers has decreased by 19.7%.

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 £200,000 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 2008/09'.

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:

Appointed

Stephen Hall	4 th October 1999
Vincent Ricci – Chair	5 th March 2002
Julie Hardman	19 th June 2001
Geoffrey Howarth – Vice Chair	24 th September 2002
Ian Munro	18 th July 2001
Kieran Quinn – Vice Chair	15 th November 2005
Andrew Stafford	16 th August 2005
Liliane Laine – Slater	17 th May 2006

AUDITORS

The external audit service was tendered in September 2007 and Baker Tilly UK Audit LLP was appointed as the Company's auditor at the AGM on Tuesday 25th September 2007. Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

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 estimates 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; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping 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.

Disclosure of information to auditors

The Directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware. Each Director has confirmed that they have taken all the steps that they ought to have taken as Director's in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Internal Financial Controls

The Trust Board acknowledges its overall responsibility with regard to matters relating to internal control. The Trust Board must be satisfied that measures are in place, which covers such matters as:

- An understanding of internal control
- Management of fraud.
- Effectiveness of internal control processes and systems.
- Understanding of risk and minimization of exposure without compromising broader objectives.
- A regular review of risks facing the Company.
- A summary of main policies designed to manage risk.
- A summary of the key sources of evidence.
- Confirmation that fraud register has been reviewed.
- Confirmation action taken in respect of any significant matters identified and any supervisory action required by the Housing Corporation.

The Audit committee provides central assurance on these matters and acts on behalf of the trust Board for all Audit related issues but the Trust board remains ultimately accountable.

There is a requirement for me to provide personal assurance to the Trust Board in respect of these matters. This report is designed to provide the foundation for the statement which will need to be included in the Annual Report and accounts.

The Trust Board acts for the whole Group on these matters including New Charter Building Company.

Internal Control – Report of the Chief Executive

No system of internal control can eliminate all risks. Indeed it would be naive to expect or even wish that to be the case. What must be in place is an arrangement whereby risks are understood and their likelihood and subsequent impact on the business is explored and managed.

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

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. There have been no entries in the fraud register this year.

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 2007/08. They can be summarised as follows: -

- The Group has a well designed and robust business planning process, which clearly sets out business aims and objectives and has outcomes against which progress can be demonstrated. Non-Executives, staff and tenants are closely involved in 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. We have also reviewed the risk management strategy and relevant risk registers to embed risk management into the day to day management of the business.
- The 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 the Boards and the Group management team.
- Contract Standing Orders, Financial Regulations and Scheme of Delegations are in place and were reviewed during 2007/8.
- 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 company.
- Culture of risk awareness developed through individual Key Work Objectives, with performance managed through regular review process.

Process for assessing and managing risk during 2007/8

- The Audit Committee has continued to meet on a regular basis to consider reports from Officers and Auditors.
- Membership of the Audit Committee is drawn from across the Boards of the Group, includes co-opted members and is chaired by an independent Director of the Trust Board.
- Steps were taken during the year to refresh the contracts for internal and external audit work and this has resulted in two new firms replacing the previous contractors.
- Internal and external auditors have unimpeded 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.
- The Audit Committee has agreed and monitored an annual audit programme, which has been determined against an analysis of known and anticipated risk.
- All internal audit reports are considered by the Group Management Team and presented to the Audit Committee which takes responsibility for ensuring recommendations are implemented. Internal audit also undertakes follow up assignments to ensure compliance, as appropriate.
- The Audit Committee is kept informed of developing best practice including Housing Corporations Risk Management Topic Papers.
- The Audit Committee took control and ownership of the recruitment process for the replacement of internal and external auditors by October 2007.
- Risk register produced and a revised process for developing a risk appetite introduced to identify, evaluate and manage risks to organizational objectives. Presented to and monitored by the Audit Committee.
- Work with the external auditor both before and during closure of accounts may suggest an unqualified opinion will be offered.
- Baker Tilly UK Audit LLP presented their Audit Strategy Memorandum to the February 2008 Audit Committee which did not identify any additional risk for the group. The Audit Committee considered KPMG's (the previous external auditor) Audit Highlights Memorandum from August 2007 and throughout the year.
- 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.
- There has been no instance of substantial fraud during the year; indeed there are no entries in the fraud register for the year 2007/8.
- No Regulatory or Supervisory action by the Housing Corporation has been taken during the year, beyond normal, planned, regulatory engagement.
- The company has received external accreditation in such areas as

Investors in People

ROSPA Gold Award

2 Star “Good” service with “Promising Prospects for Improvement” in a Mock Audit Commission Inspection in September 2007.

This gives an external validation of controls in place throughout the organization.

The very few significant compliance weaknesses identified by internal auditors, during the course of the year, were either promptly attended to or clear plans developed to minimize risk.

- A review of the recommendations implemented within the year identified from the following work undertaken showed an implementation rate of 82% for the year. An acceptable level of performance in this area would be around 75%.
- The work of the internal audit team demonstrates good progress in relating to the implementation of their recommendations and supports their opinion of **substantial** controls assurance for the Group.

My conclusion is that systems of internal control provide assurance that risk is understood, embedded in the organisation and managed.

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

A handwritten signature in black ink, appearing to read 'I H Munro', with a long horizontal line extending to the right.

I H MUNRO
GROUP CHIEF EXECUTIVE
NEW CHARTER HOUSING TRUST LIMITED

21st August 2008

The report of the Board of Management was approved on 21st August 2008 and signed by order of the Board:

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEW CHARTER BUILDING COMPANY LIMITED

We have audited the financial statements on pages 16 to 28.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether the information given in the Report of the Board is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st March 2008 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Board is consistent with the financial statements.

Baker Tilly UK Audit LLP
Registered Auditor
Chartered Accountants
Brazenose House, Lincoln Square
Manchester, M2 5BL

NEW CHARTER BUILDING COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDING 31 MARCH 2008

	2008	2007
	£'000	£'000
Turnover	27,659	29,539
Cost of sales	(21,790)	(23,351)
Gross Profit	5,869	6,188
Net operating expenses	(5,329)	(5,803)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION	3 540	385
Interest payable and similar charges	2 (25)	(25)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	515	360
TAXATION		
Taxation on ordinary activities	6 (182)	(112)
PROFIT FOR THE YEAR	333	248

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 18 to 28 form an integral part of the financial statements.

NEW CHARTER BUILDING COMPANY LIMITED

BALANCE SHEET

AS AT 31 MARCH 2008

		2008		2007	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible fixed assets	7		0		5
CURRENT ASSETS					
Stock	8		381		403
Debtors	9		8,889		5,018
			<u>9,270</u>		<u>5,421</u>
CREDITORS					
Amounts falling due within one year	10		(6,217)		(2,685)
Provisions	11		<u>(292)</u>		<u>(313)</u>
NET CURRENT ASSETS			2,761		2,423
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,761</u>		<u>2,428</u>
CREDITORS					
Amounts falling due after more than one year	12		(411)		(411)
NET ASSETS			<u>2,350</u>		<u>2,017</u>
CAPITAL AND RESERVES					
Profit and Loss Account	13		2,350		2,017
			<u>2,350</u>		<u>2,017</u>

The financial statements on pages 16 to 28 were approved on behalf of the Board and authorised for issue on the 21st August 2008 and were signed by :

V Ricci

(Chair)

(Board Member)

The notes on pages 19 to 28 form an integral part of the financial statements.

NEW CHARTER BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

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 Association operates a pension scheme providing benefits based on final pensionable pay. The asset of the scheme are held separately from those of the company. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

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.

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 BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

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.

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 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

	2008	2007
	£'000	£'000
2 INTEREST PAYABLE AND SIMILAR CHARGES		
On intercompany loans	<u>25</u>	<u>25</u>
	<u>25</u>	<u>25</u>

	2008	2007
	£'000	£'000
3 PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		
Is stated after charging:		
Depreciation	5	12
Auditors remuneration (inc VAT)		
- in their capacity as auditors	24	22
Operating lease charges (Other)	7	8
Charitable Donation	<u>1,103</u>	<u>1,429</u>

4 DIRECTORS' EMOLUMENTS

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

	2008	2007
	£'000	£'000
Aggregate emoluments payable to GMT (including pension contributions & benefits in kind)	<u>164</u>	<u>141</u>
Emoluments payable to the highest paid member of GMT (excluding pension contributions but includes benefits in kind)	<u>144</u>	<u>122</u>

NEW CHARTER BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

DIRECTORS EMOLUMENTS (continued)

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

	2008	2007
	Number	Number
£120,001 - £130,000	1	1
£130,001 - £140,000	<u>1</u>	<u>1</u>

Aggregate amount of highest paid director's pension	<u>£19,635</u>	<u>£15,170</u>
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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>£46,583</u>	<u>£31,836</u>
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5 EMPLOYEE INFORMATION

The average number of persons employed during the year expressed in full time equivalent employees, was

	2008	2007
Management	26	26
Administrative	29	30
Direct labour	<u>205</u>	<u>230</u>
	<u>260</u>	<u>286</u>

Full time	258	283
Part time	<u>2</u>	<u>3</u>
	<u>260</u>	<u>286</u>

Staff costs for the above persons were:

	2008 £'000	2007 £'000
Wages and salaries	7,568	8,676
Social security costs	580	609
Other pension costs	<u>1,266</u>	<u>1,093</u>
	<u>9,414</u>	<u>10,378</u>

NEW CHARTER BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

	2008 £'000	2007 £'000
6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES		
a Analysis of tax charge in the year		
UK corporation tax		
Current tax on income for the year/period	182	112
	<u>182</u>	<u>112</u>
Deferred tax		
Origination /reversal of timing difference	-	-
Adjustments in respect of prior periods	-	-
	<u>-</u>	<u>-</u>
Total current tax	<u><u>182</u></u>	<u><u>112</u></u>

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 :

	£'000	£'000
Surplus on ordinary activities before tax	515	360
Current tax at 30%	155	108
Effects of:		
Expenses not deductible for tax purposes	47	23
Capital allowances for period in excess of depreciation	(20)	(19)
Current tax charge	<u><u>182</u></u>	<u><u>112</u></u>

A potential deferred tax asset of £72,388 (2007 - £56,241) in relation to accelerated capital allowances and provisions has not been recognised.

NEW CHARTER BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

7 FIXED ASSETS - OTHER TANGIBLE ASSETS

	Plant & Machinery £'000	IT equipment £'000	Furniture & equipment £'000	Total £'000
COST				
At 1st April 2007	242	18	11	271
At 31st March 2008	242	18	11	271
DEPRECIATION				
At 1st April 2007	237	18	11	266
Charge for year	5	-	-	5
At 31st March 2008	242	18	11	271
NET BOOK VALUE				
At 31st March 2008	0	-	-	0
NET BOOK VALUE				
At 31st March 2007	5	-	-	5

NEW CHARTER BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

8 STOCK	2008 £'000	2007 £'000
Raw materials and consumables	<u>381</u>	<u>403</u>
9 DEBTORS	2008 £'000	2007 £'000
Trade Debtors	1,155	1,590
Less Provision for bad and doubtful debts	<u>(18)</u>	<u>(35)</u>
	1,137	1,555
Amount due from parent and from fellow subsidiaries - Trade	6,277	2,931
Prepayments and accrued income	1,475	532
	<u>8,889</u>	<u>5,018</u>
10 CREDITORS - Amounts falling due within one year	2008 £'000	2007 £'000
Amount due to parent undertakings	2,973	143
Trade creditors	2,202	1,588
Other Creditors	266	300
Other taxation and social security	185	279
Accruals and deferred income	591	374
	<u>6,217</u>	<u>2,685</u>
11 PROVISIONS	2008 £'000	2007 £'000
Opening Provision		
Defects Liability	150	162
Week 53 payroll	127	117
Vehicle Off-hire Damage	36	25
	<u>313</u>	<u>304</u>
Provision in year		
Defects Liability	-	-
Week 53 payroll	26	10
Vehicle Off-hire Damage	17	17
	<u>43</u>	<u>27</u>
Adjustment in year		
Defects Liability	(21)	(12)
Week 53 payroll	-	-
Vehicle Off-hire Damage	(43)	(6)
	<u>(64)</u>	<u>(18)</u>
Closing Provision		
Defects Liability	130	150
Week 53 payroll	152	127
Vehicle Off-hire Damage	10	36
	<u>292</u>	<u>313</u>
12 CREDITORS - Amounts falling due after more than one year	2008 £'000	2007 £'000
Amounts owed to fellow subsidiary undertakings	<u>411</u>	<u>411</u>
	<u>411</u>	<u>411</u>

Charter Housing North Limited and New Charter Housing South Limited 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 2008

13 RESERVES

	Revenue £'000	Total £'000
As at 1st April 2007	2,017	1,769
Profit for the year	333	248
At 31st March 2008	<u>2,350</u>	<u>2,017</u>

14 OPERATING LEASE COMMITMENTS

	2008 £'000	2007 £'000
At 31st March 2008 annual commitments under non-cancellable operating leases were as follows:		
Within one year or on demand	<u>7</u>	<u>8</u>

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 2008 are as follows :

Valuation date	31st March 2008
Valuation Method	Projected unit
Value of assets	£59,658 million
Investment Return per annum	7.20%
Salary scale increases per annum	5.10%
Pension increases per annum	3.60%

The Pension contributions made by the Trust in the year to 31st March 2008 totalled £2,997m covering 812 employees (2007 - £2,585m, 806 employees).

The employers contribution rate was 18.7% of pensionable salary. From 1st April 2008 the level of employer's contribution will increase to 20.2% of pensionable salary.

The Association operates a pension scheme providing benefits based on final pensionable pay. The latest full actuarial valuation was carried out at 31st March 2004 and was updated for FRS17 purposes to 31st March 2007 by a qualified independent actuary who was not an employee or officer of the company.

It has been agreed that an employer contribution rate of 20.2% of pensionable pay will apply in future years.

The major assumptions used in this valuation were:

	2008	2007	2006
Rate of increase in salaries	5.10%	4.70%	4.60%
Rate of increase in pensions in payment and deferred pensions	3.60%	3.20%	3.10%
Discount rate applied on scheme liabilities	6.90%	5.40%	4.90%
Inflation assumption	3.60%	3.20%	3.10%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which due to the timescale covered may not necessarily be borne out in practice.

NEW CHARTER BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

Scheme assets

The fair value of the scheme's assets which are not intended to be realised in the short term and may be subject to significant change before they are realised and the present value of the scheme's liabilities which are derived from cash flow projections over long period and thus inherently uncertain were:

	value at 2008	value at 2007	value at 2006
	£000	£000	£000
Equities	37,643	41,034	35,685
Bonds	11,148	9,783	8,659
Other - property	5,190	6,053	5,059
Cash	5,677	4,556	5,072
Total market value of assets	59,658	61,426	54,475
Present value of scheme liabilities	68,574	79,708	78,088
Surplus/deficit in the scheme - pension asset/(liability)			
Related deferred tax liability asset			
Net pension asset/(liability)	(8,916)	(18,282)	(23,613)

	Long term rate of return 2008	Long term rate of return 2007	Long term rate of return 2006
Equities	7.70%	7.80%	7.40%
Bonds	5.70%	4.90%	4.60%
Other - property	5.70%	5.80%	5.50%
Cash	4.80%	4.90%	4.60%

	2008 £'000	2007 £'000
Movement in deficit during the year		
Surplus/(deficit) in scheme at beginning of year	(18,282)	(23,613)
Current service cost	(2,968)	(3,488)
Contributions paid	2,945	2,801
Past service cost	(28)	(100)
Other finance income/(cost)	(228)	(367)
Actuarial gain/(loss)	9,645	6,485
Surplus/(deficit) in the scheme at the end of the year	(8,916)	(18,282)

	2008 £'000	2007 £'000
Analysis of other pension costs charged in arriving at operating profit/loss		
Current service cost	2,968	3,488
Past service cost	28	100
Gains/(losses) on settlements or curtailments	190	96
	3,186	3,684

Gains/(losses) on settlements or curtailments, and previously unrecognised surplus deducted from the losses, recorded as non operating items totalled £120k and £45k respectively.

	2008 £'000	2007 £'000
Analysis of amounts included in other finance income/costs		
Expected return on pension scheme assets	4,340	3,645
Interest on pension scheme liabilities	(4,378)	(3,916)
	(38)	(271)

NEW CHARTER BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

<u>Analysis of amount recognised in statement of total recognised gains and losses</u>	2008	2007
	£'000	£'000
Actual return less	(6,659)	370
Experience gains and losses arising on scheme liabilities	(1,058)	68
Changes in assumptions underlying the present value of scheme liabilities	17,362	6,047
	<hr/>	<hr/>
Actuarial gain recognised in statement of total recognised gains and losses	9,645	6,485

History of experience gains and losses

	Year ended 31st March 2008 £000	Year ended 31st March 2007 £000	Year ended 31st March 2006 £000	Year ended 31st March 2005 £000	Year ended 31st March 2004 £000
Difference between the expected and actual return on scheme assets:					
Amount	(6,659)	370	6,839	1,900	5,310
Percentage of year end scheme assets	(11.20%)	0.60%	12.60%	4.50%	13.90%
Experience gains and losses on scheme liabilities:					
Amount	(1,058)	68	122	(6,580)	(30)
Percentage of year end present value of scheme liabilities	(1.50%)	0.10%	0.20%	(10.90%)	0.10%
Total amount recognised in statement of total recognised gains and losses:					
Amount	9,645	6,485	(4,414)	(6,020)	1,700
Percentage of year end present value of scheme liabilities	14.10%	8.10%	(5.70%)	(10.00%)	3.50%

Reconciliation to the balance sheet

	2008	2007	2006
	£'000	£'000	£'000
Net assets excluding pension liability	96,451	90,136	98,674
Pension liability	(8,916)	(18,282)	(23,613)
	<hr/>	<hr/>	<hr/>
Net assets including pension liability	87,535	71,854	75,061

16 CHARITABLE DONATION

A charitable donation has been made to AKSA Housing Association, a registered charity, under "Gift Aid" for the sum of £1,100,000. A charitable donation has been made to the New Children's Hospital Appeal, a registered charity, under "Gift Aid" for the sum of £75. A charitable donation has been made to Droylsden Youth Centre, a registered charity, under "Gift Aid" for the sum of £500. Donations have been made in the sum total of £2,955 to Denton Dance Emporium, Russell Scott Primary School, Tameside MBC Catering Services, Manchester Working Limited and Linden Road Primary School.

17 ULTIMATE PARENT UNDERTAKING

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

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

NEW CHARTER BUILDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

18 LIMITED BY GUARANTEE

The Company is Limited by guarantee and does not have share capital. Members liability would be limited to £1 should the company be wound up. Membership does not give any entitlement to the right to a dividend or any other distribution. Members have equal voting rights.

19 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemptions under FRS8 from the requirement to disclose relations with the Group companies on the grounds that it is a 90% subsidiary and that the Parent entity prepares Consolidated financial statements.