

Nottingham City Homes Limited
(Company limited by guarantee)

REPORT AND FINANCIAL STATEMENTS

For the year ended 31st March 2008

Nottingham City Homes Limited

(Company limited by guarantee)

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ADMINISTRATIVE INFORMATION

For the year ended 31st March 2008

BOARD OF DIRECTORS

Tenant Board members

Janet Storar (Vice Chair)	1, 3
Anne Dean	2
Valerie Schneider	2
Margaret Pugsley	2
John Harris – Deceased 12 June 2007	-

Council appointed Board members

Cllr Dave Liversidge	3
Cllr Malcolm Wood	1
Cllr Graham Chapman – Appointed 18 July 2007	-
Cllr Tom Stephenson – Retired 18 July 2007	-
Cllr Howard Morris – Retired 18 July 2007	-
Cllr Tony Sutton – Retired 18 July 2007	-
Cllr Georgina Culley – Retired 18 July 2007	-

Independent Board members

Paul Rowe (Chair)	1, 3
Ade Aderogba MBE	1
Tim Bell	1
Peter Linford	1, 3
Martyn Kingsford – Co-opted 26 July 2007	-
Harry Everington – Co-opted 26 July 2007	2
Paul Wisher – Retired 26 July 2007	-
Roger Hursthouse – Retired 26 July 2007	-

1. Member of the Performance & Regulatory Committee
2. Member of the Audit Committee
3. Member of the Human Resources Committee

EXECUTIVE MANAGEMENT TEAM

Chris Langstaff – Chief Executive

Mark Johnson – Acting Director of Property Services (formally appointed as a permanent Director in May 2008)

Gill Moy – Director of Housing Operations

Julie Crook – Director of Finance, ICT and Governance

Martinette Proud – Interim Director of Organisational Development

Amanda Schofield – Director of Strategy and Partnerships

Alison Mapp – Company Secretary (appointed in April 2008)

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ADMINISTRATIVE INFORMATION

For the year ended 31st March 2008

REGISTERED OFFICE AND PRINCIPAL OFFICE

14 Hounds Gate
Nottingham
NG1 7BA

AUDITORS

Grant Thornton UK LLP
Centre City Tower
7 Hill Street
Birmingham
B5 4UU

SOLICITORS

Nottingham City Council
Legal Department
The Guildhall
Nottingham

BANKERS

Co-operative Bank Plc.
4-5 Exchange Walk
Nottingham
NG1 2MX

Nottingham City Homes Limited

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DIRECTORS' REPORT

For the year ended 31st March 2008

The directors present their report and the audited financial statements for the year ended 31 March 2008.

CONSTITUTION

The company is incorporated as a private company limited by guarantee under the Companies Act 1985. As such it has no share capital.

The company's sole member is Nottingham City Council ('NCC').

PRINCIPAL ACTIVITIES

The principal activities of the company are to act as the managing agent of NCC's housing stock, and to provide a repairs and maintenance service to the landlord in respect of these properties.

BUSINESS REVIEW

Nottingham City Homes has undergone significant change since its incorporation in April 2005. The year under review has been no different with the successful tender of the Property Services Repairs division and the formal announcement of the company's new Directorate structure, implemented on 1st April 2008.

A new Chief Executive and strengthened Executive Management Team are now in place and following a review of our Governance structures, we now have a new, more focused Board made up of 5 tenants, 4 independent members and 3 City Councillors.

There have also been a number of senior management changes and for a large part of the year, key areas of the business have been managed by interim staff. At the end of the year, however, the Chief Executive had been in post for over a year and the company had made permanent appointments to several Director and Head of Service posts.

The housing stock managed by the company has continued to fall from 29,579 at the start of the financial year to 29,208 at 31st March 2008. During the financial year 285 properties were sold under the Right to Buy scheme and the remaining 86 were decommissioned. The fall in the number of properties managed by the company is reflected in an annual reduction in the management fee paid annually by NCC.

The Delivery Plan for 2007/08 was underpinned by the implementation of the company's Foundation Plan, designed to focus on six key areas of the business and prioritise our activities and resources. In addition, to gain assurance that the company was progressing positively towards at least 2 star status in advance of the 2008/09 Audit Commission Inspection, a robust and ambitious service improvement programme has been put in place to deliver and monitor performance improvement.

As a result, activity during 2007/08 has resulted in a series of improvements including: -

- Strengthening the leadership of the organisation at a senior management level with significant appointments to Executive Director posts and the establishment of the 'Top 40 Managers'.
- Reorganising our Governance arrangements with a majority constituent body of tenants on the Board.
- Establishing a specialist team under a single management structure, integrating waiting list management, Choice Based lettings administration, voids and allocations.
- Agreeing an Asset Management Strategy, including a Decent Homes Investment Plan and a revised Repairs and Maintenance Strategy.
- Establishment of a new company mission statement, vision, values and objectives underpinned by the implementation of the culture change programme and related staff training.
- Implementing a revised complaints and compliments policy supported by a specialist Customer Relations Team.
- Establishing a project team and commencing a programme for achieving ISO9001:2000 accreditation across the organisation.

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DIRECTORS' REPORT

For the year ended 31st March 2008

- Progressing the review of NCC Service Level Agreements (SLAs) in order to reduce costs and improve Value for Money.

RISK MANAGEMENT

Risk management means identifying the risks facing the Company and deciding how to minimise them through implementing risk management action plans. Risks can have both adverse and positive consequences for the organisation. The risk management process helps to assess what these are likely to be and allows the organisation to make an informed decision about how to deal with the identified risk. Risk can never be eliminated completely, so risk management is used to ensure risks are identified and their consequences understood. Based on this information, action can be taken to ensure appropriate resources are directed at controlling the risk or minimising the effect of potential loss. Our Risk Management Framework sets out the company's approach to risk management and how the organisation's key risks are identified, monitored and reported.

Summarised below are the company's main overarching key risks and uncertainties facing the organisation, included, with several other corporate risks, in the company's Corporate Risk Register:

- Inability to manage resources, embed a service improvement culture and implement service improvements required to achieve 2 star ALMO status; and
- Failure to produce and implement a credible long term plan, agreed in consultation with tenants, to deliver the Decent Homes programme.

The company's Corporate Risk Register outlines the existing counter measures in place to mitigate each corporate risk as well as the additional controls identified and developed to manage risk down to an acceptable level.

PERFORMANCE AND KEY PERFORMANCE INDICATORS

Our service delivery is robustly monitored across all service areas. Targets are set following a consultation process that involves tenants as well as staff, board members and NCC and included in the annual Delivery Plan. The Performance and Regulatory Committee receives quarterly reports of key performance indicators against targets and performance in previous years as well as comparisons with national and regional benchmarking statistics. More detailed performance statistics are also monitored at directorate and service area level to ensure that problem areas are identified and remedial action taken at the earliest opportunity.

Summarised below are the key performance indicators which focus on the key areas of the business, impact on financial performance and by which the development and position of the business is measured:

<u>Performance Indicators:</u>	Target	2007/08	2006/07
Average re-let time	45 Days	63.7 Days	72.3 Days
The proportion of rent collected	97.35%	96.23%	95.50%
The rent loss against all properties vacant	2.30%	2.33%	3.30%
The proportion of Local Authority homes which are non decent	30.61%	31.54%	34.41%

The company has made significant progress in improving performance in 2007/08 compared with the prior financial year and remains committed to the further implementation of service and performance improvements to ensure the achievement of targets in the future.

FINANCIAL REVIEW

The company has complied with the mandatory accounting requirements of FRS17 'Retirement benefits' which, once again, has significantly affected the disclosed performance.

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DIRECTORS' REPORT

For the year ended 31st March 2008

Historically, the FRS 17 accounting entries were made on the basis that a net £45 million deficit was transferred from NCC when the company was set up on 1 April 2005. NCC subsequently agreed that the transfer should have been based on a fully funded actuarial valuation at that date.

Adjustments to remove the Goodwill fixed asset from the company's Balance Sheet, arising as a result of the transfer from NCC, and restate the prior year comparatives have been passed through the Profit & Loss account and Statement of Recognised Gains and Losses for the year ended 31 March 2008 and have resulted in a prior period adjustment.

The impact of making the required FRS17 accounting entries and the prior period adjustment is that the company's Profit and Loss Account shows a reported deficit of £1.442 million for the 2007/08 financial year and the restated prior year comparatives a reported deficit of £1.405 million.

If FRS17 accounting entries and adjustments to remove the Goodwill fixed asset from the accounts are excluded, the company delivered a deficit of £269k against an original budgeted surplus of £51k. However, the deficit only represents 0.4% of the company's turnover, is a significant improvement on the in-year forecast outturn deficit position of £449k and has been managed alongside the need to absorb additional costs associated with staff re-organisation post announcement of the company's new structure.

FUTURE DEVELOPMENT AND PROSPECTS

In preparation for the November 2008 Audit Commission Inspection, the company commissioned the Housing Quality Network to undertake a full 'mock inspection' of all services in October 2007 to give an assessment of progress and highlight priority areas upon which the business needs to focus. The mock inspection concluded that the organisation is moving in the right direction and is self aware with senior management who have the capacity, leadership and understanding of a 3 star service.

HQN recommended a number of areas which need to be addressed in NCH's continued drive to improve and 2008/09 will be a crucial year for us to deliver further service improvements, maximise value for money and become a truly customer focused organisation in order to attain a minimum 2 star rating at the forthcoming Audit Commission Inspection.

GOING CONCERN

The pension liability on the company's Balance Sheet has increased from £13.118 million at the end of 2006/07 to £21.418 million in the 2007/08 financial year. However, the directors are confident that the company will be able to continue to meet its liabilities as they fall due. The company has to make annual contributions to the pension fund at a rate agreed with the fund's trustees. Budgets and forecasts, including the actual payments to the pension scheme, have been prepared that show that the company will be able to meet its liabilities as they fall due, notwithstanding that an accounting loss may be reported.

TAXATION

The company is a wholly owned subsidiary of NCC and virtually all income is derived from services provided to the NCC as an agent and other associated local government organisations. Non-government organisations related income amounted to £616k (2007:£366k) and represented, in the main, income from tenants for rechargeable works and services. These services did not generate any taxable income. Under the non-trading arrangements, all income and expenditure arising from trading with NCC is outside the scope of Corporation Tax. Accordingly, no tax charge has been included in the accounts.

CAPITAL EXPENDITURE

All assets used by the company are rented from NCC. There are no formal lease arrangements in place in respect of these rentals. Accordingly, there are no tangible fixed assets, depreciation or capital expenditure in the accounts.

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DIRECTORS' REPORT

For the year ended 31st March 2008

FINANCIAL INSTRUMENTS

The company's business is entirely based in the UK and all activities are conducted with UK based counterparties in Sterling. The company does not use or trade in any derivative financial instruments.

Surplus cash balances are held with NCC as bank deposits. Credit risk is managed by NCC Treasury in line with its approved policies.

EQUALITY AND DIVERSITY

The company is committed to equal opportunities. Our policy aims to ensure that no job applicant or employee receives less favourable treatment on the basis of their age, colour, creed, disability, full or part-time status, gender, marital status, nationality or ethnic origin, race, religion or sexual orientation.

Our frontline services are aware of the differing needs of our customers and are designed to secure opportunities and to empower people to address the difficulties brought about by poverty and social exclusion.

EMPLOYEES

The Board pursues policies designed to encourage employees to identify with the company and use their knowledge and skills actively towards its success. Management is encouraged to make employees aware of the financial and economic factors affecting the company's performance.

Full consideration is given to employment applications from disabled persons who have the necessary aptitudes and abilities. Where an employee becomes disabled whilst employed, arrangements are made wherever practicable to maintain employment. The company seeks to develop the skills of disabled persons by providing appropriate training, taking into account their particular needs.

EMPLOYEE CONSULTATION

The company is committed to providing open information to its employees and to consulting over key issues. We have a number of forums at which staff can raise issues that are of concern and have a number of means to keep staff informed of the business. These include the weekly Team Brief circulars and the Nottingham City Homes intranet which is a very successful communication medium for news and events within the company.

We have a good relationship with our recognised trade unions, GMB, UNISON, UCATT, T&GWU (UNITE) and AMICUS (UNITE).

POST BALANCE SHEET EVENTS

There have been no post balance sheet events that could have a material effect on the company.

DIRECTORS

Under the Memorandum and Articles of Association the directors, all of whom are non-executive, represent the local community:

- 3 NCC nominees
- 5 NCC tenants/leaseholders
- 4 independent members

The directors who served during the year are shown on page one.

The directors have no interests in the shares of the company, receive no remuneration and no contribution is paid towards their retirement arrangements.

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DIRECTORS' REPORT

For the year ended 31st March 2008

THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

Insurance cover has been established for all directors to provide cover against their reasonable actions as officers of the company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- 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 maintaining 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 accounts 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 and detection of fraud and other irregularities.

The directors are responsible for the preparation of the directors' report and other information contained in the annual report, and for any financial information which is available on the company website.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

CHARITABLE DONATIONS

The company did not make any charitable donations in the year (2007: £0).

AUDITORS

Grant Thornton UK LLP were appointed as auditors in the period and a resolution for their re-appointment will be put to the forthcoming Annual General Meeting.

By order of the board

Alison Mapp
Company Secretary

REPORT OF THE INDEPENDENT AUDITOR TO MEMBERS OF NOTTINGHAM CITY HOMES LIMITED

We have audited the financial statements of Nottingham City Homes Limited for the year ended 31 March 2008 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the reconciliation of movements in members' funds, the cash flow statement and notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

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 Directors' Report and financial statements in accordance with United Kingdom law and 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 in our opinion the information given in the Directors' Report is consistent with the financial statements.

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS

Birmingham

Nottingham City Homes Limited

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PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2008

	<i>Notes</i>	Year to 31 March 2008 £	Year to 31 March 2007 RESTATED £
TURNOVER	1	66,801,602	67,473,914
Cost of sales		<u>(17,609,461)</u>	<u>(18,751,814)</u>
GROSS PROFIT		49,192,141	48,722,100
Operating expenses	2	(52,288,794)	(52,011,365)
Other operating income		<u>1,290,902</u>	<u>1,942,370</u>
OPERATING LOSS		(1,805,751)	(1,346,895)
Interest receivable	5	364,000	-
Interest payable	5	-	(59,000)
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(1,441,751)</u>	<u>(1,405,895)</u>
Taxation on loss on ordinary activities	6	<u>-</u>	<u>-</u>
(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED (LOSS) FOR THE YEAR		<u><u>(1,441,751)</u></u>	<u><u>(1,405,895)</u></u>

The accounts are prepared on the historical cost basis and relate to continuing activities.

The notes on pages 14 to 21 form part of the accounts.

Nottingham City Homes Limited

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STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31st March 2008

		Year to 31 March 2008	Year to 31 March 2007 RESTATED
	<i>Notes</i>	£	£
(LOSS) FOR THE YEAR		<u>(1,441,751)</u>	<u>(1,405,895)</u>
PENSION SCHEME GAINS AND (LOSSES)			
Actuarial gain/(loss) on pension scheme assets			
- For the Current Year	20	(9,086,000)	1,665,000
- Adjustment arising from initial transfer of assets on 1 April 2005	-	-	4,013,000
Actuarial gain on pension scheme liabilities	20	1,998,000	-
Changes in assumptions underlying the present value of scheme liabilities	20	<u>(40,000)</u>	<u>6,484,000</u>
		<u>(7,128,000)</u>	<u>12,162,000</u>
TOTAL RECOGNISED (LOSSES) AND GAINS RELATING TO THE YEAR		<u>(8,569,751)</u>	<u>10,756,105</u>
Prior year adjustment		<u>(18,113,400)</u>	
TOTAL RECOGNISED (LOSSES) SINCE THE LAST REPORT		<u>(26,683,151)</u>	

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RECONCILIATION OF MOVEMENTS IN MEMBERS' FUNDS

For the year ended 31st March 2008

	Year to 31 March 2008	Year to 31 March 2007 RESTATED
<i>Notes</i>	£	£
Opening total funds as previously stated	5,161,838	(7,518,667)
Prior year adjustment	<u>(18,113,400)</u>	<u>(16,189,000)</u>
Opening total funds as restated	(12,951,562)	(23,707,667)
Total recognised (losses) and gains relating to the year	<u>(8,569,751)</u>	<u>10,756,105</u>
CLOSING (DEFICIT) OF TOTAL FUNDS	14 <u><u>(21,521,313)</u></u>	<u><u>(12,951,562)</u></u>

Nottingham City Homes Limited

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BALANCE SHEET

as at 31st March 2008

		2008		2007	
	Notes	£	£	RESTATED	£
FIXED ASSETS					
Intangible assets			-		-
			-		-
CURRENT ASSETS					
Stocks and work in progress	7	1,083,912		1,453,387	
Debtors	8	7,731,532		7,682,995	
Cash at bank and in hand	9	7,200		7,300	
		8,822,644		9,143,682	
CREDITORS:					
amounts falling due within one year	10	(7,151,644)		(8,363,811)	
NET CURRENT ASSETS					
			1,671,000		779,871
TOTAL ASSETS					
LESS CURRENT LIABILITIES					
CREDITORS :					
amounts falling due after more than one year			-		-
PROVISIONS FOR LIABILITIES AND CHARGES					
	11	(1,774,313)		(613,006)	
NET ASSETS EXCLUDING PENSION SCHEME LIABILITIES					
			(103,313)		166,865
Liability related to defined benefit pension scheme	20	(21,418,000)		(13,118,427)	
NET (LIABILITIES)					
			(21,521,313)		(12,951,562)
CAPITAL AND RESERVES					
Profit and loss account	14	(1,510,313)		(68,562)	
Pension scheme reserve	14	(20,011,000)		(12,883,000)	
DEFICIT OF MEMBERS' FUNDS					
			(21,521,313)		(12,951,562)

As disclosed in note 13, members derive no financial interest from their shareholding and accordingly all capital and reserves are classed as non-equity.

The financial statements on pages 9 to 21 were approved and authorised for issue by the board on 24th July 2008 and signed on its behalf by:

Paul Rowe
Board Chair

Janet Storar
Director

Nottingham City Homes Limited

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CASH FLOW STATEMENT

For the year ended 31st March 2008

	<i>Notes</i>	2008 £	2007 £
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	15	(4,714,244)	(8,711,582)
Liquid resources	16	<u>4,714,144</u>	<u>8,711,602</u>
(DECREASE) / INCREASE IN CASH		<u>(100)</u>	<u>20</u>

NCC holds funds on behalf of the company and the above represents the cashflows paid by NCC on behalf of the company.

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ACCOUNTING POLICIES

For the year ended 31st March 2008

ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

PRIOR YEAR ADJUSTMENT

The company has restated the prior year figures to eliminate previously recognised Goodwill and also to recognise a revised FRS17 actuarial statement to 31 March 2007 received during the year. Details of the effects of these changes are provided in Note 21.

TURNOVER

Turnover represents property management fees and associated income and is stated net of value added tax. Management fees are included within turnover on a time apportioned basis. Associated income is included in turnover on the basis of work done.

OPERATING LEASES

Payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

STOCKS AND WORK IN PROGRESS

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost of finished goods and work in progress includes overheads appropriate to the stage of manufacture. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

RETIREMENT BENEFITS

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost and expected return on assets are included within other finance costs.

Actuarial gains and losses arising from new valuations and from updating valuations to the balance sheet date are recognised in the Statement of Total Recognised Gains and Losses.

Defined benefit schemes are funded, with the assets held separately from the group in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the group has a legal or constructive obligation to settle the liability.

LIQUID RESOURCES

Liquid resources are cash balances held by NCC which the company can draw against on demand.

CASH AT BANK AND IN HAND

The company does not have its own bank account and instead NCC holds funds on behalf of the company. The company maintains petty cash balances as required.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008

1. ANALYSIS OF TURNOVER	2008	2007
	£	£
Property management fees	33,567,550	34,556,550
Repayment of prior year surplus pre FRS17 adjustments	(162,781)	-
Property repairs	31,920,545	32,345,100
Development Funding	737,303	-
Other income	738,985	572,264
	<u>66,801,602</u>	<u>67,473,914</u>

Turnover represents the value, net of Value Added Tax of goods and services provided to third parties.

2. OPERATING EXPENSES	2008	2007
	£	£
Staff Costs	35,147,462	33,947,553
Other Employee Costs	4,033,976	4,117,690
Premises	2,325,134	2,459,177
Administration	8,999,314	9,751,557
Other	1,782,908	1,735,388
	<u>52,288,794</u>	<u>52,011,365</u>

3. OPERATING (LOSS)	2008	2007
	£	£
Operating (loss) is arrived at after charging:		
Auditors' remuneration		
- for audit services accrued in the year	18,500	21,000
- for audit services under accrued in previous year	15,650	9,500
	<u></u>	<u></u>

Other operating income comprises a grant from NCC under the Supporting People initiative and charges to tenants and NCC departments for rechargeable works and services.

4. STAFF COSTS	2008	2007
	£	£
Wages and salaries	26,700,196	26,544,692
Redundancy	1,254,695	453,571
Social security costs	2,017,998	2,008,290
Pension costs (see note 20)		
- current service cost	3,821,000	4,430,000
- curtailment loss	1,260,000	511,000
- past year actuarial employer contributions overstatement	93,573	-
	<u>35,147,462</u>	<u>33,947,553</u>

Average number of employees expressed as full time equivalents during the year:	2008	2007
	Number	Number
Housing	440	442
Property services	597	665
Support services	68	68
	<u></u>	<u></u>
Total	<u>1,105</u>	<u>1,175</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008

4. STAFF COSTS - continued

None of the directors received any remuneration or taxable benefits and none were members of the pension scheme.

The remuneration of management employees earning in excess of £50,000 during the financial year fell into the following bands:

	2008	2007
£50,000 – £59,999	5	2
£60,000 – £69,999	6	3
£140,000 - £149,999	1	-
	<u>12</u>	<u>5</u>

5. INTEREST RECEIVABLE / (PAYABLE)

	2008	2007
	£	£
Interest on defined benefit pension scheme liabilities	(5,221,000)	(4,553,000)
Expected return on defined pension scheme assets - in respect of the current year	<u>5,585,000</u>	<u>4,494,000</u>
	<u>364,000</u>	<u>(59,000)</u>

6. TAXATION ON LOSS ON ORDINARY ACTIVITIES

The company is a wholly owned subsidiary of NCC, a local government organisation, and virtually all income is derived from services provided to NCC as an agent and other associated local government organisations. Non-NCC related trading did not generate any taxable income. Under the non-trading arrangements, all income and expenditure arising from trading with government organisations, non-trading, is outside the scope of Corporation Tax. Accordingly, no tax charge / credit has been recognised in the accounts and no tax reconciliation is presented.

7. STOCKS AND WORK IN PROGRESS

	2008	2007
	£	£
Stocks	784,856	844,463
Amounts recoverable under contracts	<u>299,056</u>	<u>608,924</u>
	<u>1,083,912</u>	<u>1,453,387</u>

8. DEBTORS: amounts falling due within one year

	2008	2007
	£	£
Trade debtors	336,943	213,080
Amounts due from parent undertaking (note 19)	7,344,070	7,084,557
Other debtors and prepayments	<u>50,519</u>	<u>385,358</u>
	<u>7,731,532</u>	<u>7,682,995</u>

9. CASH AT BANK AND IN HAND

The Company does not have its own bank account and instead NCC holds funds on behalf of the Company. The figures disclosed on the balance sheet represent petty cash balances held by the Company.

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For the year ended 31st March 2008

	2008	2007
	£	£
10. CREDITORS: amounts falling due within one year		
Trade creditors	1,741,938	1,703,670
Other taxes and social security	3,242,292	3,277,325
Other creditors	14,177	37,560
Accruals and deferred income	2,153,237	3,345,256
	<u>7,151,644</u>	<u>8,363,811</u>

11. PROVISIONS	Opening Balance	Released in the Year	Charge for the Year	Closing Balance
	£	£	£	£
Redundancy costs arising as a result of company restructure	363,006	(61,460)	722,647	1,024,193
Pension strain costs associated with redundancies	-	(1,928)	532,048	530,120
Industrial Tribunals	250,000	(150,681)	120,681	220,000
	<u>613,006</u>	<u>(214,069)</u>	<u>1,375,376</u>	<u>1,774,313</u>

12. CONTINGENT LIABILITIES

During the course of business a number of claims for compensation have been made against the company by past and current employees i.e. present obligations that have arisen as a result of past events. The outcome of certain litigation, based on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company, may give rise to a number of additional claims against the company which result in future cash outflows (or other sacrifice of economic benefits).

13. SHARES

The company is limited by guarantee and the liability of members to contribute to any deficiency of assets is £1 per member. The members have no rights to the income or assets of the company.

14. PROFIT AND LOSS ACCOUNT	Before pension scheme reserve	Pension scheme reserve	Total
	£	£	£
At 1 st April 2007 as previously stated	(2,081,162)	7,243,000	5,161,838
Prior year adjustment	2,012,600	(20,126,000)	(18,113,400)
	<u>(68,562)</u>	<u>(12,883,000)</u>	<u>(12,951,562)</u>
At 1 st April 2007 as restated	(68,562)	(12,883,000)	(12,951,562)
Total recognised gains and losses for the year	(1,441,751)	(7,128,000)	(8,569,751)
	<u>(1,510,313)</u>	<u>(20,011,000)</u>	<u>(21,521,313)</u>

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15. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES	2008 £	2007 £
Operating (loss)	(1,805,751)	(1,346,895)
Difference between defined benefit scheme contributions and operating charge	1,535,573	1,509,677
Decrease in stock and work in progress	369,475	426,870
(Increase) in debtors	(4,762,681)	(12,878,325)
(Decrease)/Increase in creditors and provisions	(50,860)	3,577,091
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	<u>(4,714,244)</u>	<u>(8,711,582)</u>

16. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS	2008 £	2007 £
(Decrease)/increase in cash in the year	(100)	20
(Decrease) in liquid resources	(4,714,144)	(8,711,602)
Change in net funds	(4,714,244)	(8,711,582)
Net funds at 31 st March 2007	878,497	9,590,079
Net funds at 31 st March 2008	<u>(3,835,747)</u>	<u>878,497</u>

17. ANALYSIS OF CHANGES IN NET FUNDS	At 31 st March 2007 £	Cash flows £	At 31 st March 2008 £
Cash at bank and in hand	7,300	(100)	7,200
Liquid resources – balances on deposit with NCC (Note 19)	871,197	(4,714,144)	(3,842,947)
	<u>878,497</u>	<u>(4,714,244)</u>	<u>(3,835,747)</u>

18. ULTIMATE PARENT UNDERTAKING

The company is a wholly owned subsidiary of NCC, a local government organisation.

Under the Memorandum and Articles of Association, NCC appoints one quarter of the board (3 of the 12 Members), with the balance of directors being drawn from Council tenants, or leaseholders, and members of the wider community.

19. RELATED PARTY TRANSACTIONS

The company has related party transactions with NCC. The majority of the turnover and other income is invoiced to NCC (or its agents) and NCC provides a range of services to the company. During the year, £67,474,203 (2007: £69,049,933) was invoiced to NCC for management and repair of homes, the Supporting People income and recharges for services and £7,571,054 (2007: £7,061,028) was charged by NCC for services provided to the company.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008

19. RELATED PARTY TRANSACTIONS – continued

The balance of the turnover in the main represents amounts invoiced to tenants for rechargeable works and services. The net amount owed by NCC as at the year end is shown in the analysis of debtors and is further analysed below.

All fixed assets used by the company are owned by NCC and a rent is charged by NCC to the company in respect of these assets.

The amount due from the parent undertaking shown in the analysis of debtors is a net figure, the individual balances are presented below.

	2008	2007
	£	£
Trade and other debtors	17,901,134	8,699,422
Cash held on deposit	(3,842,947)	871,197
Trade and other creditors	(6,747,166)	(1,594,589)
Inter-company balances	33,049	(891,473)
	<u>7,344,070</u>	<u>7,084,557</u>

The £3,842,947 overdrawn cash balance held on deposit with NCC is held in a separate bank account to the order of the company.

20. RETIREMENT BENEFITS

As from 1st April 2005, the company became an admitted member of the Local Government Superannuation Scheme, a funded defined benefit scheme. A full actuarial valuation was undertaken as at 31st March 2004 and updated as at 31st March 2007 and 31st March 2008 by a qualified independent actuary. The assumptions and net assets and liabilities of the element of the scheme relating to the company were:

ASSUMPTIONS AS AT	31 st March 2008	31 st March 2007	31 st March 2006
	% p.a.	% p.a.	% p.a.
Price increases	3.60	3.10	2.90
Salary increases	5.10	4.85	4.65
Pension increases	3.60	3.10	2.90
Discount rate	6.10	5.40	4.90

ASSETS (EMPLOYER)	Return at 31 st March 2008	Assets at 31 st March 2008	Return at 31 st March 2007	Assets at 31 st March 2007	Return at 31 st March 2006	Assets at 31 st March 2006
	% p.a.	£000	% p.a.	£000	% p.a.	£000
Equities	7.5	50,457	7.5	55,467	7.0	48,960
Government Bonds	4.6	7,727	4.7	6,226	4.3	5,644
Other Bonds	6.1	2,241	5.4	3,396	4.9	4,444
Property	6.5	12,982	6.5	13,665	6.0	10,088
Cash	5.3	3,091	5.3	2,102	4.5	1,411
Other	7.5	773	-	-	-	-
		<u>77,271</u>		<u>80,856</u>		<u>70,547</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31ST March 2008

20. RETIREMENT BENEFITS - continued

NET PENSION LIABILITY AS AT 31 ST MARCH 2008	2008 £000	2007 £000	2006 £000
Estimated employer assets	77,271	80,856	70,547
Present value of scheme funded and unfunded liabilities	(98,689)	(93,975)	(90,344)
Net pension liability	(21,418)	(13,119)	(19,797)
MOVEMENT IN DEFICIT DURING THE YEAR			
	2008 £000	2007 £000	
Deficit brought forward	(13,119)	(19,797)	
Adjustment to restate prior year employer contributions to actuarial valuation	(93)	-	
Actuarial deficit at the beginning of the year	(13,212)	(19,797)	
Current service cost	(3,821)	(4,430)	
Employer contributions	3,639	3,436	
Adjustment to actuarial employer contributions	-	93	
Past service/Curtailment/Settlement (loss)	(1,260)	(511)	
Net return on assets	364	(59)	
Actuarial (losses)/gains	(7,128)	8,149	
Deficit at end of period	(21,418)	(13,119)	
HISTORY OF EXPERIENCE GAINS AND LOSSES			
	2008 £000	2007 £000	2006 £000
Difference between the expected and actual return on assets	(9,086)	1,665	8,865
Value of assets	77,271	80,856	70,547
Percentage of assets	11.8%	2.1%	12.6%
Experience gains/(losses) on liabilities	1,998	0	(20,126)
Total present value of liabilities	98,689	93,975	90,344
Percentage of the total present value of liabilities	2.0%	-	22.3%
Changes in assumptions underlying the present value of pension liabilities	(40)	6,484	(9,771)
Total present value of liabilities	98,689	93,975	90,344
Percentage of the total present value of liabilities	0.0%	6.9%	10.8%
Actuarial gains/(losses) recognised in STRGL	(7,128)	12,162	(21,032)
Total present value of liabilities	98,689	93,975	90,344
Percentage of the total present value of liabilities	7.2%	12.9%	23.3%

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For the year ended 31st March 2008

21. PRIOR YEAR ADJUSTMENT

The prior year adjustment relates to the elimination of purchased goodwill previously recognised on the transfer of activities from the Council. The Company has restated the results for the year ended 31 March 2007 as recognition of goodwill on the transfer of activities was inconsistent with the sector and failed to recognise that no increase in the value of the Company, above the individual value of the assets transferred, had occurred. As such, any goodwill generated using acquisition accounting would require immediate write off and should not be carried forwards and amortised over 20 years, as reported in prior year accounts.

In addition, the Company has restated the analysis of the movement on its defined benefit pension scheme reported under FRS 17. This follows receipt of a revised FRS 17 statement from the fund's actuary during the year to reflect Nottingham City Council's agreement to fully fund the pension deficit on transfer of activities to Nottingham City Homes. The revised statement has not altered the reported net liability on the scheme at 31 March 2007 but has restated the analysis of movements on the fund between the profit and loss account and the statement of recognised gains and losses.

The elimination of goodwill and restatement of the FRS 17 movement for 2007 has resulted in the following impact on the profit and loss account and statement of total recognised gains and losses.

	Profit and Loss account 2007 £	Pension scheme reserve 2007 £
Reserve as previously stated (Note 14)	(2,081,162)	7,243,000
Purchase Goodwill originally recognised	-	(20,126,000)
Goodwill amortisation charge to 1 April 2006	2,272,000	-
Net amortisation charge year ended 31 March 2007	(259,400)	-
FRS17 restatement	1,266,000	-
Reserve restated at 31 March 2007	(68,562)	(12,883,000)
Analysis of prior period adjustment		
Adjustment to opening Income and Expenditure Account Reserve at April 2006	2,272,000	
Adjustment to Income and Expenditure Account for year ended 31 March 2007	(1,924,400)	
Adjustment to Statement of Total Recognised Gains and Losses for the year ended 31 March 2007	1,665,000	
Total	2,012,600	