

**Nottingham City Homes Limited**  
(Company limited by guarantee)

**REPORT AND FINANCIAL STATEMENTS**

For the year ended 31<sup>st</sup> March 2009

# Nottingham City Homes Limited

(Company limited by guarantee)

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For the year ended 31<sup>st</sup> March 2009

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# Nottingham City Homes Limited

(Company limited by guarantee)

## ADMINISTRATIVE INFORMATION

For the year ended 31<sup>st</sup> March 2009

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### BOARD OF DIRECTORS

#### Tenant Board members

Janet Storar (Vice Chair)	1, 3
Anne Dean	2
Valerie Schneider	2
Margaret Pugsley – Appointed 31 <sup>st</sup> July 2008	1
Graham Ward – Appointed 31 <sup>st</sup> July 2008	1

#### Council appointed Board members

Cllr Dave Liversidge	3
Cllr Malcolm Wood	1
Cllr Graham Chapman	-

#### Independent Board members

Paul Rowe (Chair)	1, 3
Ade Aderogba MBE	1
Tim Bell	3
Peter Linford	2, 3
Martyn Kingsford – Co-opted Member	1
Harry Everington – Co-opted Member	2

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 – Director of Property Services

Gill Moy – Director of Housing Operations

Julie Crook – Director of Finance, ICT and Governance

George Pashley – Director of Organisational Development – Appointed 1<sup>st</sup> December 2008

Amanda Schofield – Director of Strategy and Partnerships

Alison Mapp – Company Secretary

# Nottingham City Homes Limited

(Company limited by guarantee)

ADMINISTRATIVE INFORMATION

For the year ended 31<sup>st</sup> March 2009

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## REGISTERED OFFICE AND PRINCIPAL OFFICE

14 Hounds Gate  
Nottingham  
NG1 7BA

## AUDITORS

Grant Thornton UK LLP  
Enterprise House  
115 Edmund Street  
Birmingham  
B3 2HJ

## 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

(Company limited by guarantee)

## DIRECTORS' REPORT

For the year ended 31<sup>st</sup> March 2009

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The directors present their report and the audited financial statements for the year ended 31 March 2009.

### 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 is has undergone significant change over the past year. As part of the accommodation review a new Housing Services Centre has opened in the City Centre and the Company is reviewing the way in which it delivers services to customers, to ensure it further improves on its priority of delivering excellent services to customers.

The Repairs contract has now been in operation for 12 months and a review is planned to ensure that the repairs service meets the needs of its customers.

Last year was a successful year for the Company. We achieved a significant increase in the satisfaction rating from our customers with ratings up to 69% from 60% in the previous year. 2008 was an important year in that the Company was inspected by the Audit Commission. We received a 2 Star with excellent prospects rating. This was an excellent achievement and has now released £164million of funding, allowing Nottingham City Homes to upgrade Council homes to meet the Government's Decent Homes Standard. Subsequently, some partners have been appointed and work is well underway across the City.

We have also achieved the ISO9001 accreditation for Housing Services. This means that the Company as a whole now meets this international standard for quality. Our performance in many key areas continues to improve and our Tenant Inspection Programme continues to expand covering more areas, whilst at the same time 37 of the 39 estates inspected under the scheme have achieved a 2 star or 3 star rating.

The Executive Management Team now has a full compliment of permanent members following the appointment of the Director for Organisational Development.

The housing stock managed by the Company has continued to fall from 29,208 at the start of the financial year to 29,090. 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.

2008/09 has seen a number of service improvements including:

- Two star, excellent prospects rating
- Improved customer satisfaction
- New range of service standards
- Rent collection and re-let times
- Achieved IIP and ISO9001
- Improved tenant inspector ratings of estates
- Opened the Housing Services Centre at Hounds Gate
- Asset management strategy – including decent homes programme
- Introduced Handy Person team
- Delivered efficiency savings
- Delivered repairs contract on time

# Nottingham City Homes Limited

(Company limited by guarantee)

## DIRECTORS' REPORT

For the year ended 31<sup>st</sup> March 2009

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### 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:

- Failure to produce and implement a credible long term plan, agreed in consultation with tenants, to deliver the Decent Homes programme; and
- Customer Focus Strategy and supporting Accommodation Strategy fail to facilitate anticipated improvements to service delivery.

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	2008/09	2007/08
Average re-let time	30 Days	49 Days	64 Days
The proportion of rent collected	97 %	97 %	96 %
The rent loss against all properties vacant	1.9 %	2.4 %	2.3%
The proportion of Local Authority homes which are non decent	32 %	32 %	32 %

The Company has made progress in maintaining and improving performance in 2008/09 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. The impact of making the required FRS17 accounting entries is that the Company's Profit and Loss Account shows a reported deficit of £0.275 million for the 2008/09 financial year compared with a reported deficit of £1.406 million in the prior year. If FRS17 accounting entries are excluded, the Company delivered a breakeven outturn position i.e. surplus/deficit of £0. This position was achieved after returning a surplus in Management Fee of £0.131 million to NCC in line with the requirement of the Company's Management Agreement.

# Nottingham City Homes Limited

(Company limited by guarantee)

## DIRECTORS' REPORT

For the year ended 31<sup>st</sup> March 2009

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### FUTURE DEVELOPMENT AND PROSPECTS

The Company has developed 7 key themes upon which it intends to build upon. These are:

- Modernise the repairs service
- Deliver and maximise the impact of decent homes
- New Customer Service Centre and reinforced local delivery
- 'Needs led' supported housing service
- A major push on equality and diversity
- Streamline voids, allocations and lettings
- Winning new business

The Company has developed a series of Service Improvement Plans that underpin the themes and our progress against them will be monitored to ensure the Company meets its objectives. A key initiative during this year is the overhaul of the performance management system through the performance management review. This is intended to improve the whole system of performance management, and will lead us to becoming a high performing housing Company in the future.

### GOING CONCERN

The pension liability on the Company's Balance Sheet has decreased from £22.191 million at the end of 2007/08 to £21.486 million in the 2008/09 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 £100k (2008:£616k) and represented, in the main, income from tenants for rechargeable works and services. All services provided by the Company 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 or other external leasing companies. There are no formal lease arrangements in place in respect of NCC rentals. Accordingly, there are no tangible fixed assets, depreciation or capital expenditure in the accounts.

### 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.

# Nottingham City Homes Limited

(Company limited by guarantee)

## DIRECTORS' REPORT

For the year ended 31<sup>st</sup> March 2009

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### 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 skills 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.

### 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.

# Nottingham City Homes Limited

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## DIRECTORS' REPORT

For the year ended 31<sup>st</sup> March 2009

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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 (2008: £0).

### AUDITORS

Grant Thornton UK LLP were appointed as auditors in 2007/08 and 2008/09. A resolution for their re-appointment will be put to the forthcoming Annual General Meeting.

By order of the board

Alison Mapp  
Company Secretary

We have audited the financial statements of Nottingham City Homes Limited for the year ended 31 March 2009 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the statement of total recognised gains and losses, 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 2009 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

(Company limited by guarantee)

## PROFIT AND LOSS ACCOUNT

For the year ended 31<sup>st</sup> March 2009

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	<i>Notes</i>	Year to 31 March 2009 £	Year to 31 March 2008 RESTATED £
TURNOVER	1	<u>67,623,066</u>	<u>66,801,602</u>
Operating expenses	2	(68,262,152)	(69,898,255)
Other operating income		<u>1,072,086</u>	<u>1,290,902</u>
OPERATING PROFIT / (LOSS)		433,000	(1,805,751)
Interest receivable	5	-	400,000
Interest payable	5	(707,550)	-
		<u>                    </u>	<u>                    </u>
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		(274,550)	(1,405,751)
Taxation on loss on ordinary activities	6	-	-
		<u>                    </u>	<u>                    </u>
PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED PROFIT / (LOSS) FOR THE YEAR		<u>(274,550)</u>	<u>(1,405,751)</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

(Company limited by guarantee)

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31<sup>st</sup> March 2009

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	<i>Notes</i>	Year to 31 March 2009 £	Year to 31 March 2008 RESTATED £
PROFIT / (LOSS) FOR THE YEAR		(274,550)	(1,405,751)
PENSION SCHEME GAINS AND (LOSSES)			
Actuarial gain / (loss) on pension scheme assets			
- For the Current Year	20	(19,643,000)	(9,086,000)
Actuarial gain on pension scheme liabilities	20	-	1,998,000
Changes in assumptions underlying the present value of scheme liabilities	20	20,623,461	(40,000)
		980,461	(7,128,000)
TOTAL RECOGNISED GAINS AND (LOSSES) RELATING TO THE YEAR		705,911	(8,533,751)
Prior year adjustment		(773,000)	-
TOTAL RECOGNISED (LOSSES) SINCE THE LAST REPORT		(67,089)	(8,533,751)

# Nottingham City Homes Limited

(Company limited by guarantee)

## RECONCILIATION OF MOVEMENTS IN MEMBERS' FUNDS

For the year ended 31<sup>st</sup> March 2009

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	<i>Notes</i>	Year to 31 March 2009 £	Year to 31 March 2008 RESTATED £
Opening total funds as previously stated		(21,521,313)	(12,951,562)
Prior year adjustment		<u>(773,000)</u>	<u>(809,000)</u>
Opening total funds as restated		(22,294,313)	(13,760,562)
Total recognised (losses) and gains relating to the year		<u>705,911</u>	<u>(8,533,751)</u>
CLOSING (DEFICIT) OF TOTAL FUNDS	14	<u><u>(21,588,402)</u></u>	<u><u>(22,294,313)</u></u>

# Nottingham City Homes Limited

(Company limited by guarantee)

## BALANCE SHEET

as at 31<sup>st</sup> March 2009

		2009		2008	
	Notes	£	£	£	RESTATED £
<b>CURRENT ASSETS</b>					
Stocks and work in progress	7	1,254,333		1,083,912	
Debtors	8	7,960,183		7,731,532	
Cash at bank and in hand	9	7,052		7,200	
		<u>9,221,568</u>		<u>8,822,644</u>	
<b>CREDITORS:</b>					
amounts falling due within one year	10	<u>(9,165,370)</u>		<u>(7,151,644)</u>	
<b>NET CURRENT ASSETS</b>					
			56,198		1,671,000
<b>TOTAL ASSETS</b>					
<b>LESS CURRENT LIABILITIES</b>					
<b>CREDITORS :</b>					
amounts falling due after more than one year			-		-
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	11	<u>(158,150)</u>		<u>(1,774,313)</u>	
<b>NET ASSETS EXCLUDING PENSION SCHEME LIABILITIES</b>					
			(101,952)		(103,313)
Liability related to defined benefit pension scheme	20	<u>(21,486,450)</u>		<u>(22,191,000)</u>	
<b>NET (LIABILITIES)</b>					
			<u>(21,588,402)</u>		<u>(22,294,313)</u>
<b>CAPITAL AND RESERVES</b>					
Profit and loss account	14	(1,748,863)		(1,474,313)	
Pension scheme reserve	14	<u>(19,839,539)</u>		<u>(20,820,000)</u>	
<b>DEFICIT OF MEMBERS' FUNDS</b>					
			<u>(21,588,402)</u>		<u>(22,294,313)</u>

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 24<sup>th</sup> July 2009 and signed on its behalf by:

Paul Rowe  
Board Chair

Janet Storar  
Director

# Nottingham City Homes Limited

(Company limited by guarantee)

## CASH FLOW STATEMENT

For the year ended 31<sup>st</sup> March 2009

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	<i>Notes</i>	2009 £	2008 £
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	15	1,369,993	(4,714,244)
Liquid resources	16	<u>(1,370,141)</u>	<u>4,714,144</u>
(DECREASE) / INCREASE IN CASH		<u><u>(148)</u></u>	<u><u>(100)</u></u>

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

# Nottingham City Homes Limited

(Company limited by guarantee)

## ACCOUNTING POLICIES

For the year ended 31<sup>st</sup> March 2009

### ACCOUNTING CONVENTION

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

### 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.

The amendment to FRS17 Retirement Benefits published in December 2006 sets out a number of required changes which impact on Nottingham City Homes' financial statements and the respective disclosure notes for the first time in the 2008/09 accounting period. The Company's actuaries have therefore provided additional disclosure information as well as a revised valuation of the fair value of pension scheme assets from mid-market value to current bid price to enable these changes to be incorporated into the 2008/09 financial statements for both the current year figures and prior year comparatives. As a result of the later change in accounting policy a Prior Period Adjustment has been included in the Statement of Total Recognised Gains and Losses in order to reflect the revised figures provided by the actuaries for the 2007/08 accounting period i.e. reflect the rebasing of the net pension liability as at 31<sup>st</sup> March 2008.

### 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.

# Nottingham City Homes Limited

(Company limited by guarantee)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2009

1. ANALYSIS OF TURNOVER	2009	2008
	£	£
Property management fees	32,966,454	33,567,550
Repayment of prior year deficit / (surplus) pre FRS17 adjustments	268,816	(162,781)
Property repairs	33,455,243	31,920,545
Development funding	385,170	737,303
Other income	547,383	738,985
	<u>67,623,066</u>	<u>66,801,602</u>

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

2. OPERATING EXPENSES	2009	2008
	£	£
Staff costs	33,136,053	35,147,462
Other employee costs	2,646,308	4,033,976
Supplies and services	18,626,408	17,598,971
Premises	2,530,251	2,325,134
Administration	8,780,640	9,009,804
Other	2,071,492	1,782,908
	<u>68,262,152</u>	<u>69,898,255</u>

3. OPERATING (LOSS)	2009	2008
	£	£
Operating (loss) is arrived at after charging:		
Operating lease rentals		
- plant and machinery	376,098	-
Auditors' remuneration		
- for audit services accrued in the year	19,000	18,500
- for audit services under accrued in previous year	-	15,650
	<u>395,100</u>	<u>34,150</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	2009	2008
	£	£
Wages and salaries	27,674,463	26,700,196
Redundancy	-	1,254,695
Social security costs	2,145,590	2,017,998
Pension costs (see note 20)		
- current service cost	3,254,000	3,821,000
- curtailment loss	533,000	1,260,000
- past year actuarial employer contributions overstatement	-	93,573
- redundancy pension strain contributions charged in the prior year	(490,000)	-
	<u>33,117,053</u>	<u>35,147,462</u>

# Nottingham City Homes Limited

(Company limited by guarantee)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2009

### 4. STAFF COSTS - continued

Average number of employees expressed as full time equivalents during the year:	2009 Number	2008 Number
Housing	400	440
Property services	558	597
Support services	72	68
<b>Total</b>	<b>1,030</b>	<b>1,105</b>

None of the non-executive 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:

	2009	2008
£50,000 – £59,999	6	5
£60,000 – £69,999	2	6
£70,000 – £79,999	1	-
£80,000 – £89,999	2	-
£90,000 – £99,999	1	-
£140,000 – £149,999	-	1
£160,000 – £169,999	1	-
	<b>13</b>	<b>12</b>

5. INTEREST RECEIVABLE / (PAYABLE)	2009 £	2008 RESTATED £
Interest on defined benefit pension scheme liabilities	(6,092,000)	(5,221,000)
Expected return on defined pension scheme assets - in respect of the current year	5,384,450	5,621,000
	<b>707,550</b>	<b>400,000</b>

### 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	2009 £	2008 £
Stocks	575,923	784,856
Amounts recoverable under contracts	678,410	299,056
	<b>1,254,333</b>	<b>1,083,912</b>

# Nottingham City Homes Limited

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2009

8. DEBTORS: amounts falling due within one year	2009	2008
	£	£
Trade debtors	413,381	336,943
Amounts due from parent undertaking (note 19)	7,509,025	7,344,070
Other debtors and prepayments	37,777	50,519
	<u>7,960,183</u>	<u>7,731,532</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.

10. CREDITORS: amounts falling due within one year	2009	2008
	£	£
Trade creditors	2,263,846	1,741,938
Other taxes and social security	2,394,445	3,242,292
Other creditors	24,916	14,177
Accruals and deferred income	4,482,163	2,153,237
	<u>9,165,370</u>	<u>7,151,644</u>

11. PROVISIONS	Opening Balance	Utilised in the Year	Charge for the Year	Released as Unused	Closing Balance
	£	£	£	£	£
Redundancy costs arising as a result of Company restructure	1,024,193	(984,502)	18,613	(39,691)	18,613
Pension strain costs associated with redundancies	530,120	(573,560)	43,440	-	-
Industrial Tribunals	220,000	(34,415)	-	(99,585)	86,000
Pay award	-	-	53,537	-	53,537
	<u>1,774,313</u>	<u>(1,592,477)</u>	<u>115,590</u>	<u>(139,276)</u>	<u>158,150</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.

# Nottingham City Homes Limited

(Company limited by guarantee)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2009

14. PROFIT AND LOSS ACCOUNT	Before pension scheme reserve £	Pension scheme reserve £	Total £
At 1 <sup>st</sup> April 2008 as previously stated	(1,510,313)	(20,011,000)	(21,521,313)
Prior Period Adjustment	36,000	(809,000)	(773,000)
	<u>(1,474,313)</u>	<u>(20,820,000)</u>	<u>(22,294,313)</u>
At 1 <sup>st</sup> April 2008 as restated	(1,474,313)	(20,820,000)	(22,294,313)
Total recognised gains and losses for the year	(274,550)	980,461	705,911
	<u>(1,748,863)</u>	<u>(19,839,539)</u>	<u>(21,588,402)</u>
At 31 <sup>st</sup> March 2009	<u>(1,748,863)</u>	<u>(19,839,539)</u>	<u>(21,588,402)</u>
15. FINANCIAL COMMITMENTS			
		2009 £	2008 £
Operating lease commitments			
The payments that the Company is committed to make in the next year under operating leases are as follows:			
- Plant and machinery, leases expiring in one to five years		1,138,910	-
		<u>1,138,910</u>	<u>-</u>
16. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES			
		2009 £	2008 £
Operating profit / (loss)		433,000	(1,805,751)
Difference between defined benefit scheme contributions and operating charge		(431,639)	1,535,573
(Increase) / decrease in stock and work in progress		(170,421)	369,475
Decrease / (increase) in debtors		1,141,490	(4,762,681)
Increase / (decrease) in creditors and provisions		397,563	(50,860)
		<u>1,369,993</u>	<u>(4,714,244)</u>
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES		<u>1,369,993</u>	<u>(4,714,244)</u>
17. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
		2009 £	2008 £
(Decrease) / increase in cash in the year		(148)	(100)
Increase / (decrease) in liquid resources		1,370,141	(4,714,144)
		<u>1,369,993</u>	<u>(4,714,244)</u>
Change in net funds		1,369,993	(4,714,244)
Net funds at 31 <sup>st</sup> March 2008		(3,835,747)	878,497
		<u>(2,465,754)</u>	<u>(3,835,747)</u>
Net funds at 31 <sup>st</sup> March 2009		<u>(2,465,754)</u>	<u>(3,835,747)</u>

# Nottingham City Homes Limited

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2009

18. ANALYSIS OF CHANGES IN NET FUNDS	At 31 <sup>st</sup> March 2008 £	Cash flows £	At 31 <sup>st</sup> March 2009 £
Cash at bank and in hand	7,200	(148)	7,052
Liquid resources – balances on deposit with NCC (Note 19)	(3,842,947)	1,370,141	(2,472,806)
	<u>(3,835,747)</u>	<u>1,369,993</u>	<u>(2,465,754)</u>

## 19. 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.

## 20. 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, £68,695,152, (2008: £67,474,203) was invoiced to NCC for housing stock management, the repair of homes, Supporting People income and recharges for services and £6,731,922 (2008: £7,571,054) was charged by NCC for services provided to the Company.

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.

	2009 £	2008 £
Trade and other debtors	14,105,249	17,901,134
Cash held on deposit	(2,472,806)	(3,842,947)
Trade and other creditors	(4,374,181)	(6,747,166)
Inter-company balances	250,763	33,049
	<u>7,509,025</u>	<u>7,344,070</u>

The £2,472,806 overdrawn cash balance held on deposit with NCC is held in a separate bank account to the order of the Company.

## 21. RETIREMENT BENEFITS

As from 1<sup>st</sup> 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 31<sup>st</sup> March 2004 and a triennial actuarial valuation as at 31<sup>st</sup> March 2007 by a qualified independent actuary. The principal actuarial assumptions used by the actuaries for the purposes of the FRS 17 calculations are as follows:

# Nottingham City Homes Limited

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2009

### 21. RETIREMENT BENEFITS - continued

ASSETS (EMPLOYER)	31 <sup>st</sup> March 2009		31 <sup>st</sup> March 2008		31 <sup>st</sup> March 2007	
	% p.a	Real	% p.a	Real	% p.a.	Real
Price increases	3.0	-	3.6	-	3.1	-
Salary increases	4.5	1.5	5.1	1.5	4.9	1.8
Pension increases	3.0	-	3.6	-	3.1	-
Discount rate	6.7	3.6	6.1	2.4	5.4	2.2

The post-retirement mortality assumptions used to value the benefit obligation at 31 March 2008 and 31 March 2009 are based on the PA92 Year of Birth tables with the medium cohort projection with a +2/+1 year male/female age rating. The assumed life expectancy of a male member reaching age 65 in 2029 is projected to be 21.22 years compared to 20.3 years for someone reaching 65 in 2009. The life expectancy of a female member reaching age 65 in 2029 is projected to be 24.91 years compared to 23.91 years for someone reaching 65 in 2009. It has been assumed that 50% of retiring members will opt to increase their lump sums to the maximum allowed.

The amounts charged or (credited) to profit or loss are as follows:

	2009	2008
	£000	£000
Current service cost	3,254	3,821
Interest on obligation	6,092	5,221
Expected return on Scheme assets	(5,384)	(5,621)
Past service cost	-	1,260
Losses on curtailments and settlements	533	-
<b>Total</b>	<b>4,495</b>	<b>4,681</b>
Actual return on Scheme assets	(14,259)	400

The amounts charged or credited in profit or loss were included in operating expenses – staff costs i.e. within operating profit, with the exception of interest on obligation and the expected return on Scheme assets which were netted off and charged to interest payable.

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2008 for the year to 31 March 2009). The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.

In 2009/10 it is anticipated that the expected pension scheme employer contributions will be £3.853 million.

The amounts recognised in the balance sheet are as follows:

	2009	2008
	£000	£000
Fair value of Scheme assets	65,611	76,498
Present value of the defined benefit obligation	(87,097)	(98,689)
<b>Deficit</b>	<b>(21,486)</b>	<b>(22,191)</b>

# Nottingham City Homes Limited

(Company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2009

## 21. RETIREMENT BENEFITS - continued

The major categories of Scheme asset, as a percentage of the total Scheme assets, are as follows:

	2009	2008
	%	%
Equities	59.3	62.0
Gilts	14.6	11.4
Other Bonds	6.2	3.9
Property	15.9	17.0
Cash	4.0	5.7
	<u>100.0</u>	<u>100.0</u>

Changes in the present value of the defined benefit obligation are as follows:

	2009	2008
	£000	£000
Deficit brought forward	(22,191)	(13,212)
Adjustment to restate prior year figures to reflect the change in actuarial valuation of the fair value of assets	-	(809)
	<u>(22,191)</u>	<u>(14,021)</u>
Actuarial (deficit) at the beginning of the year	(22,191)	(14,021)
Current service cost	(3,254)	(3,821)
Employer contributions	4,220	3,639
Past service costs	-	(1,260)
Other financial income	(708)	400
Settlements/Curtailments	(533)	-
Actuarial gain / (loss)	980	(7,128)
	<u>(21,486)</u>	<u>(22,191)</u>

The cumulative actuarial gains and losses recognised in the statement of total recognised gains and losses at 31 March 2009 was £21,588,402 (2008: £22,294,313).

Amounts for the current and previous four periods are as follows:

	2009	2008	2007	2006	*2005
	£000	£000	£000	£000	£000
Fair value of Scheme assets	65,611	76,498	80,047	69,842	-
Present value of the defined benefit obligation	(87,097)	(98,689)	(94,068)	(90,344)	-
	<u>(21,486)</u>	<u>(22,191)</u>	<u>(14,021)</u>	<u>(20,502)</u>	-
Deficit as per the actuarial report	(21,486)	(22,191)	(14,021)	(20,502)	-
Experience adjustments on Scheme assets	(19,643)	(12,951)	-	-	-
Experience adjustments on Scheme liabilities	-	1,998	-	-	-

\* - Nottingham City Homes Ltd was incorporated on 1<sup>st</sup> April 2005.