

Company Registration Number: 05292636

Nottingham City Homes Limited
(Company limited by guarantee)

REPORT AND FINANCIAL STATEMENTS

For the year ended 31st March 2010

DRAFT

Nottingham City Homes Limited

(Company limited by guarantee)

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For the year ended 31st March 2010

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ADMINISTRATIVE INFORMATION

For the year ended 31st March 2010

BOARD OF DIRECTORS

Tenant Board members

Janet Storar (Chair)	2, 4, 5
Valerie Schneider	2, 5
Margaret Pugsley	2, 3
Dave Bennett-Bull – appointed 24/09/2009	3, 4
Kevin Butt – appointed 27/01/2010	1, 3
Anne Dean – left 24/09/2009	-
Graham Ward – left 04/06/2009	-

Council appointed Board members

Cllr Malcolm Wood	1, 5
Merlita Bryan – appointed 24/09/2009	2
Hassan Ahmed – appointed 24/09/2009	3
Cllr Dave Liversidge – left 24/09/2009	-
Cllr Graham Chapman – left 24/09/2009	-

Independent Board members

Paul Rowe	3, 5
Ade Aderogba MBE	1, 4
Tim Bell	2, 4, 5
Peter Linford	1, 2
Suhail Hashmi (Co-opted Member) – appointed 24/09/2009	1, 3
Martyn Kingsford (Co-opted Member) – left 24/09/2009	-
Harry Everington (Co-opted Member) – left 24/09/2009	-

1. Member of the Finance and Audit Committee (formerly the Performance & Regulatory and Audit Committees)
2. Member of the Housing Management Services Committee
3. Member of the Property Services Committee
4. Member of the Remuneration and Human Resources Committee (formerly the Human Resources Committee)
5. Member of the Business Development 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 (left the Company on 30th July 2010)
George Pashley – Director of Organisational Development
Amanda Schofield – Director of Strategy and Partnerships

Alison Mapp – Company Secretary

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ADMINISTRATIVE INFORMATION

For the year ended 31st March 2010

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

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DIRECTORS' REPORT

For the year ended 31st March 2010

The directors present their report and the audited financial statements for the year ended 31 March 2010.

CONSTITUTION

The Company is incorporated as a private company limited by guarantee under the Companies Act 2006. 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

It has been another successful year for Nottingham City Homes. Mobile technology was introduced in the repairs service in March 2010 and rent arrears are £655,000 lower compared to the 12 months ago and £1.48 million lower when compared to the same point two years previously.

We have delivered the first full year of the Decent Homes Programme, resulting in improvements to the housing stock. In conjunction with our construction partners we have now engaged 50 apprentices through the One in a Million scheme. We have set up the Knowledge Transfer Partnership with Nottingham Trent University which is designed to evaluate the impact of delivering the decent homes programme.

Our customers have also showed increased confidence in the services we provide. For example the annual STATUS survey showed that 80% of our customers were satisfied with the overall service, up from 69% in 2008/9, whilst satisfaction with decision making was up 9% to 68%.

Satisfaction with the repairs service also continues to improve with monthly Vision Management surveys resulting in an average score of 8.1 out of 10 compared with 7.8 out of 10 in 2008/9.

2010 saw the Tenant Services Authority become the regulator for all social housing providers and Nottingham City Homes has been busy consulting residents about their needs and aspirations and is also involved in the Aspley Pilot which is aimed at delivering better Tenancy Management services and to deliver services appropriate to the needs of the people living in the Aspley area. We are working to develop new consultative arrangements and to develop a scrutiny panel.

Nottingham City Homes was the first ALMO to be granted accreditation for the new ASB Standard from the Social Landlords Crime and Nuisance Group and HouseMark and also achieved accreditation to the new ISO9001:2008 Standard during the 2009/10 financial year.

The housing stock managed by the Company has continued to fall from 29,090 at the start of the financial year to 28,852 at the 31st March 2010 due to 'Right to Buy' sales and decommissioned properties.

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:

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DIRECTORS' REPORT

For the year ended 31st March 2010

- 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

Nottingham City Homes' service delivery is robustly monitored across all service areas. Business priorities and targets are set following a consultation process that involves tenants as well as staff, board members and NCC and are included in the annual Business Plan. The Housing Services Committee and Property Services Committee receive 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>	<u>Target</u>	<u>2009/10</u>	<u>2008/09</u>
Number of lettable voids	300	276	382
Average re let time (calendar days)	35.0	38.4	49.0
Percentage of rent and rent arrears collected (of rent due during 2009-10)	100.40%	100.53%	100.29%
Proportion of rent collected	97.3%	97.64%	96.87%
Proportion of Local Authority homes which are non decent	32%	32.5%	32.9%
Rent Loss against void properties	2%	3.11%	2.34%
Percentage of all routine and emergency repairs completed on target	97.75%	95.86%	93.76%
Percentage of tenants indicating that they are satisfied with the overall service provided by NCH	75%	80%	69%

The Company has made progress in maintaining and improving performance in 2009/10 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 profit of £0.166 million for the 2009/10 financial year compared with a reported deficit of £0.275 million in the prior year. If FRS17 accounting entries are excluded, the Company delivered a breakeven outturn position i.e. profit/loss of £0. This position was achieved after returning a surplus in Management Fee of £0.529 million to NCC in line with the requirement of the Company's Management Agreement.

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DIRECTORS' REPORT

For the year ended 31st March 2010

FUTURE DEVELOPMENT AND PROSPECTS

The Company has 5 key strategic objectives. These are to:

- Deliver excellent customer focused services;
- Engage customers in influencing the shape and quality of housing services that we provide;
- Be a key partner in the delivery of safe and sustainable neighbourhoods;
- Be a key partner in the transformation of Nottingham's neighbourhoods; and
- Be an excellent organisation.

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 implementation of new performance management software.

GOING CONCERN

The pension liability on the Company's Balance Sheet has increased from £21.486 million at the end of 2008/09 to £47.088 million in the 2009/10 financial year. This has been caused by the increase in the fair value of pension scheme assets being eclipsed by a significantly larger increase in the fair value of scheme liabilities. However, the directors are confident that the Company will be able to continue to meet its liabilities as they fall due and hence will continue as a going concern. 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 £216k (2009:£211k) and represented, in the main, income from Nottingham City tenants and residents for rechargeable works and services. There are no services provided by the Company which 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.

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For the year ended 31st March 2010

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 people from all backgrounds including disabled persons who have the necessary skills and abilities. 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 our Ethnic Minority Employee and Disability Employees and Carers Forums, Quarterly Joint Trades Unions consultation meetings, 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 non-executive directors who served during the year are shown on page one.

The non-executive 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;
- 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 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

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DIRECTORS' REPORT

For the year ended 31st March 2010

Act 2006. 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 (2009: £0).

AUDITORS

The Company's articles require annual reappointment of the auditors. Grant Thornton UK LLP have expressed willingness to continue in office. In accordance with s485(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP as auditors will be proposed at the Annual General Meeting to be held on 7th October 2010.

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 2010 which comprise profit and loss account, statement of total recognised gains and losses, reconciliation of movement in members' funds, balance sheet, cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement set out on pages 6 and 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

[Signature**]**

Kathryn Godfree
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

[Date**]**

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PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2010

	<i>Notes</i>	Year to 31 March 2010 £	Year to 31 March 2009 £
TURNOVER	1	<u>69,195,622</u>	<u>67,623,066</u>
Operating expenses	2	(68,152,237)	(68,262,152)
Other operating income		<u>699,615</u>	<u>1,072,086</u>
OPERATING PROFIT		1,743,000	433,000
Interest payable	5	(1,577,000)	(707,550)
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>166,000</u>	<u>(274,550)</u>
Taxation on profit / (loss) on ordinary activities	6	-	-
PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED PROFIT / (LOSS) FOR THE YEAR		<u><u>166,000</u></u>	<u><u>(274,550)</u></u>

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

The accounting policies and notes on pages 14 to 22 form part of the accounts.

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STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31st March 2010

		Year to 31 March 2010	Year to 31 March 2009
	<i>Notes</i>	£	£
PROFIT / (LOSS) FOR THE YEAR		<u>166,000</u>	<u>(274,550)</u>
PENSION SCHEME GAINS AND (LOSSES)			
Actuarial gain / (loss) on pension scheme assets			
- For the Current Year	21	18,037,000	(19,643,000)
Actuarial gain on pension scheme liabilities	21	-	-
Changes in assumptions underlying the present value of scheme liabilities	21	<u>(43,804,548)</u>	<u>20,623,461</u>
		<u>(25,767,548)</u>	<u>980,461</u>
TOTAL RECOGNISED (LOSSES) AND GAINS RELATING TO THE YEAR		<u>(25,601,548)</u>	<u>705,911</u>
Prior year adjustment		-	<u>(773,000)</u>
TOTAL RECOGNISED (LOSSES) SINCE THE LAST REPORT		<u><u>(25,601,548)</u></u>	<u><u>(67,089)</u></u>

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RECONCILIATION OF MOVEMENTS IN MEMBERS' FUNDS

For the year ended 31st March 2010

	Year to 31 March 2010	Year to 31 March 2009
<i>Notes</i>	£	£
Opening total funds as previously stated	(21,588,402)	(21,521,313)
Prior year adjustment	-	(773,000)
	<u>(21,588,402)</u>	<u>(22,294,313)</u>
Opening total funds as restated	(21,588,402)	(22,294,313)
Total recognised (losses) and gains relating to the year	(25,601,548)	705,911
	<u>(25,601,548)</u>	<u>705,911</u>
CLOSING DEFICIT OF TOTAL FUNDS	14 (47,189,950)	(21,588,402)
	<u><u>(47,189,950)</u></u>	<u><u>(21,588,402)</u></u>

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BALANCE SHEET

as at 31st March 2010

	Notes	£	2010 £	£	2009 £
CURRENT ASSETS					
Stocks and work in progress	7	1,279,468		1,254,333	
Debtors	8	6,540,784		7,960,183	
Cash at bank and in hand	9	6,732		7,052	
				<u>7,826,984</u>	<u>9,221,568</u>
CREDITORS:					
amounts falling due within one year	10	(6,829,968)		(9,165,370)	
NET CURRENT ASSETS					
				<u>997,016</u>	<u>56,198</u>
TOTAL ASSETS					
LESS CURRENT LIABILITIES					
CREDITORS :					
amounts falling due after more than one year				-	-
PROVISIONS FOR LIABILITIES AND CHARGES	11	(1,098,966)		(158,150)	
NET LIABILITIES EXCLUDING PENSION SCHEME LIABILITIES					
				<u>(101,950)</u>	<u>(101,952)</u>
Liability related to defined benefit pension scheme	21	(47,088,000)		(21,486,450)	
NET LIABILITIES					
				<u>(47,189,950)</u>	<u>(21,588,402)</u>
CAPITAL AND RESERVES					
Profit and loss account	14	(1,582,863)		(1,748,863)	
Pension scheme reserve	14	(45,607,087)		(19,839,539)	
DEFICIT OF MEMBERS' FUNDS					
				<u>(47,189,950)</u>	<u>(21,588,402)</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 22 were approved and authorised for issue by the Board on TBC 2010 and signed on its behalf by:

Janet Storar
Board Chair

Paul Rowe
Director

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CASH FLOW STATEMENT

For the year ended 31st March 2010

	<i>Notes</i>	2010 £	2009 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	16	8,926,245	1,369,993
Liquid resources	17	<u>(8,926,565)</u>	<u>(1,370,141)</u>
DECREASE IN CASH		<u><u>(320)</u></u>	<u><u>(148)</u></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 2010

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 Company 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 Company 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 impacted on Nottingham City Homes' financial statements and the respective disclosure notes for the first time in the 2008/09 accounting period. To inform the compilation of the 2008/09 financial statements, the Company's actuaries provided a revised valuation of the fair value of pension scheme assets from mid-market value to current bid price. As a result of this change in accounting policy in 2008/09 the Statement of Total Recognised Gains and Losses includes a Prior Period Adjustment in respect of the prior year comparatives – consistent with disclosures made in the 2008/09 financial statements.

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 2010

1. ANALYSIS OF TURNOVER	2010	2009
	£	£
Property management fees	34,524,591	32,966,454
Repayment of prior year deficit pre FRS17 adjustments	-	268,816
Property repairs	34,043,044	33,455,243
Development funding	-	385,170
Other income	627,987	547,383
	<u>69,195,622</u>	<u>67,623,066</u>

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

2. OPERATING EXPENSES	2010	2009
	£	£
Staff costs	33,746,233	33,117,053
Other employee costs	2,322,457	3,136,308
Supplies and services	19,581,973	18,626,408
Premises	2,414,007	2,530,251
Administration	7,610,289	8,780,640
Other	2,477,278	2,071,492
	<u>68,152,237</u>	<u>68,262,152</u>

3. OPERATING PROFIT	2010	2009
	£	£
Operating profit is arrived at after charging:		
Operating lease rentals		
- land and buildings	51,973	-
- plant and machinery	1,138,910	376,098
Auditors' remuneration		
- for audit services accrued in the year	19,500	19,000
	<u>19,500</u>	<u>19,000</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	2010	2009
	£	£
Wages and salaries	28,432,642	27,674,463
Redundancy	879,035	-
Social security costs	2,183,556	2,145,590
Pension costs (see note 21)		
- current service cost	2,130,000	3,254,000
- curtailment loss	121,000	533,000
- redundancy pension strain contributions charged in the prior year	-	(490,000)
	<u>33,746,233</u>	<u>33,117,053</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2010

4. STAFF COSTS - continued

Average number of employees expressed as full time equivalents during the year:	2010 Number	2009 Number
Housing	363	400
Property services	591	558
Support services	87	72
Total	<u>1,041</u>	<u>1,030</u>

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:

	2010	2009
£50,000 – £59,999	7	6
£60,000 – £69,999	3	2
£70,000 – £79,999	2	1
£80,000 – £89,999	2	2
£90,000 – £99,999	1	1
£140,000 – £149,999	1	-
£160,000 – £169,999	-	1
	<u>16</u>	<u>13</u>

5. INTEREST RECEIVABLE / (PAYABLE)

	2010 £	2009 £
Interest on defined benefit pension scheme liabilities	(5,906,000)	(6,092,000)
Expected return on defined pension scheme assets - in respect of the current year	<u>4,329,000</u>	<u>5,384,450</u>
	<u>(1,577,000)</u>	<u>(707,550)</u>

6. TAXATION ON PROFIT / (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

	2010 £	2009 £
Stocks	474,793	575,923
Amounts recoverable under contracts	<u>804,675</u>	<u>678,410</u>
	<u>1,279,468</u>	<u>1,254,333</u>

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For the year ended 31st March 2010

8. DEBTORS: amounts falling due within one year	2010	2009
	£	£
Trade debtors	135,964	413,381
Amounts due from parent undertaking (note 20)	6,259,717	7,509,025
Other debtors and prepayments	145,103	37,777
	<u>6,540,784</u>	<u>7,960,183</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	2010	2009
	£	£
Trade creditors	628,897	2,263,846
Other taxes and social security	2,422,781	2,394,445
Other creditors	2,112	24,916
Accruals and deferred income	3,776,178	4,482,163
	<u>6,829,968</u>	<u>9,165,370</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 and reorganisation	18,613	-	755,978	(18,613)	755,978
Industrial Tribunals	86,000	(37,632)	99,674	-	148,042
Pay Award	53,537	-	-	(53,537)	-
Supporting People Contract Income	-	-	194,946	-	194,946
	<u>158,150</u>	<u>(37,632)</u>	<u>1,050,598</u>	<u>(72,150)</u>	<u>1,098,966</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.

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For the year ended 31st March 2010

14. PROFIT AND LOSS ACCOUNT	Before pension scheme reserve £	Pension scheme reserve £	Total £
At 1 st April 2009	(1,748,863)	(19,839,539)	(21,588,402)
Total recognised gains and (losses) for the year	166,000	(25,767,548)	(25,601,548)
At 31 st March 2010	<u>(1,582,863)</u>	<u>(45,607,087)</u>	<u>(47,189,950)</u>
15. FINANCIAL COMMITMENTS		2010 £	2009 £
Operating lease commitments			
The payments that the Company is committed to make in the next year under operating leases are as follows:			
- land and buildings, leases expiring in one to five years		76,000	-
- plant and machinery, leases expiring in one to five years		1,138,910	1,138,910
		<u>1,138,910</u>	<u>1,138,910</u>
16. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES		2010 £	2009 £
Operating profit		1,743,000	433,000
Difference between defined benefit scheme contributions and operating charge		(1,743,000)	(431,639)
Increase in stock and work in progress		(25,135)	(170,421)
Decrease in debtors		10,345,965	1,141,490
(Decrease) / increase in creditors and provisions		(1,394,585)	397,563
NET CASH INFLOW FROM OPERATING ACTIVITIES		<u>8,926,245</u>	<u>1,369,993</u>
17. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS		2010 £	2009 £
Decrease in cash in the year		(320)	(148)
Increase in liquid resources		8,926,565	1,370,141
Change in net funds		<u>8,926,245</u>	<u>1,369,993</u>
Net funds at 31 st March 2009		(2,465,754)	(3,835,747)
Net funds at 31 st March 2010		<u>(6,460,491)</u>	<u>(2,465,754)</u>

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For the year ended 31st March 2010

18. ANALYSIS OF CHANGES IN NET FUNDS	At 31 st March 2009 £	Cash flows £	At 31 st March 2010 £
Cash at bank and in hand	7,052	(320)	6,732
Liquid resources – balances on deposit with NCC (Note 20)	(2,472,806)	8,926,565	6,453,759
	<u>(2,465,754)</u>	<u>8,926,245</u>	<u>6,460,491</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, £69,446,505, (2009: £68,322,930) was invoiced to NCC for housing stock management, the repair of homes, Supporting People income and recharges for services and £6,554,616 (2009: £6,731,922) 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.

	2010 £	2009 £
Trade and other debtors	5,677,436	14,105,249
Cash	6,453,759	(2,472,806)
Trade and other creditors	(6,079,954)	(4,374,181)
Inter-company balances	208,476	250,763
	<u>6,259,717</u>	<u>7,509,025</u>

The £6,453,759 cash balance is held by NCC in a separate bank account to the order of the Company.

21. 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 a triennial actuarial valuation as at 31st 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:

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21. RETIREMENT BENEFITS – continued

ASSETS (EMPLOYER)	31 st March 2010		31 st March 2009		31 st March 2008	
	% p.a	Real	% p.a	Real	% p.a.	Real
Price increases	3.9	-	3.0	-	3.6	-
Salary increases	5.4	1.5	4.5	1.5	5.1	1.5
Pension increases	3.9	-	3.0	-	3.6	-
Discount rate	5.5	1.5	6.7	3.6	6.1	2.4

The set of demographic assumptions adopted are consistent for the formal funding valuation as at 31st March 2007 and these are the same as at 31st March 2010. The post retirement mortality tables adopted were 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 2030 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:

	2010	2009
	£000	£000
Current service cost	2,130	3,254
Interest on obligation	5,906	6,092
Expected return on Scheme assets	(4,329)	(5,384)
Past service cost	-	-
Losses on curtailments and settlements	121	533
Total	3,828	4,495
Actual return on Scheme assets	(22,366)	(14,259)

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 2009 for the year to 31 March 2010). 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 2010/11 it is anticipated that the expected pension scheme employer contributions will be £3.878 million.

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

	2010	2009
	%	%
Equities	68.0	59.3
Gilts	9.0	14.6
Other Bonds	6.0	6.2
Property	15.0	15.9
Cash	2.0	4.0
Total	100.0	100.0

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21. RETIREMENT BENEFITS - continued

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

	2010	2009
	£000	£000
Opening defined benefit obligation	87,097	98,689
Service cost	2,130	3,254
Interest cost	5,906	6,092
Actuarial loss / (gain)	43,805	(20,623)
Losses on curtailments	121	533
Estimated benefits paid (net of transfers in)	(1,528)	(2,317)
Contributions by Scheme participants	1,527	1,469
Unfunded pension payments	(2)	-
Closing defined benefit obligation	<u>139,056</u>	<u>87,097</u>

Changes in the fair value of scheme assets are as follows:

	2010	2009
	£000	£000
Opening fair value of Scheme assets	65,611	76,498
Expected return on Scheme assets	4,329	5,384
Actuarial gain / (loss)	18,037	(19,643)
Contributions by employers including unfunded benefits	3,994	4,220
Contributions by Scheme participants	1,527	1,469
Estimated benefits paid including unfunded benefits	(1,530)	(2,317)
Fair value of Scheme assets at end of period	<u>91,968</u>	<u>65,611</u>

The overall change in the pension scheme deficit is therefore as follows:

	2010	2009
	£000	£000
Deficit brought forward	(21,486)	(22,191)
Current service cost	(2,130)	(3,254)
Employer contributions	3,992	4,220
Unfunded pension payments	2	-
Other financial income	(1,577)	(708)
Settlements/Curtailments	(121)	(533)
Actuarial (loss) / gain	(25,768)	980
Deficit at end of period	<u>(47,088)</u>	<u>(21,486)</u>

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21. RETIREMENT BENEFITS - continued

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

	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000
Fair value of Scheme assets	91,968	65,611	76,498	80,047	69,842
Present value of the defined benefit obligation	(139,056)	(87,097)	(98,689)	(94,068)	(90,344)
Deficit as per the actuarial report	(47,088)	(21,486)	(22,191)	(14,021)	(20,502)
Experience adjustments on Scheme assets	18,037	(19,643)	(14,212)	1,665	4,852

The cumulative actuarial gains and losses recognised in the statement of total recognised gains and losses at 31 March 2010 are £47,189,951 (2009: £21,588,402).