

Appendix A

Newark and Sherwood Homes Ltd

Directors' report and financial
statements for the
period to 31 March 2005

Company Limited by Guarantee
Registered number 05145364

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Company registration number: 05145364

Registered office:

Kelham Hall
Kelham
Newark
Nottinghamshire
NG23 5QX

Bankers:

Nat West Bank
Market Place
Newark
Nottinghamshire
NG24 1DY

Solicitors:

Newark and Sherwood District Council
Kelham Hall
Kelham
Newark
Nottinghamshire
NG23 5QX

Auditors:

KPMG LLP
2 Cornwall Street
Birmingham
B3 2DL

Board of directors:

Mrs Irene Brown (appointed 3 March 05, resigned 14 June 05)	Tenant Board Member
Miss Mary Butler (appointed 20 October 04)	Tenant Board Member
Mrs Kathleen Chaffe (appointed 20 October 04)	Tenant Board Member
Mr Stephen Medhurst (appointed 20 October 04)	Tenant Board Member
Mr Ronald Rontree (appointed 20 October 04)	Tenant Board Member
Mr Bob Ainger (appointed 20 October 04)	Independent Board Member
Mrs Ginette Hughes (appointed 20 October 04)	Independent Board Member
Mr David Nixon (appointed 20 October 04)	Independent Board Member
Mr Geoffrey Parkinson (appointed 20 October 04)	Independent Board Member
Mrs Pam Taylor (appointed 20 October 04)	Independent Board Member
Councillor Nora Armstrong (appointed 20 October 04)	Council Board Member
Councillor John Baker (appointed 20 October 04, deceased 26 December 04)	Council Board Member
Councillor John Clark (appointed 9 March 05, resigned 29 June 05)	Council Board Member
Councillor Gill Dawn (appointed 20 October 04)	Council Board Member
Councillor Pat Fletcher (appointed 20 October 04, deceased 8 May 05)	Council Board Member
Councillor Christine Rose (appointed 9 March 05)	Council Board Member
Councillor Kevan Wakefield (appointed 20 October 2004 resigned 9 March 05)	Council Board Member
Councillor Ken Fletcher (appointed 20 June 05)	Council Board Member
Councillor John Benson (appointed 20 June 05)	Council Board Member
Miss Sarah Paul (appointed 4 June 04, resigned 20 October 04)	
Mr Robert Beiley (appointed 4 June 04, resigned 20 October 04)	

Newark and Sherwood Homes Limited senior management

Rebecca Rance BA (Hons) MBA, MCIH (Chief Executive and Company Secretary)
Fin McElhinney MBA MCIH (Housing Director)
Andrew Treweek BSc ICIOB (Technical Director)
Suzanne Whitling BA (Hons) ACMA (Finance & Corporate Services Director)
Martinette Proud MCIPD (Head of Human Resources)

Directors' report

The Directors present their annual report and the audited financial statements for the period ended 31 March 2005.

Principal activities

The Company's principal activity during the year was the management and maintenance of the housing stock of Newark and Sherwood District Council. This includes management of the capital programme of capital improvements to the properties, with the target of all properties achieving and maintaining the Government Decent Homes Standard by 2010.

The Vision of the Company is "to deliver excellent housing services." Its three objectives towards achieving excellent housing services are:-

- Achievement of a 3* inspection rating from the Audit Commission
- Delivery of the Decent Homes Standard in accordance with the annual profile for all Newark and Sherwood District Council Stock by 2010
- Achievement of top quartile performance in all the performance indicators measured by the Audit Commission

Newark and Sherwood Homes was incorporated on 4 June 2004 and commenced trading on 1 November 2004. The number of properties managed during this period averaged 5,524.

Under the management agreement with Newark and Sherwood Council, the Company receives a fee to manage the properties on behalf of the Council. The fee for the 5 months to 31 March 2005 was £2.66m.

The turnover for the Company was £3.154m. This comprised a management fee of £2.66m, an additional net management fee of £0.286m relating to the transfer of the HRA balance as at 1 November 2004 from Newark and Sherwood District Council, and other miscellaneous income of £0.208m. The accounts have been prepared on a conservative basis and have provided for a tax liability of £343k based on the profits for the year adjusted for disallowable expenditure. The profit before tax, excluding the HRA transfer, is £57k.

Newark and Sherwood Homes continually seeks to improve the efficiency of its service, and, in accordance with the management agreement, any efficiency gains are returned to the Council.

Legal status of Company

The Company is limited by guarantee and does not have any Share Capital.

Review of the year.

Newark and Sherwood Homes was set up as an Arms Length Management Organisation (ALMO) and began trading on 1 November 2004. It's vision is "to deliver excellent Housing Services", and its objectives include delivery of the Decent Homes standard by March 2010, and to reach the top quartile of performance in all indicators measured by the audit commission.

The Company has achieved a number of standards in and following the year.

The Company received the Charter Mark for excellence in public services in January 2005. It was independently evaluated and assessed on a wide range of issues including performance, standards, how the Company engages with users, and how it plans to develop and improve.

During the 5 months to 31 March 2005, the Company managed £2.88m of major capital works on behalf of the Council.

Directors and directors' interests

The directors who held office during the year are detailed on page 2 and have no interest in shares of the Company.

Future developments

The Company has an annual cycle for improvement planning and managing change. The first quarter of the year involves data collection, both from existing sources and as a response to the nature of the areas under review. During the second and third quarters, analysis progresses and the priority areas for assessment are established. Full appraisals of the areas under consideration are completed in time for the resultant costs and improvements to be built into the following years business plans and budgets.

In July 2005, the Company was awarded a 2* status in the Best Value Inspection. This is an excellent achievement and also releases the first £15.5m of £49.5m Decent Homes government allocation, bid for by the Company, for 2005-2010. Work on properties will commence in September 2005 and it is anticipated that £3.5m will have been spent by March 2006. The Company will be inspected again in 2008, when it aims to improve its rating to 3*.

The Company awaits the outcome of the ALMO review and the decision by government that will define the long term future of ALMOs. As some companies are now reaching the end of their Decent Homes programme, this direction from government is eagerly awaited. Potential freedoms that may be given to ALMOs include the right to borrow, access to 35-year management contracts and freedoms comparable to those of Housing Associations.

The Company continues to work to achieve the 2.5% per annum efficiencies required of the sector.

Major current initiatives are the development of improved communications with both its tenants and its staff. This will bring significant improvements in the ability of tenants to report repairs and for the Company to provide a more effective and responsive service. Similarly, the rent payment process is under review and significant savings and streamlining of processes are expected.

The Resident Involvement Strategy is a major initiative as the Company continues to look for improving and widening the base of tenants willing to become involved in bringing forward new issues in support of the service development.

The staff of the Company are its major asset. During the first half of 2005/6 a review of all jobs has been undertaken to ensure that the remuneration reflects a broader range of proficiencies and work related issues and also reflect the impact of individual roles on the tenants and other service users. As well as dealing with important equality and diversity issues, the process aims to ensure that the Company will be in a stronger position to secure the staff with the skills it requires.

The Company is also looking to expand its business initiatives. New opportunities to work within partnerships and to provide services to others are being developed. The Company would welcome the opportunity for new financial freedoms to allow the Company to consider a wider range of business developments and also to have a management agreement that enabled planning for longer than the current 5 year time frame to 2010.

Political and charitable contributions

The Company made no contribution to political or charitable organisations.

Auditors

During the year KPMG LLP were appointed as auditors to the Company.

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Miss Mary Butler
Chairman

Registered Office
Kelham Hall
Kelham
Newark
Nottinghamshire
NG23 5QX

29 September 2005

Statement of Internal Financial Control

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

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

It is the Board of Directors' responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. The system of financial control includes the following key elements:

- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Company's assets. Within the Company's Financial Regulations & Standing Orders authority levels are specified for all authorised signatories and delegated authorities documented. Internal audit and Newark and Sherwood District Council staff are provided with a register of the authorised signatories and samples of their signatures are provided;
- Experienced and suitably qualified staff to take responsibility for important business functions. Annual employee development review procedures have been established to maintain standards of performance;
- Annual programme of internal audit to undertake regular reviews on the effectiveness of internal controls;
- The establishment of written policies and procedures and a scheme of delegated authorities designed to ensure that proper accounting records are maintained;
- A risk management framework in which priority risks are reviewed by the Board, the Chief Executive and senior managers;
- Forecasts and budgets are prepared which allow the Board of Directors and management to monitor the key business risks and financial objectives and progress towards financial plans set for the year and the medium term. Regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate;
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board of Directors and officers of the Company;
- The Board of Directors reviews reports from management, from internal auditors and from the external auditors to provide reasonable assurance that control procedures are in place and are being followed. The report by management includes a general view of the major risks facing the Company and a Risk Register has been created in order to monitor these risks, identify new and changing risks, and provide countermeasures to the risks where necessary; and
- Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

On behalf of the Board, management has reviewed the effectiveness of systems of internal financial control in existence for the first 5 months trading ended 31 March 2005. No weaknesses were found in the internal controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements. The Board of Directors is satisfied that this remains the case up to the signing of these documents.

The Board of Directors is also of the opinion that the Company has suitable internal financial controls for maintaining adequate accounting records, safeguarding the assets of the Company and for taking reasonable steps to prevent and detect fraud and other irregularities.

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

KPMG LLP

2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

Report of the independent auditors to the members of Newark and Sherwood Homes Ltd

We have audited the financial statements on pages 10 to 22.

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 are responsible for preparing the directors' report and, as described on pages 4 to 8, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 of the state of the Company's affairs as at 31 March 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

Profit and loss account

For the period from 4 June 2004 to 31 March 2005

	<i>Note</i>	2005 £000
Turnover	2	3,154
Cost of sales -		(2,341)
Gross profit		<hr/> 813
Administrative expenses		(270)
Other expenses		(217)
Operating profit		<hr/> 326
Other interest receivable and similar income	6	19
Interest payable and similar charges	7	(2)
Profit on ordinary activities before taxation	3	<hr/> 343
Tax on profit on ordinary activities	8	(343)
Profit on ordinary activities after taxation		<hr/> -
Profit for the financial year		<hr/> -
Retained profit for the year		<hr/> <hr/> -

The results are wholly attributable to continuing activities

There are no recognised gains and losses other than those included in the Profit and Loss Account above.

The notes on pages 14 to 22 form part of these statements.

Balance sheet

At 31 March 2005

	<i>Note</i>	2005 £000
Current assets		
Stocks	<i>9</i>	144
Debtors	<i>10</i>	321
Cash at bank and in hand		1,417
		<hr/>
		1,882
Creditors: amounts falling due within one year	<i>11</i>	(1,882)
		<hr/>
Net assets		-
		<hr/> <hr/>
Capital and reserves		
Profit and loss account		-
		<hr/> <hr/>

These financial statements were approved by the board of directors on 29 September 2005 and were signed on its behalf by:

Miss Mary Butler
Chairman

Cash flow statement

For the period from 4 June 2004 to 31 March 2005

	<i>Note</i>	2005 £000
Reconciliation of operating profit to net cash flow from operating activities		
Operating profit		326
(Increase) in stocks	9	(144)
(Increase) in debtors	10	(321)
Increase in creditors	11	1,539
		<hr/>
Net cash inflow from operating activities		1,400
		<hr/> <hr/>
Cash flow statement		
Cash flow from operating activities		1,400
Returns on investments and servicing of finance	13	17
		<hr/>
Cash inflow before management of liquid resources and financing		1,417
		<hr/>
Increase in cash in the period		1,417
		<hr/> <hr/>
Reconciliation of net cash flow to movement in net funds		
Movement in net funds in the period	14	1,417
Net funds at the start of the period		-
		<hr/>
Net funds at the end of the period		1,417
		<hr/> <hr/>

Reconciliation of movements in shareholders' funds
For the period from 4 June 2004 to 31 March 2005

	2005 £000
Profit for the financial period	-
	<hr/>
	-
	<hr/>
Net addition to shareholders' funds	-
Opening shareholders' funds	-
	<hr/>
Closing shareholders' funds	-
	<hr/> <hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements except as noted below. The Company has followed the transitional arrangements of FRS 17 'Retirement benefits' in these financial statements.

Status of Company & Composition of the Board

The Company was incorporated on 4 June 2004 and commenced trading on 1 November 2004. The Company is limited by guarantee and does not have any share capital. Newark and Sherwood District Council the ultimate parent organisation, undertakes, in the event of the Company being wound up, to contribute such amount as may be required for the payment of the debts and liabilities of the Company providing this amount does not exceed one pound. After the satisfaction of all the debts and liabilities the remaining assets will be transferred to the Council's Housing Revenue Account (as defined in the 1989 Act).

A Board of non-executive directors runs the Company and is made up of representatives of the local community:

- ◆ 5 District Council nominees;
- ◆ 5 Elected Council tenants; and
- ◆ 5 Independent members appointed from the local community.

The composition of the Board reflects the range and mix of skills and experience required for the effective management of the Company. The Board is supported by a senior management team which is responsible for the day to day running of the Company.

Basis of preparation

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

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

Post-retirement benefits

The Company participates in the Local Government Pension Scheme (LGPS). The scheme is a defined benefit scheme based on final pensionable salary. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions paid by the Company during the year.

These contributions are spread over the employees' working lives with the Company in accordance with Standard Statement of Accounting Practice Number 24. Further details of the scheme are shown in note 12 to the financial statements. The interim balance sheet reporting requirements of FRS 17 are also included in note 12 of the financial statements.

1 Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the First in First out method is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Except where otherwise required, full provision is made without discounting, in respect of all timing differences which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover represents the amount derived from the provision of goods and services to third parties and are stated net of value added tax.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash), government securities and investments in money market managed funds.

2 Analysis of turnover on ordinary activities before taxation

		2005
		£000
Management fee Additional Payment	1,010	
Less: Efficiency surplus repaid to Council	(724)	
	<hr/>	286
Housing Services		917
Repairs and Technical Services		1,743
Other Services		208
		<hr/>
		3,154
		<hr/> <hr/>

3 Profit on ordinary activities before taxation

		2005
		£000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit		16
Other services - fees paid to the auditor and its associates		-
<i>after crediting</i>		
Government Grant (Street Wardens)		7

4 Remuneration of directors

		2005
		£000
Members of the Board of Directors		
Directors' emoluments – Directors receive no remuneration for their services		-
None of the Directors are members of the defined benefit pension scheme		-
		<hr/>
Members of the Senior Management Team		
The Senior Management Team receive emoluments as follows:		
Aggregate emoluments payable to the Senior Management Team (including pension contributions and benefits in kind)		111
		<hr/>
Emoluments payable to the highest paid employee (excluding pension contributions but including benefits in kind)		29
		<hr/> <hr/>

5 Staff numbers and costs

The average number of persons employed by the Company including the senior management team during the year, analysed by category, was as follows:

	Number of employees 2005
Housing Services	60
Technical Services	67
Support Services	8
Executive Directors	3
	<hr/>
	138
	<hr/> <hr/>

The aggregate payroll costs of these persons were as follows:

	2005 £000
Wages and salaries	1,151
Social security costs	83
Other pension costs	166
	<hr/>
	1,400
	<hr/> <hr/>

6 Other interest receivable and similar income

	2005 £000
Bank interest	19
	<hr/>
	19
	<hr/> <hr/>

7 Interest payable and similar charges

	2005 £000
On bank loans and overdrafts	2
	<hr/>
	2
	<hr/> <hr/>

8 Taxation

Analysis of charge in period

	2005	£000
		£000
<i>UK corporation tax</i>		
Current tax on income for the period	343	
Adjustments in respect of prior periods	-	
		<hr/>
Total current tax		343
ACT written off/(back)		-
Deferred tax		-
		<hr/>
Tax on profit on ordinary activities		343
		<hr/> <hr/>

A deferred tax asset has not been recognised on the grounds that there is insufficient evidence that the asset will be recoverable. The Company is seeking clarification of its taxable status. If successful, the tax charge for the year, of £343,000 will not crystallise.

Factors affecting the tax charge for the current period

The current tax charge for the period is higher than the standard rate of corporation tax in the UK of 30%. The differences are explained below.

	2005
	£000
<i>Current tax reconciliation</i>	
Profit on ordinary activities before tax	343
	<hr/>
Current tax at 30%	103
<i>Effects of</i>	
Disallowed expenditure	240
	<hr/>
Total current tax charge (see above)	343
	<hr/> <hr/>

9 Stocks

	2005
	£000
Raw materials and consumables	121
Van stocks	23
	<hr/>
	144
	<hr/> <hr/>

10 Debtors

	2005
	£000
Trade debtors	28
Amounts owed by Group undertakings	176
Other debtors	74
Prepayments and accrued income	43
	<hr/>
	321
	<hr/> <hr/>

Debtors include amounts recoverable on employee car loans of £38,279 due after more than one year.

11 Creditors: amounts falling due within one year

	2005
	£000
Trade creditors	1
Amounts owed to Group undertakings	1,144
Taxation and social security	397
Other creditors	-
Accruals and deferred income	340
	<hr/>
	1,882
	<hr/> <hr/>

12 Pension scheme

The Company participates in the Nottinghamshire County Council Pension Fund. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £165,818.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

The pension scheme provides benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. The contributions are determined by a qualified actuary. The most recent valuation was at 31 March 2004.

Whilst the Company continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs' under FRS 17 'Retirement benefits' the following transitional disclosures are required:

The balance sheet disclosures as at 31 March 2005 were based on a full valuation at 31 March 2004 updated where necessary by the actuary on an FRS 17 basis

The major assumptions used by the actuary in this valuation were:

	2005
Rate of increase in salaries	4.65%
Rate of increase in pensions in payment and deferred pensions	2.9%
Discount rate applied to scheme liabilities	5.4%
Inflation assumption	2.9%

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

Scheme assets

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

	Value at 2005 £000
Equities	3,687
Government bonds	804
Other bonds	268
Property	833
Cash liquidity	116
Other	116
	<hr/>
	5,824
Present value of scheme liabilities	(7,457)
	<hr/>
Pension Surplus/deficit in the scheme asset/liability	(1,633)
Related deferred tax liability/asset	-
	<hr/>
Net pension asset/liability	(1,633)
	<hr/> <hr/>

The amount of this net pension liability would have a consequential effect on reserves.

	Long term rate of return 2005
Equities	7.5%
Government bonds	4.7%
Other bonds	5.4%
Property	6.5%
Cash/liquidity	4.75%
Other	7.5%

Movement in deficit during the period

	2005 £000
Surplus/(deficit) recognised on acquisition	(1,474)
Current service cost	(164)
Contributions paid	166
Past service cost	-
Other finance income/cost	(4)
Actuarial gain/(loss)	(157)
	<hr/>
Surplus/(deficit) in the scheme at end of year	(1,633)

If FRS 17 had been fully adopted in these financial statements the pension costs for defined benefit schemes would have been:

Analysis of other pension costs charged in arriving at operating profit/loss

	2005 £000
Current service cost	(164)
Past service cost	-
Previously unrecognised surplus deducted from past service cost	-
Gains/losses on settlements or curtailments	-
Previously unrecognised surplus deducted from the settlement or curtailment losses	-
	<hr/>
	(164)
	<hr/> <hr/>

Analysis of amounts included in other finance income/costs

	2005 £000
Expected return on pension scheme assets	155
Interest on pension scheme liabilities	(159)
	<hr/>
	(4)
	<hr/> <hr/>

Analysis of amount recognised in statement of total recognised gains and losses

	2005 %	2005 £000
Actual return less expected return on scheme assets		164
Percentage of year end scheme assets	2.8%	
Experience gains and losses arising on scheme liabilities		(158)
Percentage of present value of year end scheme liabilities	2.1%	
Changes in assumptions underlying the present value of scheme liabilities		(163)
Percentage of present value of year end scheme liabilities	2.2%	
		<hr/>
Actuarial gain loss recognised in statement of total recognised gains and losses		(157)
Percentage of present value of year end scheme liabilities	2.1%	

13 Analysis of cash flows

	2005 £000
Returns on investment and servicing of finance	
Interest received	19
Interest paid	(2)
	<hr/>
	17

14 Analysis of net debt

	At beginning of period £000	Cash flow £000	Other non cash changes £000	At end of period £000
Cash in hand, at bank	-	1,417	-	1,417
Overdrafts	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	-	1,417	-	1,417
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

15 Related party disclosures

In December 2003, Newark and Sherwood District Council completed a stock option appraisal and resolved to set up an Arms Length Management Organisation (ALMO). This subsidiary Company structure enabled the Council to benefit from the Government fund for Decent Homes, while still retaining ownership of the Housing Stock.

Details of the status of the Company and the composition of the Board of Directors are given as part of the Directors' Report. The ultimate controlling body is Newark and Sherwood District Council.

The Company's main source of income is a management fee for the management of Newark and Sherwood Council's Housing stock, amounting to £2,660k in 2004/5 paid at the start of each month in equal instalments. This income had all been paid as at 31 March 2005. An initial receipt of £1.01m was paid by the Council to the Company. This represented the historic surplus on the Housing Revenue Account. In accordance with the management agreement between Newark and Sherwood District Council an efficiency payment was payable by the Company to the Council. This liability had not been paid at the year-end.

In the event of the Company being wound up, Newark and Sherwood District Council undertakes to contribute such amount as may be required for the payment of the debts and liabilities of the organisations providing this amount does not exceed one pound. After the satisfaction of all debts and liabilities the remaining assets will be transferred to the Housing Revenue Account (as defined in the 1989 Act) of Newark and Sherwood District Council.

16 Ultimate parent Company and parent undertaking of larger Group of which the Company is a member

The Company is a subsidiary undertaking of Newark and Sherwood District Council. The consolidated accounts of the Group are available to the public and may be obtained from Newark and Sherwood District Council, Kelham Hall, Kelham, Nottingham NG23 5QX