



Newark and  
Sherwood  
Homes Ltd

Directors' Report  
and Financial Statements  
for the Year ended  
31 March 2006

Company Limited by Guarantee  
Registered Number 05145364

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# Company Information

**Company registration number:**  
05145364

**Registered office:**

Kelham Hall  
Kelham  
Newark on Trent  
Nottinghamshire  
NG23 5QX

**Bankers:**

National Westminster Bank Plc  
Market Place  
Newark on Trent  
Nottinghamshire  
NG24 1DY

**Legal Advisers:**

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

**Auditors:**

KPMG LLP  
2 Cornwall Street  
Birmingham  
B3 2DL

**Senior Management:**

Rebecca Rance BA (Hons) MBA MCIH  
(Chief Executive and Company Secretary)

Fin McElhinney MBA MCIH  
(Housing Director)

Andrew Treweek BSc (Hons) ICIOB  
(Technical Director)

Suzanne Whitling BA (Hons) ACMA MBA  
(Finance Director)

Martinette Proud MCIPD  
(Business Services Director)

**Board of Directors:**

Mrs Irene Brown (resigned 14 June 2005)	Tenant Board Member
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Miss Mary Butler	Tenant Board Member
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Mrs Kathleen Chaffe	Tenant Board Member
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Mr Arthur Fell (appointed 10 November 2005)	Tenant Board Member
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Mr Derek Green (appointed 10 November 2005, resigned 7 March 2006)	Tenant Board Member
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Mr Stephen Medhurst (resigned 7 October 2005)	Tenant Board Member
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Mr Ronald Rontree (resigned 10 November 2005)	Tenant Board Member
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Mr Bob Ainger	Independent Board Member
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Mrs Ginette Hughes	Independent Board Member
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Mr David Nixon	Independent Board Member
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Mr Geoffrey Parkinson	Independent Board Member
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Mrs Pam Taylor	Independent Board Member
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Councillor Nora Armstrong	Council Board Member
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Councillor Pam Bird (appointed 7 February 2006)	Council Board Member
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Councillor John Clark (resigned 21 June 2005)	Council Board Member
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Councillor Gill Dawn (resigned 31 January 2006)	Council Board Member
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Councillor Pat Fletcher (deceased 8 May 2005)	Council Board Member
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Councillor Christine Rose (appointed 9 March 2005)	Council Board Member
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Councillor Ken Fletcher (appointed 21 June 2005)	Council Board Member
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Councillor John Benson (appointed 21 June 2005)	Council Board Member
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# Directors' Report

The Directors present their annual report and the audited financial statements for the period ended 31 March 2006.

## Principal activities

The Company's function during the year was the management and maintenance of the housing stock of Newark and Sherwood District Council. This includes management of the investment 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 four 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 the end of March 2010
- Achievement of top quartile performance in all the performance indicators measured by the Audit Commission
- To be financially viable beyond 2010 and providing Housing Services within the community

Under the Management Agreement with the Council, the Company received a fee of £6.6m to manage an average stock of 5,494 properties on behalf of the Council.

The total turnover for the Company for the year was £7.2m. This comprised the Management fee and additional income for the management of the Capital programme of £0.6m.

The profit on ordinary activities after tax for 2005/6 was £162k, before efficiency payments to/from the Council or FRS 17 accounting adjustments.

The accounts have been prepared on a prudent basis and have provided for a total tax liability for the year of £40k. However, it is expected that this liability may fall to £16k if the recent application for non-trading status tax is agreed by HMRC.

## Legal status of Company

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

## Review of the year

2005/6 has been a year in which the Company has seen much progress. However, the single most important achievement was attaining the 2 star status in the summer of 2005. This enabled the release of the first tranche of Decent Homes funding and work began on this in September 2005. The Company completed £6.5m of the Decent Homes programme of £49.5m, which amounts to 13% of the total Decent Homes programme that is due for completion by 2010.

During this time the number of non-decent homes fell to 46% compared to a target at March 2006 of 54%. Again this outperformed the target of 56% non-decent. The work undertaken is summarised below.

No of Properties	Decent Homes work Completed in 2005/6
379	New Roofs
593	New Windows
456	New Doors
100	New Bathrooms
150	New Kitchens
45	New Heating
11	Replacement Wiring
220	Lintels
1,317	Electrical Tests
4,000	General Surveys

During the year there was a major improvement in the time taken to complete non-urgent repairs. The success rate rose from 72.9% in 2004/5 to 93.2% completed on time in 2005/6. This was part of a wide range of improvements by the Directorate that led it to being considered to be one of the most improved in the sector by one of the largest independent organisations monitoring the sector.

Another area of excellent performance was Gas Servicing. A combined effort by the Housing Directorate and the Technical Directorate helped ensure that access to buildings was facilitated wherever possible to ensure the Company was able to complete this essential work.

The Company puts its customers at the heart of what it does. The re-accreditation of the Chartermark award in 2006, with an even higher performance is an external assessment demonstrating the excellent service provided to customers.

Two new schemes were launched last year. The Community Investment Fund is a programme funded by the Company that allocate funding to projects to improve community facilities, which is predominantly aimed at improvements including schemes such as landscaping or play areas.

A second initiative has been the launch of the Outstanding Contribution to the Community Award. This recognises the hard work that individuals give voluntarily to support the community in which they live. Everyone has the opportunity to nominate a tenant of their choice with the Company donating a contribution to the charity of the winner's choice.

The Company built further on its success in collecting rents, with performance increasing from 98.1% collection in 2004/5 to 99.67% in 2005/6. This exceeded the ambitious improvement target the Company had set for the year.

The Company continues to build on its work with tenants to improve the services provided. This is based on the Tenants Compact that was considered by the Chartermark inspection of January 2006, to be one of the best documents of its kind they had seen. Other important work has been to ensure that records on equality and diversity have been comprehensively updated to ensure Company processes can be monitored for fairness. The STATUS survey completed in Spring 2006, monitored tenant satisfaction with a variety of aspects of the service. Overall the Company did well compared to benchmarked sector standards. An area of particularly high performance included 91% of tenants in sheltered accommodation being happy with their neighbourhood. Tenants who had received repairs recently were also particularly positive about how the workforce conducted themselves.

The efficiency and effectiveness of the staff are paramount, with the Company continuing to develop staff and improve its performance. In 2005/6, there were changes in the Directorate roles and responsibilities and this led to a restructuring of staffing to ensure resources are deployed to meet the changing needs of a modern housing service for tenants. All staff whose roles changed were successfully redeployed into new posts.

2005/6 also saw the completion of the long awaited job evaluation process. This was a major task involving a re-evaluation of most posts within the Company. It has ensured that pay levels are aligned consistently throughout the organisation, thereby ensuring that the Company meets its responsibilities in fairly rewarding its employees.

The Company has also introduced a staff recognition scheme to acknowledge outstanding performances, as assessed through nominations by their colleagues.

During the financial year 2005/6, the Company has applied for non-trading status. The outcome is awaited from HMRC, however the Company is optimistic that a provision for £364,000 for tax will be released during 2006/7.

## Future developments

The Company continues to work hard towards the completion of its Decent Homes programme. By March 2007, it is projected that a further £9m will have been spent. This will bring the cumulative expenditure to £15.5m or 31% of the total programme.

Newark and Sherwood Homes is aiming for a 3 star inspection rating in 2008. As part of its continuous improvement it has targeted to gain accreditation for Investors in People and ISO9002 in 2006/7.

During 2006/7 further performance improvement is anticipated in the repairs service for tenants. Work scheduling software will enable repairs staff time to be managed more effectively which will lead to further improvements in performance. Other IT related developments include the development of the housing systems software, enabling tenants to use the Internet to access services, through relevant parts of the Housing software.

The Company works to improve its services to tenants in many ways. In 2006 the Grounds Maintenance contract will be put out to tender. This is an opportunity to ensure that the service provided matches tenants preferences and expectations. It is also a robust check that value for money is being achieved in the contract. Tenants are also to be offered wider options for payment including additional locations where payment can be made and also the option of Direct Debit payments.

The services run by the Company are continuously subject to challenge and the responsive repairs service will be tested against external providers in 2006. This service is at the heart of the Company activity constituting 38% of the running costs of the Company. The Company has also changed the way it manages tenant participation and has integrated this into the role of the Housing Officer. This will make the activity more accessible to the tenants.

The Company is committed to the Community and an apprentice trainee scheme was a requirement for the Decent Homes contractors. An overwhelming response was received to the advertised opportunity to join an apprentice scheme, with 318 applicants for 8 apprenticeships with both the Company and the Decent Homes contractors. This seeks to improve the long-term trade skills in the district, benefiting the community long after the Decent Homes programme is completed.

Looking further ahead, the Company is considering its future beyond 2010 and the completion of the Decent Homes programme. It is actively assessing options for building new affordable homes in the District and the contribution that the Company can make to this process. It has attained a preferred partner status with the Council in relation to managing new affordable homes.

## Political and charitable contributions

The Company made no political contributions. Charitable donations of £1,000 were paid during the year.

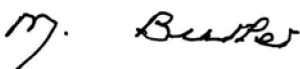
## Directors' declaration

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## Auditors

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 on Trent  
Nottinghamshire  
NG23 5QX

# 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 year ending 31 March 2006. No weaknesses were found in the internal controls that resulted in material losses, contingencies or uncertainties that 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

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Independent Auditors Report

KPMG LLP  
2 Cornwall Street  
Birmingham  
B3 2DL  
United Kingdom

## Report of the independent auditors to the members of Newark and Sherwood Homes Limited

We have audited the financial statements of Newark and Sherwood Homes Limited for the year ended 31 March 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. 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

As described in the Statement of Directors' Responsibilities on page 8, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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. We also 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2006 and of its profit 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.

**KPMG LLP**

**KPMG LLP**

*Chartered Accountants  
Registered Auditor*

# Profit and Loss Account

## For the year ended 31 March 2006

	<i>Note</i>	<b>2006</b>	<b>5 months ended 31 March 2005</b>
		<b>£000</b>	<i>Restated</i> <b>£000</b>
<b>Turnover</b>	2	<b>7,219</b>	3,154
Cost of sales		<b>(6,097)</b>	(2,339)
<b>Gross profit</b>		<b>1,122</b>	815
Administrative expenses		<b>(755)</b>	(270)
Other expenses		<b>(599)</b>	(217)
Other income (past service gain)	12	<b>251</b>	-
<b>Operating profit</b>		<b>19</b>	328
Other interest receivable and similar income	6	<b>89</b>	19
Interest payable and similar charges	7	<b>(22)</b>	(6)
<b>Profit on ordinary activities before taxation</b>	3	<b>86</b>	341
Tax on profit on ordinary activities	8	<b>(40)</b>	(343)
<b>Profit/(loss) on ordinary activities after taxation</b>		<b>46</b>	(2)
<b>Profit/(loss) brought forward</b>		<b>(2)</b>	-
<b>Retained profit/(loss) for the year</b>		<b>44</b>	(2)

The results are wholly attributable to continuing activities

The notes on pages 15 to 24 form part of these statements.

# Balance Sheet

## At 31 March 2006

	<i>Note</i>	<b>2006</b>	<b>2005</b>
		<b>£000</b>	<i>Restated</i> <b>£000</b>
<b>Current assets</b>			
Stocks	9	127	144
Debtors	10	547	321
Cash at bank and in hand		2,225	1,417
		<hr/>	<hr/>
		<b>2,899</b>	1,882
<b>Creditors:</b>			
amounts falling due within one year	11	<b>(2,899)</b>	(1,882)
		<hr/>	<hr/>
<b>Net assets excluding pension assets/(liabilities)</b>		-	-
<b>Pension liabilities</b>			
Pension Liability	12	<b>(2,096)</b>	(1,633)
		<hr/>	<hr/>
<b>Net (liabilities) including pension liability</b>		<b>(2,096)</b>	(1,633)
		<hr/> <hr/>	<hr/> <hr/>
<b>Capital and reserves</b>			
Profit and loss account	16	-	-
Pension Reserve	16	<b>(2,096)</b>	(1,633)
		<hr/>	<hr/>
<b>Shareholders' deficit</b>		<b>(2,096)</b>	(1,633)
		<hr/> <hr/>	<hr/> <hr/>

These financial statements were approved by the Board of Directors on 21 September 2006 and were signed on its behalf by:



**Miss Mary Butler**

Chairman

# Cash Flow Statement

## For the year ended 31 March 2006

	<i>Note</i>	2006	5 months ended 31 March 2005
		£000	<i>Restated</i> £000
<b>Reconciliation of operating profit to net cash flow from operating activities</b>			
Operating profit		19	328
Decrease/(Increase) in stocks		17	(144)
(Increase) in debtors		(226)	(321)
Increase in creditors		977	1,539
Pension current service cost	12	438	164
Pension contribution	12	(255)	(166)
Pension past service gain	12	(251)	-
		<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>		<b>719</b>	<b>1,400</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Cash flow statement</b>			
<b>Cash flow from operating activities</b>		<b>719</b>	<b>1,400</b>
<b>Returns on investments and servicing of finance</b>		<b>89</b>	<b>17</b>
		<hr/>	<hr/>
<b>Cash inflow before management of liquid resources and financing</b>		<b>808</b>	<b>1,417</b>
		<hr/>	<hr/>
<b>Increase in cash in the period</b>		<b>808</b>	<b>1,417</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Reconciliation of net cash flow to movement in net funds</b>			
			-
<b>Movement in net funds in the period</b>	14	<b>808</b>	<b>1,417</b>
<b>Net funds at the start of the period</b>		<b>1,417</b>	-
		<hr/>	<hr/>
<b>Net funds at the end of the period</b>		<b>2,225</b>	<b>1,417</b>
		<hr/> <hr/>	<hr/> <hr/>

# Statement of Recognised Gains and Losses

For the period from 1 April 2005 to 31 March 2006

	2006	2005 <i>Restated</i>
	£000	£000
Profit for the financial period	46	(2)
Other Recognised Losses related to the year	(509)	(1,631)
	<hr/>	<hr/>
Total Recognised Loss relating to the Financial Year	(463)	(1,633)
	<hr/>	<hr/>
Prior year adjustment on full adoption of FRS 17	(1,633)	
	<hr/>	
Total gains and losses recognised since last annual report	(2,096)	
	<hr/>	

# Reconciliation of Movements in Shareholders' Funds

For the period from 1 April 2005 to 31 March 2006

Profit for the financial period	46	(2)
Other Recognised Gains and Losses related to the year	(509)	(1,631)
	<hr/>	<hr/>
Net reduction to shareholders' funds	(463)	(1,633)
Opening shareholders' funds before prior year adjustment	-	-
	<hr/>	<hr/>
Prior year adjustment on full adoption of FRS 17	(1,633)	-
	<hr/>	<hr/>
Closing shareholders' funds	(2,096)	(1,633)
	<hr/> <hr/>	<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 financial statements for the 5 months ended 31 March 2005 have been restated in order to provide comparative amounts arising from the adoption of Financial Reporting Standard 17 'Retirement Benefits' in preparing the financial statements for the year ended 31 March 2006 (note 12).

### Status of Company & Composition of the Board

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.

The accounts have been prepared on a going concern basis notwithstanding net liabilities of £2,096k for the following reason;

Along with many organisations, Newark and Sherwood Homes has implemented the accounting changes required as a result of Financial Reporting Standard 17, relating to the employers liability in respect of the final salary pension scheme. The Newark and Sherwood scheme, like a number of such schemes, has a deficit. Measures are in place to address this deficit, by increasing employers' contributions in the medium term. However the requirement of FRS 17 is to show the deficit on the pension scheme as a liability on the balance sheet. As the Company aims to break even on its trading activities this has the effect of showing retained profits after the effects of FRS 17 of £46k, and a net balance on the pension reserve of (£2,096k) compared to a retained profit before FRS 17 changes of £nil. As the charge to the Council is allowed to vary to reflect the changes in employer's payments to the pension fund, the deficit is not considered to be detrimental to the long-term future of the Company.

**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.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

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

**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

	2006		2005
	£000		£000
Management fee Additional Payment	724	1,010	
Less: Efficiency surplus repaid to Council	<u>(886)</u>	<u>(724)</u>	
	(162)		286
Housing Services	2,304		917
Repairs and Technical Services	4,398		1,743
Other Services	679		208
	<u>7,219</u>		<u>3,154</u>

## 3 Profit on ordinary activities before taxation

	2006		2005
	£000		£000
<b><i>Profit on ordinary activities before taxation is stated</i></b>			
<i>after charging</i>			
Auditors' remuneration:			
Audit	17		16
Other services	1		-
<i>after crediting</i>			
Government Grant (Street Wardens)	-		7

## 4 Remuneration of directors

	2006		2005
	£000		£000
<b>Members of the Board of Directors</b>			
Directors' emoluments – Directors receive no remuneration for their services	-		-
None of the Directors are members of the defined benefit pension scheme	-		-

### 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)	327		111
Emoluments payable to the highest paid employee (excluding pension contributions but Including benefits in kind)	74		29

## 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	
	2006	2005
Housing Services	61	60
Technical Services	62	67
Support Services	8	8
Senior Management Team	5	3
	136	138
	136	138

The aggregate payroll costs of these persons were as follows:

	2006	2005
	£000	£000
Wages and salaries	3,077	1,151
Social security costs	228	83
Other pension costs	270	166
	3,575	1,400
	3,575	1,400

## 6 Other interest receivable and similar income

	2006	2005
	£000	£000
Bank interest	89	19
	89	19
	89	19

## 7 Interest payable and similar charges

	2006	2005
	£000	£000
On bank loans and overdrafts	-	2
Interest on pension scheme liabilities	22	4
	22	6
	22	6

## 8 Taxation

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
<i>UK corporation tax</i>		
Analysis of charge in period		
Current tax on income for the period	<b>40</b>	343
Adjustments in respect of prior periods	-	-
	<hr/>	<hr/>
Total current tax	<b>40</b>	343
ACT written off/(back)	-	-
Deferred tax	-	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	<b>40</b>	343
	<hr/> <hr/>	<hr/> <hr/>

The tax calculation has been prepared on a conservative basis, assuming that the application for non trading status by the Company is not upheld

### *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.

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	<b>549</b>	343
	<hr/>	<hr/>
Current tax at 19% (30%)	<b>104</b>	103
	<hr/>	<hr/>
<i>Effects of</i>		
Disallowed expenditure	<b>64</b>	240
	<hr/>	<hr/>
Total current tax charge	<b>40</b>	343
	<hr/> <hr/>	<hr/> <hr/>

During 2005/6 the Company applied to HMRC for non-trading status. Following earlier successful applications by similar organisations, the Company is confident that its application will be approved. If the application is accepted, an excess of tax provision in relation to 2004/5 and 2005/6, to the value of £364k will be released.

## 9 Stocks

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Raw materials and consumables	<b>103</b>	121
Van stocks	<b>24</b>	23
	<hr/>	<hr/>
	<b>127</b>	144
	<hr/> <hr/>	<hr/> <hr/>

## 10 Debtors

	2006	2005
	£000	£000
Trade debtors	62	28
Less: provision for doubtful debts	(25)	-
	<u>37</u>	<u>28</u>
Amounts owed by Group undertakings	446	176
Other debtors	38	74
Prepayments and accrued income	26	43
	<u>547</u>	<u>321</u>

Debtors include amounts recoverable on employee car loans of £20,683 (2005 £38,279) due after more than one year.

## 11 Creditors: amounts falling due within one year

	2006	2005
	£000	£000
Trade creditors	-	1
Amounts owed to Group undertakings	1,733	1,144
Taxation and social security	704	397
Accruals and deferred income	462	340
	<u>2,899</u>	<u>1,882</u>

## 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 £255,000. (2005; £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 financial Assumptions underlying the valuation were:

Current rate of employers' contributions:	10%
Market value of scheme assets:	£7,706,000
Deficit related to past service:	£2,096,000

	Past Service	Future Service
Valuation rate of interest:		
Pre – retirement	7.35%	5.6%
Post – retirement	6.5%	6.5%
Rate of general pay increases	4.25%	
Price Inflation	2.5%	

### Financial Reporting Standard 17 – Retirement Benefits

Under the requirements of FRS17 the Company is required to disclose further information on the assets and liabilities of the scheme on a market value basis at the end of the accounting period. The information is set out below:

#### Actuarial assumptions

	31 March 2006	31 March 2005
Rate of increase in salaries	4.65%	4.65%
Rate of increase in pensions in payment and deferred pensions	2.9%	2.9%
Discount rate applied to scheme liabilities	4.9%	5.4%
Inflation assumption	2.9%	2.9%

#### Scheme assets

	Value at	
	2006	2005
	£000	£000
Equities	5,349	3,687
Government bonds	616	804
Other bonds	485	268
Property	1,102	833
Cash liquidity	154	116
Other	-	116
	<hr/>	<hr/>
	7,706	5,824
Present value of scheme liabilities	(9,802)	(7,457)
	<hr/>	<hr/>
Pension (deficit) in the scheme	(2,096)	(1,633)
asset/liability		
Related deferred tax liability/asset	-	-
	<hr/>	<hr/>
Net pension (liability)	(2,096)	(1,633)
	<hr/> <hr/>	<hr/> <hr/>

**Expected rate of return**

	<b>Long term rate of return</b>	
	<b>2006</b>	<b>2005</b>
Equities	7.0%	7.5%
Government bonds	4.3%	4.7%
Other bonds	4.9%	5.4%
Property	6.0%	6.5%
Cash/liquidity	4.5%	4.75%
Other	N/a	7.5%

**Analysis of amount charged to operating profit/(loss)**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Current service cost	(438)	(164)
Employer Contributions	255	166
Past service gain	251	-
Net Interest/Return in Assets	(22)	(4)
	<hr/>	<hr/>
	46	(2)
	<hr/> <hr/>	<hr/> <hr/>

**Analysis of amounts included in other finance income/costs**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Expected return on pension scheme assets	400	155
Interest on pension scheme liabilities	(422)	(159)
	<hr/>	<hr/>
	(22)	(4)
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Actuarial return less expected return on assets	964	164
Experience gains and losses on liabilities	(414)	(158)
Change in assumptions	(1,059)	(163)
	<hr/>	<hr/>
Actuarial gain/(loss) recognised in SRGL	(509)	(157)
	<hr/> <hr/>	<hr/> <hr/>

**Movement in deficit during the period**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
(Deficit) in the scheme at the start of the year	(1,633)	(1,474)
Current service cost	(438)	(164)
Contributions paid	255	166
Past service gain	251	-
Other finance (cost)	(22)	(4)
Actuarial (loss)	(509)	(157)
	<hr/>	<hr/>
(Deficit) in the scheme at end of year	(2,096)	(1,633)
	<hr/> <hr/>	<hr/> <hr/>

**History of experience gains and losses**

	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>
	<b>%</b>	<b>£000</b>	<b>%</b>	<b>£000</b>
Difference between expected and actual return on scheme assets		964		164
Percentage of year end scheme assets	12.5%		2.8%	
Experience gains and losses arising on scheme liabilities		(414)		(158)
Percentage of present value of year end scheme liabilities	4.2%		2.1%	
Total amount recognised in statement of recognised gains and losses		(509)		(157)
Percentage of year end scheme liabilities	1.9%		2.1%	

**13 Analysis of cash flows**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
<b>Returns on investment and servicing of finance</b>		
Interest received	<b>89</b>	19
Interest paid	-	(2)
	<hr/>	<hr/>
	<b>89</b>	17
	<hr/> <hr/>	<hr/> <hr/>

**14 Analysis of net debt**

	<b>At beginning of period</b>	<b>Cash flow</b>	<b>Other non cash changes</b>	<b>At end of period</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash in hand, and at bank	1,417	808	-	2,225
Overdrafts	-	-	-	-
Total	1,417	808	-	2,225
	<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 £6,638k in 2005/6 paid at the start of each month in equal instalments. This income had all been paid as at 31 March 2006. In accordance with the management agreement between Newark and Sherwood District Council an efficiency payment is payable, if a trading surplus is achieved, by the Company to the Council. This liability amounted to £886k and had not been paid at the year-end. The management agreement also sets out that an additional payment is due to the Company from the Council. As a minimum this amount will be equal to the prior years efficiency payment paid by the Company to the Council. The total additional payment received by the Company during the year amounted to £724k.

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 Capital and Reserves

	<b>Total £000</b>	
At beginning of year	0	
Prior year adjustment on full adoption of FRS 17	(1,633)	
	<hr/>	
At beginning of year restated	(1,633)	
Profit for year	46	
Actuarial loss	(509)	
	<hr/>	
At end of year	(2,096)	
	<hr/> <hr/>	
	<b>2006</b>	<b>2005</b>
		<i>Restated</i>
	<b>£000</b>	<b>£000</b>
Profit and loss reserve excluding pension reserve	-	-
Pension reserve	(2,096)	(1,633)
	<hr/>	<hr/>
Profit and loss reserve including pension reserve	(2,096)	(1,633)
	<hr/> <hr/>	<hr/> <hr/>

## 17 Ultimate parent entity 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, Newark on Trent, Nottingham NG23 5QX

Newark and Sherwood Homes Ltd  
Kelham Hall  
Kelham  
Newark on Trent  
Nottinghamshire  
NG23 5QX

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