



Our vision is

“to deliver excellent Housing Services”

Newark and Sherwood Homes Limited

Directors’ Report and Financial Statements for
the year ended 31 March 2008

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:

National Westminster 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:

Miss Mary Butler
Mrs Kathleen Chaffe
Mrs Jean Clark
Mr Arthur Fell
Mr Roy Mann (resigned 12 September 2007)
Miss Susan Murphy (appointed 15 November 2007)
Mr Bob Ainger
Mrs Lynn Clayton
Mrs Ginette Hughes
Mr Geoffrey Parkinson
Mrs Pam Taylor
Councillor Nora Armstrong
Councillor Pam Bird (resigned 15 May 2007)
Councillor Betty Brooks
Councillor Ken Fletcher (resigned 15 May 2007)
Councillor Mick Jefferies (appointed 15 May 2007, resigned 7 June 2007)
Councillor Christine Rose
Councillor Len Sprigg (appointed 19 June 2007)
Councillor Stuart Wallace (appointed 15 May 2007)

Tenant Board Member
Tenant Board Member
Tenant Board Member
Tenant Board Member
Tenant Board Member
Tenant Board Member
Independent Board Member
Independent Board Member
Independent Board Member
Independent Board Member
Independent Board Member
Council Board Member
Council Board Member
Council Board Member
Council Board Member
Council Board Member
Council Board Member
Council Board Member

Newark and Sherwood Homes Limited senior management

The present members of the team and former members of the team during 2007/8

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

Fin McElhinney MBA MCIH – Customer Services Director

Andrew Treweek BSc (Hons) ICIOB - Technical Director (April to October 2007)

Suzanne Whitling BA (Hons) ACMA MBA - Finance Director (April to October 2007)

Martinette Proud MCIPD - Business Services Director (April to December 2007)

Stephen Feast BA (Hons) FCIH - Business Services Director - (appointed 4 February 2008)

Directors' Report

The Directors present their annual report and the audited financial statements for the period ended 31 March 2008.

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 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:-

- To achieve a 3* inspection rating from the Audit Commission
- To deliver the Decent Homes Standard in accordance with the annual profile and all the NSDC stock by the end of March 2010
- To achieve 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 £7.5m to manage an average stock of 5,451 properties on behalf of the Council.

The total turnover for the Company for the year was £8.3m. This comprised the Management Fee and the additional income for managing the capital programme of £0.8m.

The profit on ordinary activities after tax for 2007/8 was £248k, before efficiency payments to and from the Council and FRS 17 adjustments.

The accounts have been prepared on a prudent basis and have provided for a total tax liability for the year of £23k.

Legal Status of Company

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

Review of the Year

The overall performance of Newark and Sherwood Homes remains strong with many performance indicators residing in the upper quartile when benchmarked to our peers. Customer satisfaction has remained high with overall service satisfaction of 87% and tenant participation in decision making at 78%

The Company continues to monitor itself against external challenge. Charter Mark status was renewed during 2007, with an even higher level of compliance than has been achieved previously. During 2007 the Company also attained ISO 9001 accreditation, and a successful Supporting People inspection of the services provided to older people.

The Company actively embraces learning and development opportunities to improve service delivery to users arising from our customer feedback schemes; Housing Matters for suggestions and compliments, and Complaints Matter. The Company has also developed a Customer Insight Management Strategy which builds on this and other data collated to allow the development of services tailored to particular customer groups.

In 2007/8 continuing to enhance communication with our customers has been a priority. We have developed a Customer Access Team and will shortly be implementing a 'one door approach' for customer access to the Company, developing procedures to maximise benefits to customers continues.

New technology has also been developed to help the customers and also to help the staff help the customers. Examples of this are the introduction of text messaging with tenants who wish to communicate in this way and the extension of translation facilities.

The Company has developed a Tenant Compact and a comprehensive Resident Involvement Strategy with tenants at the heart of the consultation process. The Company will continue to keep tenants involved with the shaping,

improvement and delivery of services. The Company has revised the Equalities and Diversity Strategy and the action plan for its implementation is monitored by the Equalities & Diversity Continuous Improvement Group.

Over the last year, Newark and Sherwood Homes, working with the Tenant and Resident Federation and tenants throughout the District have, in partnership, reviewed and evaluated the main documents and strategies which underpin the services provided by Newark and Sherwood Homes. The importance of tenant involvement in these consultation events is key in the success of the Company and the way we move forward together. The Resident Involvement Strategy launch held at the Tenant and Residents Federation offices on Bailey Road saw Tenant and Resident Federation members, tenants, members of Newark and Sherwood Homes Board and staff coming together in a celebration of successful partnership working and true tenant participation.

The Company takes a corporate proactive approach to support the Tenant and Resident Federation and have seen the percentage of tenants who are represented by a Tenant and Resident Association increase to 92%.

Staff, tenants and partners formed a steering group working together to produce another successful tenant conference event. The theme was Communication and involved a ‘Question Time’ event where tenants and leaseholders were able to ask questions of a number of community leaders including the Police, Local Councillors, Chief Executive of Newark and Sherwood Homes and the Chair of the Board, Miss Mary Butler. The event was very well received – another example of partnership working at its best whilst keeping tenants and leaseholders at the centre of service delivery.

Achieving continual improvements in the repairs and maintenance service is a key focus for the Company. Outcomes delivered in 2007/8 include the reorganisation of the repairs service in Nov 2007, improvements in performance management and the introduction of new software to automate the work planning system. In addition we have consulted with tenants to set new responsive repair priorities which were introduced in March 2008 and are being monitored through the Responsive Repairs Monitoring Group, which has members who are customers. The changes have delivered positive improvements to the service with the level of customer satisfaction increasing to 96% by the end of the year.

Exceptional progress has been made to deliver the investment programme. During 2007/8, 98% of the allocated budget was spent and in 2008/9 we plan to maintain this excellent performance. A total of £26.8m, or 54% of the Decent Homes funding has now been spent reducing the number of Non-Decent Homes to 54% as at 31 March 2008. In spring 2008, a milestone was reached with the 2,000th tenant benefiting from the Decent Homes programme. In total, the spending on Decent Homes in 2007/8 achieved the following benefits to tenants:-

| No of Properties Benefiting | Decent Homes Work Completed in 2007/8 |
|-----------------------------|-----------------------------------------|
| 564 | Kitchens |
| 396 | Bathrooms |
| 1150 | Full property Window replacement |
| 507 | Full property External Door Replacement |
| 301 | Heating |
| 48 | Rewiring |

Additionally £3.1m of other capital spend was undertaken on a variety of projects. Following extensive customer consultation improvements to Tith Barn Court, at a cost of £349,000, have continued the Safety and Security theme by making access to properties more private, reducing the effects of anti social behaviour. Hard and soft landscaping works was also carried out to improve kerb appeal. Additionally, full refurbishment of 24 Cornish Properties in Bilsthorpe were carried out during 2007/08 at a cost of £1.2 million. This included a full rebuild of the external wall with cavity construction and internal works to bring the properties up to the Decent Homes Standard.

Ensuring properties are re-let as quickly as possible is important to tenants and Company alike. This is an area where the Company has historically maintained an excellent performance and we continue to be upper quartile. In addition to on-line bidding, prospective tenants can now bid by text, which is another innovative way for applicants to register their interest in a property. Tenants have been consulted and agreed a new lettable standard for void properties. The new standard has been agreed and customers are involved in the monitoring process to ensure the standards are being met.

We have continued to strive for excellence this year by adopting a multi agency approach to benefit and improve our estates. An Action Week in Ollerton and Boughton showed excellent partnership working between Newark and Sherwood Homes and Newark and Sherwood District Council, Trading Standards and Police. Ollerton Town Council was also involved in ensuring that estates within Ollerton and Boughton were cleared of rubbish.

An annual programme of 22 walkabouts was completed in 2007/8 which involved staff, Councillors, tenants and leaseholders, visiting villages and estates throughout Newark and Sherwood which enabled issues to be identified and dealt with. A number of estate clean up days have been held with numerous tonnes of rubbish being taken and estates looking better as a result. The Company undertook the Annual Garden Competition which again saw a high number of entries.

As a provider of a large number of supported housing schemes we are pleased that our kitchen at Vale View, Newark Supported Housing Scheme has been awarded a five star “excellent” rating (the highest achievable) under the “Scores on the Doors Scheme” which enables customers to research the hygiene performance in the preparation and serving of food. Including Vale View, only 23 establishments out of 547 inspected achieved the five star rating. Another enhancement has been the new computer donated by Nottinghamshire County Council. It has been specially adapted for use by elderly people with a large keyboard, screen and mouse and has been installed in a specifically designed area in Vale View’s reception area. In particular access to internet shopping has greatly improved the quality of life for tenants who are unable to visit the shops.

Newark and Sherwood Homes working in partnership with Newark and Sherwood District Council, police, A1 Housing, Bassetlaw District Council, Nottinghamshire Women’s Aid and Victim Support have developed a ‘Sanctuary Scheme’ for victims of domestic violence. This scheme supports, where appropriate, the victim to remain in their own home with additional security measures.

Future Developments

During 2008/9 the Company received confirmation that it has secured the remaining £22.7m of the total £49.5m Decent Homes funding that had been planned for. Alongside this we will be spending a further £550,000 on Decent Homes environmental works at various schemes. The Company remains on track to complete the Decent Homes Programme by the 31st March 2010.

The Company continues in its work to improve its service to tenants. Within its Business Plans it has a number of initiatives including continuation of the process of procuring an asset management system that will enable modelling of future investment and the more efficient collation of property condition data. We are currently in the process of developing a long term asset management strategy that will drive key investment priorities and asset management decisions post 2010.

Fuel costs are continuing to rise rapidly and as a result we are looking to provide an energy advice service to our customers who we consider may be in fuel poverty. We are considering a leaseholder servicing and improvement scheme that allows leaseholders to buy into major works schemes that are being delivered within the area they live.

Building on the successful communication developments in 2007/8 we will be enhancing the Company website to provide more easily located and comprehensive information to tenants. Also, with the existing housing software reaching the end of its economic life, a replacement system is being sourced for procurement during 2008/9. Consolidation of a number of data systems will provide long term improvements and better accessibility to important records. We have moved forward with more mobile technology with data capture on site, and will continue to build on this work in 2008/9 reducing paperwork and administration time, resulting in enhanced streamlined services for our customers.

Newark and Sherwood Homes strives for Value for Money solutions in all it does. In 2007/8 the grounds maintenance contract was market tested and the tender outcome will be finalised during 2008. The service will be awarded on cost and quality and involved full customer consultation throughout the procurement process. The responsive repairs service is to be market tested in 2008/9 and once again customers will be involved in the procurement process. We have reviewed our Value for Money Strategy to reflect new government targets and include modern efficiency solutions. We have set a number of Value for Money performance targets in 2008/9 to support and demonstrate efficient delivery of services.

Looking ahead to 2009 and beyond, the Company is working with the Council to consider the future options for the Company. The current management agreement terminates in 2010, when the Decent Homes programme is to be completed. Consideration is now being given to the future management of the housing stock thereafter. The Company will continue to support the Council in meeting its aims and priorities through supporting the delivery of the Local Area Agreement, contributing proactively to the Local Strategic Partnership and the Newark Growth Point. The Company has undertaken work with the Council to consider approaches to the delivery of affordable housing in the District through new build. The Government is starting to re-embrace the concept of housing being built through local authorities and this will enable the Council to work with the Company to provide more affordable housing for the community.

The biggest overall test of the service however, will be in September 2008. This is the time given for the next inspection in which the Company will seek to meet its objective of achieving three stars. The Company is already working positively to achieve this with clear and focused plans.

Political and charitable contributions

The Company made no political contributions.

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

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

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 2008. 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

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

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 which comprise the Profit & Loss account, the Balance Sheet, the Cashflow Statement, the Statement of Total Recognised Surplus and Deficits 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

The directors are responsible for preparing the directors' report and, as described on pages 4 - 9, 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 2008 and of its profit for the year 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 1 April 2007 to 31 March 2008

| | <i>Note</i> | 2008 £000 | 2007 £000 |
|-------------------------------------------------------------|-------------|----------------------------|----------------------------|
| Turnover | 2 | 8,251 | 7,199 |
| Cost of sales | | (6,727) | (6,115) |
| Gross profit | | 1,524 | 1,084 |
| Administrative expenses | | (1,195) | (1,022) |
| Other expenses | | (771) | (646) |
| Other income / (cost) from pension adjustments | 13 | (164) | - |
| Operating profit / (loss) | | (606) | (584) |
| Interest receivable and similar income | 6 | 122 | 92 |
| Interest payable and similar charges | 7 | (33) | (8) |
| Profit/(loss) on ordinary activities before taxation | 3 | (517) | (500) |
| Tax on profit/(loss) on ordinary activities | 8 | 121 | 202 |
| Profit/(loss) on ordinary activities after taxation | | (396) | (298) |
| Profit/(loss) brought forward | | - | - |
| Retained profit/(loss) for the year | | (396) | (298) |

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 2008

| | <i>Note</i> | £000 | 2008 £000 | £000 | 2007 £000 |
|----------------------------------------------------------|-------------|--------------|----------------------|--------------|----------------------|
| Fixed assets | | | | | |
| Intangible assets | 9 | | 46 | | 43 |
| Current assets | | | | | |
| Stocks | 10 | 158 | | 144 | |
| Debtors | 11 | 525 | | 397 | |
| Cash at bank and in hand | | 2,662 | | 2,103 | |
| | | <u>3,345</u> | | <u>2,644</u> | |
| Creditors: amounts falling due within One year | 12 | (3,391) | | (2,687) | |
| Net current assets | | | (46) | | (43) |
| Net assets excluding pension liability | | | <u>0</u> | | <u>0</u> |
| Pension liability | 13 | (3,195) | | (2,670) | |
| Net assets including pension liability | | | <u>(3,195)</u> | | <u>(2,670)</u> |
| Capital and reserves | | | | | |
| Profit and loss account | | | - | | - |
| Pension Reserve | | | (3,195) | | (2,670) |
| Shareholders' deficit | | | <u>(3,195)</u> | | <u>(2,670)</u> |

These financial statements were approved by the board of directors on 26th June 2008 and were signed on its behalf by:

Miss Mary Butler
Chairman

Cash flow statement

For the period from 1 April 2007 to 31 March 2008

| | <i>Note</i> | 2008 | 2007 |
|--------------------------------------------------------------------------------------|-------------|--------------|--------------|
| | | £000 | £000 |
| Reconciliation of operating profit to net cash flow from operating activities | | | |
| Operating (loss)/profit | | (606) | (584) |
| Decrease/(Increase) in fixed assets | | (3) | (43) |
| Decrease/(Increase) in stocks | <i>10</i> | (14) | (17) |
| Decrease/(Increase) in debtors | <i>11</i> | (128) | 150 |
| Increase in creditors | <i>12</i> | 709 | 7 |
| Pension current service cost | <i>13</i> | 502 | 588 |
| Pension contribution | <i>13</i> | (303) | (298) |
| Pension settlements/curtailments | <i>13</i> | 164 | - |
| | | <hr/> | <hr/> |
| Net cash (outflow)/inflow from operating activities | | 321 | (197) |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Cash flow statement | | | |
| Cash flow from operating activities | | 321 | (197) |
| Returns on investments and servicing of finance | <i>6</i> | 122 | 92 |
| Cash inflow /(outflow) from taxation | | 116 | (17) |
| | | <hr/> | <hr/> |
| Cash inflow/(outflow) before management of liquid resources and financing | | 559 | (122) |
| | | <hr/> | <hr/> |
| (Decrease)/Increase in cash in the period | | 559 | (122) |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Reconciliation of net cash flow To movement in net funds | | | |
| Movement in net funds in the period | <i>15</i> | 559 | (122) |
| Net funds at the start of the period | | 2,103 | 2,225 |
| | | <hr/> | <hr/> |
| Net funds at the end of the period | | 2,662 | 2,103 |
| | | <hr/> <hr/> | <hr/> <hr/> |

Statement of Recognised Gains and Losses

For the period from 1 April 2007 to 31 March 2008

| | 2008 £000 | 2007 £000 |
|------------------------------------------------------|--------------|--------------|
| Profit/(Loss) for the financial period | (396) | (298) |
| Other Recognised Gains/(Losses) related to the year | (129) | (276) |
| | <hr/> | <hr/> |
| Total Recognised Loss relating to the Financial Year | (525) | (574) |
| | <hr/> | <hr/> |
| | - | - |
| | <hr/> | <hr/> |
| Total losses recognised since last annual report | (525) | (574) |
| | <hr/> <hr/> | <hr/> <hr/> |

Reconciliation of movements in shareholders' funds

For the period from 1 April 2007 to 31 March 2008

| | | |
|---------------------------------------------|-------------|-------------|
| Profit/(Loss) for the financial period | (396) | (298) |
| Other Recognised Losses related to the year | (129) | (276) |
| | <hr/> | <hr/> |
| Net reduction to shareholders' funds | (525) | (574) |
| Opening shareholders' funds | (2,670) | (2,096) |
| | <hr/> | <hr/> |
| Closing shareholders' funds | (3,195) | (2,670) |
| | <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 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.

The accounts have been prepared on a going concern basis notwithstanding net liabilities of £3,195k or 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 losses after the effects of FRS 17 of £396k, and a net balance on the pension reserve of (£3,195k) 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.

1 Accounting policies (continued)

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.

Fixed Assets and Depreciation

Depreciation is provided to write off cost, less the estimated residual value of tangible fixed assets, by equal instalments over their estimated useful life as follows

Computer equipment 20% -33.3% per annum

Intangible fixed assets and amortisation

Intangible fixed assets purchased separately from a business are capitalised at their cost.

Software licenses purchased by the Company are amortised to nil by equal annual instalments over their useful economic lives, generally their respective un-expired periods are between 3 and 5 years.

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 is 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

| | 2008 £000 | 2007 £000 |
|--------------------------------------------|--------------|--------------|
| Management fee Additional Payment | 1,635 | 886 |
| Less: Efficiency surplus repaid to Council | (1,883) | (1,635) |
| | <u>(248)</u> | <u>(749)</u> |
| Housing Services | 2,687 | 2,562 |
| Repairs and Technical Services | 4,872 | 4,492 |
| Other Services | 940 | 894 |
| | <u>8,251</u> | <u>7,199</u> |

3 Profit on ordinary activities before taxation

| | 2008 £000 | 2007 £000 |
|----------------------------------------------------------------|--------------|--------------|
| <i>Profit on ordinary activities before taxation is stated</i> | | |
| <i>after charging</i> | | |
| Auditors' remuneration: | | |
| Audit – | 18 | 18 |
| Other services - fees paid to the auditor | 1 | 1 |

4 Remuneration of directors

| | 2008 £000 | 2007 £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 | - | - |
| | <u> </u> | <u> </u> |
| 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) | 401 | 368 |
| | <u> </u> | <u> </u> |
| Emoluments payable to the highest paid employee (excluding pension contributions but including benefits in kind) | 94 | 80 |
| | <u> </u> | <u> </u> |

Total aggregate emoluments include payments of £60k for loss of office (2006/07 nil).

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 | |
|------------------------|---------------------|------------|
| | 2008 | 2007 |
| Customer Services | 129 | 124 |
| Support Services | 15 | 11 |
| Senior Management Team | 4 | 5 |
| | <u>148</u> | <u>140</u> |

The aggregate payroll costs of these persons were as follows:

| | 2008 | 2007 |
|-----------------------|--------------|--------------|
| | £000 | £000 |
| Wages and salaries | 3,649 | 3,382 |
| Social security costs | 238 | 257 |
| Other pension costs | 303 | 298 |
| | <u>4,190</u> | <u>3,937</u> |

6 Other interest receivable and similar income

| | 2008 | 2007 |
|---------------|------------|-----------|
| | £000 | £000 |
| Bank interest | 122 | 92 |
| | <u>122</u> | <u>92</u> |

7 Interest payable and similar charges

| | 2008 | 2007 |
|----------------------------------------|-----------|----------|
| | £000 | £000 |
| Interest on pension scheme liabilities | 33 | 8 |
| | <u>33</u> | <u>8</u> |

8 Taxation

Analysis of charge in period

| | 2008 £000 | 2007 £000 |
|---------------------------------------------|--------------|--------------|
| <i>UK corporation tax</i> | | |
| Current tax on income for the period | 23 | 141 |
| Release of prior year provisions | (144) | (343) |
| | <hr/> | <hr/> |
| Total current tax | (121) | (202) |
| | <hr/> | <hr/> |
| Tax on profit/(loss) on ordinary activities | (121) | (202) |
| | <hr/> <hr/> | <hr/> <hr/> |

The tax calculation has been prepared assuming that the application for non-trading status by the company is upheld.

Factors affecting the tax charge for the current period

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

| | 2008 £000 | 2007 £000 |
|--------------------------------------------------------------|--------------|--------------|
| <i>Current tax reconciliation</i> | | |
| Profit on ordinary activities before tax | 127 | 547 |
| | <hr/> | <hr/> |
| Current tax at 30% | 38 | 164 |
| Benefit of Small Companies relief (2006/07: Marginal relief) | (14) | (26) |
| Disallowed expenditure | 0 | 3 |
| Adjustment in respect of non-trading | (1) | 0 |
| | <hr/> | <hr/> |
| Current tax charge | 23 | 141 |
| | <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 2005/6 and 2006/7, to the value of £144k will be released.

9 Intangible Assets

| | 2008 £'000 | 2007 £'000 |
|----------------------------|---------------|---------------|
| Cost | | |
| At 1 April 2007 | 45 | - |
| Additions | 12 | 45 |
| Disposals | - | - |
| At 31 march 2008 | <u>57</u> | <u>45</u> |
| Amortisation charge | | |
| At 1 April 2007 | 2 | - |
| Additions | 9 | 2 |
| Disposals | - | - |
| At 31 March 2008 | <u>11</u> | <u>2</u> |
| Net Book Value | | |
| At 31 March 2008 | <u>46</u> | <u>43</u> |
| At 31 March 2007 | <u>43</u> | - |

10 Stocks

| | 2008 £000 | 2007 £000 |
|-------------------------------|--------------|--------------|
| Raw materials and consumables | 126 | 116 |
| Van stocks | 32 | 28 |
| | <u>158</u> | <u>144</u> |

11 Debtors

| | 2008 £000 | 2007 £000 |
|------------------------------------|--------------|--------------|
| Trade debtors | 22 | 21 |
| Provision for Doubtful Debt | (21) | (17) |
| Amounts owed by Group undertakings | 371 | 246 |
| Other debtors | 44 | 30 |
| Prepayments and accrued income | 109 | 117 |
| | <u>525</u> | <u>397</u> |

Debtors include amounts recoverable on employee car loans of £25,835 (2007 £15,838) due after more than one year.

12 Creditors: amounts falling due within one year

| | 2008 £000 | 2007 £000 |
|------------------------------------|--------------|--------------|
| Amounts owed to Group undertakings | 2,615 | 1,896 |
| Taxation and social security | 340 | 419 |
| Accruals and deferred income | 433 | 370 |
| Other | 3 | 2 |
| | <u>3,391</u> | <u>2,687</u> |

13 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 £303,495. (2007: £298,198).

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 2007.

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 2008 were based on a full valuation at 31 March 2007 updated where necessary by the actuary on an FRS 17 basis.

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

| | 2008 | 2007 |
|---------------------------------------------------------------|-------|-------|
| Rate of increase in salaries | 5.10% | 4.86% |
| Rate of increase in pensions in payment and deferred pensions | 3.6% | 3.1% |
| Discount rate applied to scheme liabilities | 6.1% | 5.4% |
| Inflation assumption | 3.6% | 3.1% |

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions that, 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:

| | 2008 | Value at |
|----------------------------------------------------|-------------|-----------------|
| | £000 | 2007 |
| | | £000 |
| Equities | 5,658 | 6,014 |
| Government bonds | 867 | 675 |
| Other bonds | 251 | 368 |
| Property | 1,456 | 1,482 |
| Cash liquidity | 347 | 228 |
| Other | 87 | - |
| | <hr/> | <hr/> |
| Present value of scheme liabilities | 8,666 | 8,767 |
| | (11,861) | (11,437) |
| | <hr/> | <hr/> |
| Pension (deficit) in the scheme asset/liability | (3,195) | (2,670) |
| Related deferred tax liability/asset | - | - |
| | <hr/> | <hr/> |
| Net pension (liability) | (3,195) | (2,670) |
| | <hr/> <hr/> | <hr/> <hr/> |

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

| | 2008 | Long term rate of return |
|------------------|-------------|-------------------------------------|
| | | 2007 |
| Equities | 7.5% | 7.5% |
| Government bonds | 4.6% | 4.7% |
| Other bonds | 6.1% | 5.4% |
| Property | 6.5% | 6.5% |
| Cash/liquidity | 5.25% | 5.25% |
| Other | 7.5% | N/a |

Movement in deficit during the period

| | 2008 | 2007 |
|--------------------------------------------------|-------------|-------------|
| | £000 | £000 |
| (Deficit) in the scheme at the start of the year | (2,670) | (2,096) |
| Current service cost | (502) | (588) |
| Contributions paid | 303 | 298 |
| Past service (loss) | (164) | - |
| Other finance (cost) | (33) | (8) |
| Actuarial (loss) | (129) | (276) |
| | <hr/> | <hr/> |
| (Deficit) in the scheme at end of year | (3,195) | (2,670) |
| | <hr/> <hr/> | <hr/> <hr/> |

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

| | 2008 | 2007 |
|-------------------------------|-------------|-------------|
| | £000 | £000 |
| Current service cost | (502) | (588) |
| Employer Contributions | 303 | 298 |
| Past service cost | (164) | - |
| Net Interest/Return in Assets | (33) | (8) |
| | <hr/> | <hr/> |
| | (396) | (298) |
| | <hr/> <hr/> | <hr/> <hr/> |

Analysis of amounts included in other finance income/costs

| | 2008 | 2007 |
|------------------------------------------|-------------|-------------|
| | £000 | £000 |
| Expected return on pension scheme assets | 602 | 489 |
| Interest on pension scheme liabilities | (635) | (497) |
| | <hr/> | <hr/> |
| | (33) | (8) |
| | <hr/> <hr/> | <hr/> <hr/> |

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

| | 2008 | 2007 | 2006 |
|-------------------------------------------------------------------------------------|-------------|-------------|-------------|
| | £000 | £000 | £000 |
| Actual return less expected return on scheme assets | (1,140) | 182 | 964 |
| Experience gains and losses arising on scheme liabilities | 956 | (1,200) | (414) |
| Changes in assumptions underlying the present value of scheme liabilities | 55 | 742 | (1,059) |
| | <hr/> | <hr/> | <hr/> |
| Actuarial gain/ (loss) recognised in statement of total recognised gains and losses | (129) | (276) | (509) |

14 Analysis of cash flows

| | 2008 | 2007 |
|-------------------------------------------------------|-------------|-------------|
| | £000 | £000 |
| Returns on investment and servicing of finance | | |
| Interest received | 122 | 92 |
| | <hr/> | <hr/> |
| | 122 | 92 |

15 Analysis of net funds

| | At beginning of period £000 | Cash flow £000 | Other non cash Changes £000 | At end of period £000 |
|---------------------------|-----------------------------------|-------------------|-----------------------------------|-----------------------------|
| Cash in hand, and at bank | 2,103 | 559 | - | 2,662 |
| Total | <u>2,103</u> | <u>559</u> | <u>-</u> | <u>2,662</u> |

16 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 £7,530k in 2007/8 paid at the start of each month in equal instalments. This income had all been paid as at 31 March 2008. 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 £1,883k 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 year's efficiency payment paid by the Company to the council. The additional payment received by the Company during the year amounted to £1,635k.

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.

17 Reserves

| | P&L A/C £000s | Pension Reserve £000s | Total £000s |
|------------------------------|------------------|--------------------------|----------------|
| At the beginning of the year | 0 | (2,670) | (2,670) |
| Retained Profit for the year | (396) | | (396) |
| Transfer to pension reserve | 396 | (396) | 0 |
| Actuarial Loss | 0 | (129) | (129) |
| | <u>0</u> | <u>(3,195)</u> | <u>(3,195)</u> |

18 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

Newark and Sherwood Homes Limited
Kelham Hall
Kelham
NEWARK ON TRENT
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NG23 5QX

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