



Ashfield Homes Limited

Directors' report and financial statements for the year
ended 31 March 2010

Limited Company By Guarantee

Registered number 4294485

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Company registration number:

4294485

Registered office:

Broadway
Brook Street
Sutton in Ashfield
Nottinghamshire
NG17 1AL

Bankers:

The Co-operative Bank PLC
4-5 Exchange Walk
Nottingham
NG1 2NX

Solicitors:

Trowers & Hamlins
Sceptre Court
40 Tower Hill
London
EC3 4DX

Auditors:

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Board of Directors

Mr John Cox
Mr Mark Kimberley
Mr Martin Smith
Mrs Jessie Parker
Mrs Patricia Simms (resigned 3 November 2009)
Mrs Eunice Bradley
Mrs Myrha Hibbert
Mr Murray Timmons
Councillor Rachel Madden (resigned 4 May 2009)
Councillor Louise Bradshaw (resigned 4 May 2009)
Councillor Christine Wakefield (resigned 4 May 2009)
Councillor Helen Smith (resigned 4 May 2009)
Councillor Wendy Harvey (appointed 4 May 2009,
resigned 3 November 2009)
Councillor Gail Turner (appointed 4 May 2009,
resigned 3 November 2009)
Councillor Malcolm Bulmer
Councillor Warren Nuthall

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

Council Member

Council Member
Council Member
Council Member

Newly Appointed Directors

Mr Mike Hardy (appointed 23 April 2010)
Mr Ron Finney (appointed 23 April 2010)
Councillor Mr John Wilmot (appointed 19 January
2010)
Councillor Mr John Dymock (appointed 19 January
2010)

Tenant Board Member
Tenant Board Member

Council Member

Council Member

Ashfield Homes Limited Senior Management

Ian Dethick FCIH, MIOD (Chief Executive)

Steve Houlding (Director of Operations)

Paul Bingham BSC (Hons), ICIOB (Assistant Director of Technical Services)

Kelly Scott LLB (Hons), FCIH (Assistant Director of Housing Services)

Jayne Booth CPFA (Company Accountant)

Peter Wilmot Chartered MCIPD (Human Resources and Development Manager)

Mona Sachdeva LLB (Hons), (Company Solicitor and Secretary)

Directors' Report

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

Principal activities

The Company's principal activity during the year was the management and maintenance of the housing stock of Ashfield District Council. An additional function is to provide specialist technical services to manage the resources required for achieving and maintaining the housing stock to the Government's Decent Homes Standard. Ashfield District Council's housing stock comprised of 7059 units as at 31 March 2010.

This is Ashfield Homes' eighth year of trading. The Company was incorporated on 26 September 2001 and was dormant for the period from this date to 31 March 2002 when it presented its first accounts. The Company commenced trading on 1 April 2002.

Under a Management Agreement with Ashfield District Council, Ashfield Homes receives a fee to run its core business of managing and maintaining the housing stock on behalf of Ashfield District Council. This is shown in the Company's profit and loss account for the year ending 31 March 2010 as income under the heading "Turnover." The actual management fee for 2009/10 was £11.321m.

Ashfield Homes continually seeks to improve the efficiency of its service. Any surpluses available to the Company under its protocol with Ashfield District Council will be utilised to maximise service delivery.

Legal Status of the Company and Composition of the Board

The Company is limited by guarantee and does not have any share capital. Ashfield District Council, the sole member of the 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 to the Company providing this amount does not exceed £1, after the satisfaction of all the debts and liabilities. The remaining assets will be transferred to Ashfield District Council's Housing Revenue Account, as defined in the Local Government and Housing Act 1989.

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

- 4 Council nominees
- 4 Council tenants or leaseholders

- 4 Independent members

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.

Review of the year

Strategic Objectives

The vision of Ashfield Homes, supported by the aims, objectives and values of the Company is:

"To ensure present and future customers, service users, and stakeholders of Ashfield Homes enjoy decent housing and a good quality of life in a stable community through the provision of a range of excellent services, which meet their aspirations and which represent value for money."

The aims and objectives of the Company are to:

- Manage the investment in the Council's housing stock to ensure it meets the Decent Homes Standard
- By providing excellent housing services and contribute to the wider regeneration and sustainability of the communities of Ashfield by entering into partnerships with appropriate organisations
- Facilitate the continuous improvement of tenant services
- Extend the empowerment of tenants in the management of their homes and the services they receive
- Minimise the detrimental effect the organisation has upon the environment.

The values of the Company are:

- Ashfield Homes will provide excellent Housing Services to the tenants of Ashfield District Council and the wider community, which represent best value.
- Ashfield Homes will strive to create an environment to make it an excellent employer of choice.
- Efficiency, economy, effectiveness, equity and quality will be at the heart of Ashfield Homes' performance culture. Underpinning all of this will be what matters to customers.
- Ashfield Homes will offer fair treatment to all service users regardless of age, race, sex, disability or sexual orientation.
- Ashfield Homes will involve service users to the level and extent they choose at all stages of the decision-making process.
- Employees will work together to deliver the aims of Ashfield Homes recognising that teamwork is more effective than working alone and in isolation.
- When complaints are received, problems occur and mistakes are made, Ashfield Homes will investigate quickly, put it right and learn so it does not happen again.
- Ashfield Homes will adopt a spirit of openness when making decisions and delivering services.

Financial review

The Company has continued to operate effectively within the terms of the Management Agreement with the Council. To this end, the Company aims to break even on services provided to the Council, with any trading profit accruing from other activities. This year there was a trading profit of £134,000, before FRS 17 adjustments. The FRS 17 adjustments net out to nil movement on reserves and an offsetting asset and liability. These are fully explained in the notes to the accounts.

Following the annual budget review, the management fee agreed for 2010/2011 with Ashfield District Council has been set at £11.702m, marginally lower than this year. It is anticipated that this can be achieved through the

Company's commitment to providing value for money

As a round one ALMO, the decent homes programme for Ashfield Homes was funded by Ashfield District Council

receiving an increased borrowing allowance. The Department for Communities and Local Government has confirmed that this allowance will not continue after 2010/2011, the original date set by the Government for completion of the Decent Homes Programme by all housing authorities. A 30 year Business Plan has been produced that provides a long term projection of available resources and takes account of the loss of income in 2011/12. In December 2007 the Company carried out a resource allocation exercise to analyse the most effective

way of reducing the budget to account for this loss of income whilst still achieving the Council's key objectives its housing stock. This was revisited in January 2009 and during 2009/10 the Company has agreed a financial strategy with the Council that will effectively manage the loss of income with the minimum detrimental impact on service delivery.

Operational review

Ashfield Homes was set up by Ashfield District Council as an Arms Length Management Organisation (ALMO) and began trading on 1 April 2002 to manage, maintain, and improve its housing stock. The Company provides services to over 7,000 tenants and leaseholders, and has a workforce of 200 employees.

Ashfield Homes was assessed in November 2002 by the Audit Commission's Housing Inspectorate and was re-inspected in September 2005. On both occasions the Company was awarded the rating of "an excellent 3 star service with promising prospects for improvement".

Refurbishment activity on the Council's housing stock has decreased following the conclusion of the first Major Works Programme in October 2005. The budget available to the Company to manage the remaining process is made up of the Major Repairs Allowance and any other capital contributions made by the Council in order to ensure that the stock remains Decent under the Government's Decent Homes Standard. For the period 2009/2010 to 2012/2013, Ashfield Homes anticipates that approximately £29.9m will be required to maintain the stock.

The first five year break clause in the Management Agreement with Ashfield District Council was 31 March 2007. Ashfield District Council commissioned Tribal HCH to carry out a Mini Options Appraisal into the future management of the housing stock. At its meeting on 1 February 2007, Ashfield District Council confirmed that the Management Agreement will continue for a second term until 31 March 2012. In summer 2010 the Council will be carrying out a further Options Appraisal to determine the future management of the Council's housing stock from April 2012.

The Company is committed to providing an excellent housing service and has adopted a number of externally accredited standards to ensure this is achieved:

- March 2010, the Company successfully achieved The Customer Excellence Standard for the second year.
- April 2009, successful review for National Inspection Council for Electrical Installation Contracting Accreditation and Registration.
- April 2009, successful review for the Heating Equipment Testing and Approval Scheme Accreditation and Registration.
- January 2010, a successful review to retain ISO9001 Quality Accreditation Standard which is in place for the whole Company, and ensures that high quality services are delivered through the development of quality systems.

- January 2010, a successful review to retain ISO14001 Environmental Management System Accreditation for stores and purchasing services, which demonstrates the Company's commitment to minimising any detrimental effect the organisation has on the environment.
- March 2010, awarded Customer Contact Association Accreditation for the repairs handling call centre.

During 2009/10, the Company has negotiated a management agreement with a registered social landlord to manage and maintain a number of properties that have been developed within Ashfield. Letting commenced in February 2010. This new business will generate a future annual income in the region of £9,000.

The Company has begun expanding provision of Supporting People Services within Ashfield, offering services to private customers for the first time. This will also generate an additional income stream for the Company.

Directors and directors' interests

The Directors who held office during the year, detailed on page 2, have no interest in shares of the Company.

Future Developments

The Company will continue to operate in a challenging environment, and its goal is to continuously improve services to the tenants of Ashfield District Council.

Future service developments planned by the Company are highlighted within the Company's Delivery Plan. Any future developments will have the risks carefully assessed to ensure that there is no threat to the long term viability of the Company or its core business.

At the present time, the Company is limited in pursuing new business opportunities due to the restrictions of its Memorandum and Articles, which limit the geographical area of operation to the Ashfield District. However, the Council has agreed to review this on a case by case basis in the furtherance of the business.

Ashfield Homes will continue to explore new business opportunities including further expansion of Supporting People Services within and outside Ashfield, managing the stock of other housing organisations, and providing specific services such as responsive repairs, or offering consultancy and support services to other organisations.

The Government's latest proposal for the reform of the Council Housing Finance System was published on 25 March 2010. For many years professionals, tenants and other stakeholders have been considering how best to improve

the current housing revenue subsidy system which is complicated and inefficient with a new system which give Councils/ALMOs more resources and independence. The proposed reformed system includes a to increase resources to maintain the existing housing stock to the Decent Homes Standard and in addition create enough "headroom" to enable Councils/ALMOs to deliver a substantial new build programme. It would give Councils/ALMOs the freedom to plan and manage the housing stock and to have the financial control to deliver services in the best interests of tenants and the local community. The return date for the consultation is 6 July 2010 and Ashfield District Council and Ashfield Homes are considering whether the proposals offer a good deal for the future of Council housing in Ashfield. The return date is beyond the General Election and it remains to be seen how a change of Government (if any) would effect the proposals currently on the table.

The company made no contributions to political or charitable organisations (2008: nil).

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 485 of the Companies Act 2005 a resolution for the re-appointment of KPMG LLP as auditors to the company is to be proposed at the forthcoming annual general meeting.

By order of the board and signed on its behalf:

Mr John Cox
Chair

Broadway
Brook Street
Sutton-in-Ashfield
Nottinghamshire
NG17 1AL

Statement of Internal Financial

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 delegating authorities documented. The Company's Internal Auditors are provided with a register of the authorised signatories and sample signatures are provided;
- ◆ Experienced and suitably qualified staff take responsibility for important business functions. Annual employee development review procedures have been established to maintain standards of performance;
- ◆ Regular internal audit 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 Chief Executive and senior managers;
- ◆ Forecasts and budgets are prepared which allow the Board of Directors and management to 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 the Risk Management department monitors these risks and provides countermeasures to the risks where necessary;
- ◆ Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

During the year management has received regular reports from the internal auditors covering the effectiveness of the systems of operational and financial controls. On behalf of the Board, management has reviewed the effectiveness of systems of internal financial control in existence for the 12 months ended 31 March 2010. No weaknesses were found in the internal controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements. The Board of Directors is satisfied that this remains the case up to the signing of these documents.

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

Statement of Directors' Responsibilities

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 and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgements 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 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 2006. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ASHFIELD HOMES LIMITED

We have audited the financial statements of Ashfield Homes Limited for the year ended 31 March 2010, which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest 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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial

statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to

Michael McDonagh

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

Profit and loss account
for the year ended 31 March 2010

	Note	2010 £000	2009 £000
Turnover	2	11,321	11,891
Cost of sales		(10,175)	(11,304)
Gross profit		<u>1,146</u>	<u>587</u>
Administrative expenses		(1,314)	(1,295)
Other operating income		422	824
Other income (expenditure) from pension reimbursement right		<u>4,460</u>	<u>(132)</u>
		3,568	(603)
Operating profit (loss)		<u>4,714</u>	<u>(16)</u>
Other interest receivable and similar income	6	9	72
Interest payable and similar charges	7	(305)	(175)
Profit (loss) on ordinary activities before taxation	3	<u>4,418</u>	<u>(119)</u>
Tax credit/(charge) on profit on ordinary activities	8	(4)	(17)
Profit (loss) on ordinary activities after taxation		<u>4,414</u>	<u>(136)</u>

Retained profit (loss) for the financial year

4,414

(136)

All results relate to activities undertaken in the year. The results are wholly attributable to continuing activities.

The notes on pages 16 – 25 form part of these statements.

Balance sheet

At 31 March 2010

	Note	2010	2009
		£000	£000
Fixed assets			
Tangible assets	9	26	31
Current assets			
Stocks	10	261	320
Debtors	11	327	340
Cash at bank and in hand		2,486	2,066
		<u>3,074</u>	<u>2,726</u>
Creditors: amounts falling due within one year	12	(1,791)	(1,582)
Net current assets		1,283	1,144
Total assets less current liabilities		<u>1,309</u>	<u>1,175</u>
Provisions for liabilities and charges	13	(21)	(21)
Net assets excluding pension liability		<u>1,288</u>	<u>1,154</u>
Pension liability	17	(8,660)	(4,191)
Pension related asset	17	8,660	4,191
		<u>1,288</u>	<u>1,154</u>
Capital and reserves		<u>1,288</u>	<u>1,154</u>
Profit and loss account	15	1,288	1,154
Shareholders' funds		<u>1,288</u>	<u>1,154</u>

These financial statements were approved by the board of directors on 6 July 2010 and were signed on its behalf by:

Mr John Cox

Chair

Company registration number 4294485

Cash flow statement

for the year ended 31 March 2010

	Note	2010 £000	2009 £000
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit		4,714	(16)
Depreciation charges	9	24	35
Decrease/ (Increase) in stocks	10	59	3
(Increase)/Decrease in debtors	11	13	789
(Decrease)/ Increase in creditors	12	155	(1,205)
Movement in provisions	13	0	(1)
Net interest on pension liability	17	(305)	(175)
Pension reimbursement right	17	(4,280)	381
Net cash (outflow)/ inflow from operating activities		380	(189)
Cash flow statement			
Cash flow from operating activities		380	(189)
Returns on investments and servicing of finance	18	9	72
Taxation repaid/(paid)		51	(17)

Capital expenditure and financial investment	18	(19)	(10)
		<hr/>	<hr/>
Cash (outflow)/ inflow before management of liquid resources and financing		421	(143)
		<hr/>	<hr/>
Increase/(Decrease) in cash in the period		421	(143)
		<hr/> <hr/>	<hr/> <hr/>
Reconciliation of net cash flow to movement in net funds			
Opening funds	19	2,062	2,205
Increase/(Decrease) in cash in the period		421	(143)
		<hr/>	<hr/>
Closing funds		2,483	2,062
		<hr/> <hr/>	<hr/> <hr/>

Statement of total recognised gains and losses

for the year ended 31 March 2010

	2010 £000	2009 £000
Profit (loss) for the financial year	4,414	(136)
Actuarial gain (loss)	(4,280)	381
Total Gains and Losses	134	245

Reconciliation of movements in shareholders' funds

for the year ended 31 March 2010

	2010 £000	2009 £000
Profit (loss) for the financial year	4,414	(136)
Other Gains and Losses in the year	(4,280)	381
Net addition (reduction) to shareholders' funds	134	245
Opening shareholders' funds	1,154	909
Closing shareholders' funds	1,288	1,154

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.

Status of Company & Composition of the Board

The Company is limited by guarantee and does not have any share capital. Ashfield 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:

- ◆ 4 District Council nominees;
- ◆ 4 elected council tenants; and
- ◆ 4 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 the Companies Act 2006 and under the historical cost accounting convention.

Ashfield Homes Limited undertakes the management and maintenance of the housing stock of Ashfield District Council under a management agreement. Ashfield Homes Limited is a wholly owned subsidiary of Ashfield District Council and in the event of Ashfield Homes Limited winding up, all assets and liabilities will transfer to Ashfield District Council.

In this year's financial statements Ashfield Homes Limited has adopted FRS 17 in respect of pensions obligations. Ashfield Homes' employees are members of the Local Government Pension Scheme (LGPS). Like many pension schemes the LGPS has a deficit. Measures are in place to address this deficit, by increasing employers contributions in the medium term.

The requirement of FRS 17 is to show the deficit on the pension scheme as a liability on the balance sheet. It has been agreed with Ashfield District Council that they will provide an indemnity in respect of the pension obligations of the Company and accordingly an asset has been recognised on the balance sheet to reflect the Council indemnity. This asset will always be equal and opposite to the pension liability. The components of the FRS 17 pension accounting taken through the profit and loss account and statement of total recognised gains and losses therefore attract equal and opposite reimbursement which is taken through other income. The result of adopting FRS 17 gives rise to equal and opposite assets and liabilities and income and expenses. Therefore there is no net effect to the net assets. There will however be a net effect on the profit for the year due to the fact that the reimbursement of the actuarial gain/loss recognised in the STRGL is taken through the profit and loss account.

The Council's indemnity of the pension deficit supports the preparation of the financial statements on a going concern basis.

Fixed assets and depreciation

Depreciation is provided to write off the cost of assets by equal instalments over their estimated useful economic lives as follows:

Computer equipment	33.3% per annum
Fixtures, fittings & equipment	25% per annum
Furniture	20% per annum

Leases

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 pension scheme based on final pensionable salary. The assets of the scheme are held separately from those of the company in an independently administered fund.

Pension scheme assets are measured using fair 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 total 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 weighted average purchase price 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, for all timing differences which, have arisen but not reversed

at the balance sheet date except as required by FRS 19.

Turnover

Turnover represents the amounts 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 bank deposits repayable 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.

Notes (continued)

2. Analysis of turnover on ordinary activities before taxation

	2010 Turnover	2009 Turnover
	£000	£000
<i>By activity</i>		
Housing services	4,202	4,325
Repairs and technical services	7,119	7,566
	<hr/> 11,321	<hr/> 11,891

3. Profit on ordinary activities before taxation

	2010 £000	2009 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	22	21
Other services - fees paid to the auditor	0	0
Depreciation and other amounts written off tangible fixed assets:		
Owned	24	35
Hire of plant and machinery - rentals payable under operating leases	8	9
Hire of other assets - operating leases	22	23

4. Remuneration of Directors

	2010	2009
	£000	£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.

Members of the Senior Management Team

The Senior Management Team, including the Chief Executive, received emoluments as follows:

Aggregate emoluments payable to the Senior Management Team (including pension contributions and benefits in kind)	489	493
	<hr/> <hr/>	<hr/> <hr/>
Emoluments payable to the highest paid employee (excluding pension contributions but including benefits in kind)	93	93
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

5. Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2010	2009
Housing services	64	61
Technical services	106	106
Support services	18	20
Directors	12	12
	<hr/>	<hr/>
	200	199
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2010	2009
	£000	£000
Wages and salaries	4,569	4,593
Social security costs	343	348
Other pension costs	439	422
	<hr/>	<hr/>
	5,351	5,363
	<hr/>	<hr/>

6. Other interest receivable and similar income

	2010	2009
	£000	£000
Receivable from group undertakings	-	-
Other	9	72
	<hr/>	<hr/>
	9	72
	<hr/>	<hr/>

7. Interest payable and similar charges

	2010	2009
	£000	£000
Interest on pension scheme liabilities	305	175
	<hr/>	<hr/>

305

175

8. Taxation

Analysis of charge in period

2010
£000

2009
£000

UK corporation tax

Current tax on income for the period

4

17

Tax on profit on ordinary activities

4

17

The company has agreed with H M Revenue & Customs that any income from dealings with Ashfield District Council does not constitute trading and is therefore non-taxable. The company is still liable to tax on dealings with any third parties and any interest received.

The basis of this ruling is that the relationship between the ALMO and the Council lacks the necessary degree of commerciality to be trading for corporation tax purposes. Should the relationship between the bodies change, or should the ALMO diversify its activities, then this exemption may not be available.

Notes (continued)

9. Tangible fixed assets

	Fixtures, fittings, tools and equipment 2010 £000	Fixtures, fittings, tools and equipment 2009 £000
Cost		
At beginning of year	213	203
Additions	19	10
Disposals	-	-
At end of year	<hr/> 232	<hr/> 213
Depreciation		
At beginning of year	(182)	(147)
Charge for year	(24)	(35)
At end of year	<hr/> (206)	<hr/> (182)
Net book value		
At 31 March 2010	<hr/> 26	<hr/> 31
At 31 March 2009	<hr/> 31	<hr/> 57

10. Stock

2010 £000	2009 £000
--------------	--------------

Raw materials and consumables	261	320
Work in progress	-	-
	<hr/>	<hr/>
	261	320
	<hr/>	<hr/>

11. Debtors

	2010	2009
	£000	£000
Trade debtors	39	14
Provision for doubtful debts	(24)	(4)
Amounts owed by group undertakings	178	284
Other debtors	0	0
Prepayments and accrued income	134	46
	<hr/>	<hr/>
	327	340
	<hr/>	<hr/>

Notes (continued)

12. Creditors: amounts falling due within one year

	2010 £000	2009 £000
Bank overdraft	3	4
Trade creditors	179	127
Amounts owed to group undertakings	636	631
Accruals and deferred income	562	464
Taxation and social security	411	356
	<hr/> 1,791	<hr/> 1,582

13. Provisions for liabilities and charges

	2010 £000	2009 £000
At beginning of year	21	22
Reductions during year	0	(1)
Credit to the profit and loss for the year	0	0
At end of year	<hr/> 21	<hr/> 21

14. Called up share capital

The Company is limited by guarantee and does not have a called-up share capital.

15. Reserves

Profit
and loss
account
£000

At beginning of year	1,154
Retained profit (loss) for the year	4,414
Actuarial gain (loss)	(4,280)
At end of year	<u>1,288</u>

Notes (continued)

16. Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2010		2009	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	1	-	0
In the second to fifth years inclusive	-	29	-	28
Over five years	-		-	3
	<hr/>	<hr/>	<hr/>	<hr/>
	-	30	-	31
	<hr/>	<hr/>	<hr/>	<hr/>

17. 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 £438,805 (2009: £422,017).

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.

The actuary's method of valuation has changed from market value to fair value for 2008/9. The actuary has used estimated bid values in preparing prior year comparatives, the actual disclosures issued in previous years will have been based on mid market values.

The financial assumptions underlying the valuation were:

Current rate of employers' contributions:	10.70%
Fair Value of the Scheme Assets:	£13,226,000
Net Liability:	£8,660,000

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 fair value basis at the end of the accounting period. The information is set out below:

Actuarial assumptions

	31-Mar-10	31-Mar-09
Rate of increase in salaries	5.40%	4.50%
Rate of increase of pensions in payment	3.90%	3.00%
Discount rate	5.50%	6.70%
Rate of inflation	3.90%	3.00%

Notes (continued)

17. Pension scheme (cont)

Scheme assets and expected rate of return

		31-Mar-10		31-Mar-09
	%	£000	%	£000
Equities	7.4	8,993	6.9	5,648
Government bonds	4.5	1,190	4.0	1,391
Other bonds	5.5	794	6.5	591
Property	6.9	1,984	6.4	1,514
Cash liquidity	3.0	265	3.0	381
Other	0	0	0	0
Total market value of assets		<u>13,226</u>		<u>9,525</u>
Actuarial value of liability		<u>(21,886)</u>		<u>(13,716)</u>
Recoverable (deficit) in the scheme		<u>(8,660)</u>		<u>(4,191)</u>
Related deferred tax asset/ (liability)		-		-
Prior period adjustment		-		-
Net pension liability		<u><u>(8,660)</u></u>		<u><u>(4,191)</u></u>

Analysis of amount charged to operating profit

	£000	£000
Current service cost	314	496
Past service cost	0	0
Other arrangements	-	-
Total operating charge	<u>314</u>	<u>496</u>

Analysis of net return on pension scheme

	31-Mar-10	31-Mar-09
	£000	£000
Expected return on pension scheme assets	625	788

Interest on pension liabilities	<u>(930)</u>	<u>(963)</u>
Net return	(305)	(175)

Analysis of amounts recognised in the Statement of Total Recognised Gains and Losses

	31-Mar-10	31-Mar-09
	£000	£000
Actual return less expected return on assets	2,606	(2,874)
Experience gains and losses on liabilities	0	0
Change in assumptions	<u>(6,886)</u>	<u>3,255</u>
Actuarial gain/ (loss) recognised in STRGL	<u>(4,280)</u>	<u>381</u>

Notes (continued)

17. Pension scheme (cont)

Movement in surplus during the year

	Year to 31 March £000	Year to 31 March £000
Scheme deficit at beginning of period	(4,191)	(4,306)
Movement in year		
Current service cost	(314)	(496)
Contributions	445	406
Net returns on assets/ (interest cost)	(305)	(175)
Past service gain	0	0
Settlements or curtailments	(15)	0
Actuarial gain/ (loss)	(4,280)	381
Deficit in scheme at end of period	(8,660)	(4,191)
Prior Period Adjustment	-	-
Council guarantee asset (see basis of preparation)	<u>8,660</u>	<u>4,191</u>

History of experience gains and losses

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Difference between expected and actual return on scheme assets:					
Amount	305	175	32	92	1,248
Percentage of scheme assets	2.31%	1.83%	0.30%	0.70%	12.60%
Experience gains and losses on scheme liabilities:					
Amount	0	0	1,151	0	(576)
Percentage of scheme liabilities	0.00%	0.00%	7.40%	0.00%	4.00%

Total amount recognised in statement of total recognised profits and losses:

Amount	(4,280)	381	(228)	1,392	(864)
Percentage of scheme liabilities	32.36%	4.00%	1.50%	8.60%	6.00%

Notes (continued)

18. Analysis of cash flows

	2010 £000	2009 £000
Returns on investment and servicing of finance		
Interest received	9	72
	<u>9</u>	<u>72</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(19)	(10)
	<u>(19)</u>	<u>(10)</u>

19. Analysis of net funds

	At beginning of year £000	Cash flow £000	Non cash changes £000	At end of year £000
Cash in hand, at bank	2,066	420		2,486
Bank overdraft	(4)	1		(3)
Total	<u>2,062</u>	<u>421</u>	<u>-</u>	<u>2,483</u>

20. Related party disclosures

In June 2001 Ashfield District Council made a decision to pursue the setting up of an Arms Length Management Organisation (ALMO) with the view to take advantage of a Government backed initiative to modernise and improve housing stock, by provision of extra Government funds. Most Councils solved the repair and modernisation backlog by transferring their housing stock to a new landlord, usually a housing association. However, by setting up Ashfield Homes Limited as an ALMO the Council has retained ownership of the housing stock and has also become eligible for Government funding to modernise and improve the stock.

Details as to the status of the company and composition of the Board of Directors is given in note 1. The ultimate controlling party is Ashfield District Council.

The company's main source of income is a management fee for the management of Ashfield District Council's housing stock: this amounted to £11.321m (2009: £11.891m). At the end of the financial year, a net balance of £458,000 is due to Ashfield District Council.

In the event of the company being wound up, Ashfield 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. If 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 Ashfield District Council.

21. Post Balance Sheet Events

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the fund by around 6 - 8%.

22. Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Ashfield District Council. The consolidated accounts of the group are available to the public and may be obtained from Ashfield District Council, Urban Road, Kirkby-in-Ashfield, Nottingham, East Midlands, NG17 8DA.

