



COMPANY NO: 04447876

Ascham Homes Limited

(A Company Limited by Guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 31 March 2010

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Company Information

Board Chair

Paul Lowenberg

Other Members

Mark Boisson
Clare Coghill
Barry Coppock
Paul Douglas
Ahsan Khan
Annie Niner
Liz Ormston
Alan Siggers
Ronald Charles Tamcken
Kellie Tasarkan
Michael Todd

Company Secretary

Sonja Jackson

Senior Management Team

Chief Executive
Deputy Chief Executive
Interim Director of Finance
Interim Head of Strategy

Madeleine Forster
Jo Murphy
Derek Young
Jon Rosser

Registered office

Willow House
869 Forest Road
Walthamstow
London E17 4UH

Registered number

04447876

Auditor

PKF (UK) LLP
16 The Havens
Ransomes Europark
Ipswich
Suffolk
IP3 9SJ

Bankers

The Co-operative Bank
Hoe Street Branch,
Walthamstow,
London E17 3AN

Chair Statement

These are the first set of financial accounts being presented since I was appointed Chair of the Board in November 2009. First, I would like to pay tribute to Paul Olford, the outgoing Chair. Paul has made an enormous contribution to Ascham Homes since its inception in 2003. He has led the organisation through difficult periods and ensured that the interests of residents are at the heart of all that we do.

2009/10 has been a year of enormous change and transition for Ascham Homes, and I would like to thank staff for their hard work to deliver services in challenging times. Over half the Board are new members. In addition to myself, the Board appointed new Chairs of the Performance and Development Committee- Mohamed Jiva (who has since resigned and been replaced by Liz Ormston), the Resources Committee - Barry Coppock and the Audit Committee- Wendy Wilson. The Chief Executive left the organisation in November. We put in place interim arrangements and immediately commenced recruitment of a new Chief Executive. Madeleine Forster, formerly from Circle Anglia Housing Association was appointed in March 2010 and commenced work on the 14th June. We are excited about having recruited such an outstanding candidate and look forward to working with her.

We faced significant financial challenges. The Board was confronted with a potential deficit to address of over £1m. It acted expeditiously to review all of its areas of spending and its management agreement with the London Borough of Waltham Forest. This resulted in a range of actions:

- A new business plan clearly focused on achieving high levels of resident satisfaction
- A medium term financial policy targeted to build up a prudent level of reserves and ensure that future budgets and on-going expenditure aligns with revenue projections
- A revised organisational structure designed to reduce costs by approximately £2 million per annum once fully implemented
- A set of targeted value for money savings on key contracted services, particularly in asset management
- A one off package of additional financial support from the Council to support the introduction of the new organisational strategy.

These financial accounts demonstrate that we have delivered this first stage of the transformation process effectively, by ending the year with a modest surplus. We have set clear financial targets for 2010/11 – including the reduced staffing budget, clear and targeted repairs and maintenance budgets and specific value for money objectives.

The Board is totally committed to driving up resident satisfaction with our services and engaging in effective ways with our very diverse community.

We achieved a number of service improvements and milestones in 2009/10.

- We brought 1352 units up to decent homes standard during the year, in total 74% of our stock now meets the national standard. We have a plan to bring a further 20% up to the standard in 2010/11 and complete the programme the following year.
- We achieved 100% gas servicing on the stock during the year.
- We hit our highest ever customer satisfaction results with 73.7% of residents expressing satisfaction in our annual survey.
- We introduced introductory and demoted tenancies.
- We established a resident inspector programme and our first group of 6 residents completed training and are now an important part of our scrutiny and feedback arrangements.

The new business plan vision is: Providing quality homes in a thriving community. Our objectives are:

- People: Listening and responding to your needs
- Resources: Making the best use of your money – doing more for less
- Improvement: Achieving very high resident satisfaction through service improvement
- Development: Rewarding the can do attitude and commitment of our staff
- Environment: Community impacts through joint action.

We have agreed a specific set of actions under each of these heading to ensure that we focus resources, performance and scrutiny on our key priorities.

During 2009/10 we confronted another key barrier to success, our working relationship with the Waltham Forest Council. Following discussions with the shareholder and the Chief Executive of the Council, we developed a Strategic Partnering Board between Ascham Homes and the Council. The Board held its first meeting in November. It has been an important innovation to build trust between the organisations, develop joint working and a shared vision.

In February 2010, the Audit Commission undertook its inspection of Ascham Homes. The outcome was announced in May – rating us as 1*, with uncertain prospects for improvement. While we were disappointed by the outcome, we consider it a fair assessment of where the organisation was at that time. We are putting together a detailed improvement plan that will address all of the Audit Commission's recommendations and are committed to demonstrating that we have improved significantly by the time of an expected re-inspection in 2011.

I would like to express thanks to all of the Board members who left the Board during the year: Barbara Gilmore, Naz Sarkar, Eric Gaver Williams, Rothstein Williams, Saiyyidah Mah-Mubeen Zaidi and Mohamed Asif. They have made a significant contribution to the organisation.

Our current management agreement with Waltham Forest Council runs until May 2013. We are committed to demonstrating over the coming period that we are the organisation best placed to manage and deliver high quality services to Waltham Forest Council tenants in the years to come. We now have in place:

- A business plan
- A resident engagement strategy
- A performance management framework including a balanced scorecard and
- A strategic partnership with the Council.

We will in 2010/11 develop a medium term financial strategy that will take on board any new national housing finance provisions, and carry out in conjunction with the Council an options appraisal on the future arrangements for management and development of the Council housing stock.

It is an exciting and challenging period ahead for Ascham Homes. We look forward to working together with our residents, the Council and other key stakeholders to drive forward service improvements and deliver value for money.

Paul Lowenberg
Chair of Ascham Homes
21st December 2010



Report of the Board

The Board is pleased to present the financial statements of the company for the year ended 31 March 2010.

Principal activities

Ascham Homes Limited is a local authority controlled company of the London Borough of Waltham Forest ("The Council") established with no share capital and limited by guarantee. It provides a housing management and maintenance service to the Council's residents and leaseholders. These activities were delegated to Ascham Homes Limited under section 27 of the Housing Act 1985 (as amended by the Housing and Urban Development Act 1993). Under the delegation the company is responsible for the following functions:

- Maintenance of the Council's residential stock including carrying out major works planned maintenance and responsive repairs and developing partnering arrangements.
- Housing management of the Council's residential stock including estate management, enforcement of tenancy conditions, leasehold management and repairs ordering;
- Financial management including collection of rent and service charges; and
- Tenant involvement and community development.

Business Review

The results for the year reveal a deficit of (£384,549) after taxation, (2008/09: £793,040 deficit). The Balance Sheet presents a revenue reserve excluding pension liability of £200,518 (2008/09:£140,064). It is recognised that the company continues to trade as a going concern with the continued support from the Council. Details about the achievements of the company during the year and future developments are addressed in the Chair's Statement on page 4 and the Operating and Financial Review that follows this report.

Our accounts have been prepared in accordance with Financial Reporting Standard 17. This relates to the assessment of the employer's liability in respect of the pension scheme. The impact of this is a deficit on the balance sheet. This position is not peculiar to Ascham Homes but is common to most Council owned ALMOs, (Arms Length Management Organisations). The employer's contribution is regularly reviewed to address this deficit. Under the signed management agreement, the London Borough of Waltham Forest has agreed to meet this liability should the Company be liquidated.

Directors

The present Board of Directors of the company are set out on page 3. The directors who served during the year to date were as follows:

Paul Lowenberg (Chair)	Appointed 09.11.09
Mark Boisson	
Margaret Broadley	Appointed 21.05.09; Resigned 20.05.10
Peter Barnett	Resigned 23.06.09
Barry Coppock	
Barbara Gilmore	Resigned 09.11.09
Ahmed Hussain	Resigned 09.11.09

Mohamed Jiva	Resigned 31.10.10
Annie Niner	
Paul Olford (Vice Chair)	Resigned as Chair & Re-appointed Vice Chair 09.11.09; Resigned 13.09.10
Liz Ormston	Appointed 26. 01.10
Naz Sarkar	Resigned 02. 06. 09
Alan Siggers	Appointed 21.05.09
Eric Sizer	Appointed 21.05.09; Resigned 20.05.10
Ronald Charles Tamcken	
Kellie Tasarkan	Appointed 23.01.10
Michael Todd	Appointed 09.11.09
Eric Graver Williams	Resigned 09.11. 09
Rothstein Williams	Resigned 09.11. 09
Wendy Wilson	Resigned 09.11. 09
Peter Woolcott	Resigned 20.05.10
Saiyyidah Mah-Mubeen Zaidi	Resigned 09.11.09
Also assisting the Board is:	
Wendy Wilson (Independent Chair of Audit Committee)	

In accordance with the Articles of Association, one tenant member and two independent members will retire by rotation at the forthcoming Annual General Meeting.

Company Secretary

The following served as the company secretary from 1st April 2009 – 30th November 2009.

Hassett Auguste

The following served as the company secretary from 22nd December 2009

Sonya Jackson

Management Team

The current Senior Management Team is listed on page 3. The detailed scrutiny of performance, the development of policy and procedures, and the approval of expenditure within budget are carried out by the management team who meet every 2 weeks.

Auditors

A resolution to appoint PKF (UK) LLP as auditor for the next four years was agreed by the Audit Committee on 1 December 2009 and was proposed and agreed at the annual general meeting.

Disclosure of information to auditors

At the date of making this report each of the company's Board directors, as set out on page 3, confirm the following:

- so far as each director is aware, there is no relevant information needed by the company's auditors in connection with preparing their report of which the company's auditors are unaware; and
- each director has taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

Approval

The report of the directors was approved by the Board on 21st December 2010 and signed on its behalf by:


S. Jackson
Company Secretary

Operating and Financial Review

Performance and development

The key performance indicators (KPIs) used to monitor achievement of the company's key objectives are set out below. The Board and the London Borough of Waltham Forest agree targets each year that are designed to manage development and deliver continuous service improvement.

Performance indicator	Target 2010	2010	2009	2008
Capital spend achieved against planned ¹	100%	100%	100%	100%
Percentage of urgent repairs completed within government time limits ²	98.50%	99.11%	98.55%	98.21%
Rent collected as a proportion of rents owed on HRA dwellings ³	97.80%	97.70%	97.49%	97.63%
Percentage of Estate Inspections achieving grade B or above ⁴	98.50%	99.93%	99.87%	99.52%
Squatter & Unauthorised Occupancy Turnaround Times ⁵	85 days	56 days	51.25 days	-

Notes to KPIs

¹ Capital spend achieved against planned: This indicator measures the money spent on major works throughout the year against the planned spend. In real terms it measures how well we are managing our major works scheme by both keeping within budget and carrying out a well planned major works programme throughout the year to deliver Decent Homes. The total budget for Capital in 2009/10 was £33.07m.

² The percentage of urgent repairs completed within government time limits: This indicator is defined in the Right to Repair regulations. It measures the proportion of 'Right to Repair' repairs which were completed within target timescales.

³ Rent collected by the local authority as a proportion of rents owed on HRA dwellings: This indicator measures the rent collected throughout the year compared to the rent bills sent out and any outstanding rent needing to be paid from previous years.

⁴ Percentage of Estate Inspections achieving grade B or above: This indicator measures the proportion of inspections made by estate supervisors which graded the estate areas as an overall level B (or above) standard of cleanliness compared to all inspections carried out.

⁵ The number of days that it takes to deal with unauthorised occupancy and squatter cases. Ascham Homes is required to visit 10% of Council stock each year to carry out property audit to ensure correct tenant is in occupancy.

Principal risks and uncertainties facing the company

Our main aim for the coming 12 months is to have adequate systems in place to guarantee optimal delivery of the final tranche of the Decent Homes programme. We also need to ensure we have adequate funding to maintain the delivery to our residents. This requires providing efficient and effective services to maximise income and deliver good quality services and repairs which would result in an increase in resident satisfaction.

The company does not have any material exposure to financial market risk.

Efficiency

Whilst the company strategy is to achieve 2.5% efficiency savings each year, this is becoming increasingly difficult as opportunities for rationalising the back office services and repairs partnering functions has already been achieved. A company-wide efficiency review was embarked on during the 2009/10 financial year. The review identified alternatives to those already implemented to meet the challenging management fee reduction targets being set by the London Borough of Waltham Forest in 2010/11. Some of the alternatives being explored include options for the outsourcing or sharing of back office function services with other ALMOs, Registered Social Landlords, and Local Authorities

Corporate Governance

The Board seeks to conduct all its activities in accordance with its core values. In addition to the company's Memorandum and Articles of Association the Board has a Code of Governance to address wider issues of governance and is pleased to report its compliance with this document.

The Board is responsible for the strategic direction and policies of the company. The day-to-day management and implementation of the policies is the responsibility of the Chief Executive and his executive directors.

The Board is made up of fifteen registered directors of the company of which seven are voted onto the Board by residents, four are Council nominees and four are independents. A full list of the directors who served during the year is shown on page 6-7.

The Board met 8 times during the last year. The Board's four committees met the following number of times: Audit (4), Resources (5), Governance and Remuneration (6), and Performance and Development (6). The Board and committees can obtain specialist advice from time to time as necessary. Terms of reference set out the remit of each committee.

Insurance

The company maintains insurance policies for members of the Board, the staff and the management team against liabilities in relation to the company.

Employee HR Strategy

Our vision is to create an environment that enables the company to help itself through unleashing the potential of all staff, empowering managers to find their own solutions and providing support when it is needed.

Through this empowerment and development, the working conditions are created that will ensure that staff respond to the challenges of their job and look forward to undertaking their work within Ascham Homes. We invested in management development, IT, customer care, equalities and performance management training during 2009/10. Ascham Homes has an excellent tradition on which to build, all supported by having deep-rooted equalities policies and procedures. In 2010/11 we will continue to focus on the development of Company-wide competencies in IT and customer care, as outlined in our Workforce Development Plan.

Environment

The company's policy with regard to the environment is to ensure that we and our strategic partners provide our residents with a sustainable and effective first class waste and environmental service which meet the needs of an ethnically and culturally diverse community. We recycle 100% (2009: 92%) of all construction waste. As part of the Decent Homes programme we install condensing boilers and all homes benefit from insulation.

Ascham Homes and its strategic partners will ensure that a viable process is in place to establish and maintain a Register of Environmental Legislation, which consists of a comprehensive list of acts and regulations.

Benchmarking will take place to ensure compliance with best practice, whilst communication of the Environmental and Waste Policy will occur both internally and externally. The policy also covers Waste Management, Energy Management and Traffic and Travel Management.

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 surplus or deficit of the company for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ASCHAM HOMES LIMITED

We have audited the financial statements of Ascham 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement, 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 Ethical Standards for Auditors.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – possible outcome of a potential claim

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in Notes 1 and 20 to the financial statements concerning the possible outcome of a potential claim for damages against Ascham Homes Limited for alleged breach of contract and/or negligence, received by the Company after the year end. The ultimate outcome of the matter cannot presently be determined with sufficient accuracy for the contingent liability to be quantified. However, the note makes it clear that in certain scenarios there is a material uncertainty over the Company's ability to continue as a going concern. Our opinion should be read in the context of those disclosures.


Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



22 December 2010

David Eagles (Senior statutory auditor)

for and on behalf of PKF (UK) LLP, Statutory auditors

Income and Expenditure Account

For the year ended 31 March 2010

	Note	2010 £	2009 £
Income	2	55,973,897	59,859,919
Direct costs		<u>(51,306,716)</u>	<u>(57,332,898)</u>
Gross surplus		4,667,181	2,527,021
Administrative expenses		<u>(4,747,654)</u>	<u>(3,391,260)</u>
Operating deficit	3	(80,473)	(864,239)
Interest receivable and similar income	4	18,892	277,686
Other finance (costs)/income	18	(319,000)	(137,000)
Deficit on ordinary activities before taxation		(380,581)	(723,553)
Tax on (deficit)/surplus on ordinary activities	7	(3,968)	(69,487)
Retained deficit for the year		(384,549)	(793,040)

All amounts related to continuing activities

There are no differences between the deficit for the year and its historical cost

Statement of Total Recognised Gains and Losses

For the year ended 31 March 2010		2010	2009
		£	£
Deficit for the financial year		(384,549)	(793,040)
Actuarial loss relating to pension scheme	18	<u>(1,288,000)</u>	<u>(157,000)</u>
Total recognised losses relating to the year		(1,672,549)	(950,040)
Total recognised deficit since the last annual report		<u>(1,672,549)</u>	<u>(950,040)</u>

Retained (deficit)/surplus excluding FRS17

For the year ended 31 March 2010		2010	2009
Surplus/(Deficit) for the financial year		(384,549)	(793,040)
FRS17 pension liability b/f	18	(3,769,000)	(3,117,000)
Actuarial loss relating to pension scheme	18	(1,288,000)	(157,000)
FRS17 pension liability c/f	18	<u>5,502,000</u>	<u>3,769,000</u>
Operation (deficits) surpluses before FRS17		60,451	(298,040)
Revenue reserve b/f		140,064	438,104
Balance sheet revenue reserve before FRS17	11	<u>200,515</u>	<u>140,064</u>

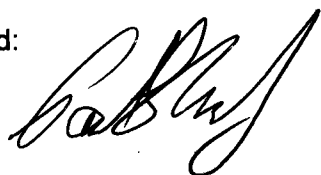
Balance Sheet

At 31 March 2010

	Note	2010 £	2009 £
Fixed assets			
Tangible assets	8	165,265	125,090
		<u>165,265</u>	<u>125,090</u>
Current assets			
Debtors	9	5,823,202	6,637,356
Cash at bank and in hand		2,044,227	2,795,683
		<u>7,867,429</u>	<u>9,433,039</u>
Creditors: Amounts falling due within one year	10	<u>(7,832,179)</u>	<u>(9,418,065)</u>
Net current assets		<u>35,250</u>	<u>14,974</u>
Total assets less current liabilities, being net assets excluding pension liability		200,515	140,064
Pension Liability	18	(5,502,000)	(3,769,000)
Net Assets/(Liabilities) including pension liability		<u>(5,301,485)</u>	<u>(3,628,936)</u>
Reserves			
Revenue Reserve	11	<u>(5,301,485)</u>	<u>(3,628,936)</u>

The financial statements were approved and authorised for issue by the Board on 21st December 2010 and signed on its behalf by:

Signed:



Director

Cash Flow Statement

For the year ended 31 March 2010

	Note	2010	2009
		£	£
Net cash outflow from operating activities	15	(638,675)	(945,871)
Returns on investments and servicing of finance			
Interest received	4	18,892	277,686
Taxation (paid)/receivable			
UK corporation tax		(3,968)	(83,135)
		(3,968)	(83,135)
Capital expenditure and financial investment			
Payments for tangible fixed assets		(127,705)	(99,411)
Decrease in cash	16	(751,456)	(850,731)

Notes to the Financial Statements

31 March 2010

1. Accounting Policies

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Going Concern

Despite the matter disclosed in Note 20 on Contingent Liability concerning the potential claim for alleged breach of contract and/or negligence received by the Company after the year end on 9 June 2010, the financial statements are prepared on a going concern basis.

The main source of income is a management fee received on annual basis from the Council in line with the approved Management Agreement which extends until 30 April 2013. The level of management fee is negotiated with the Council on an annual basis, based on the agreed priorities for the forthcoming year. It is recognised that the company continues to trade on the basis of the continued support from the Council. The management fee for 2009/10 was £20,150,790 with an additional sum of £1,336,000 from the Council. Total 2009/10 fee was £21,486,790.

Income

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year. All turnover arises in the United Kingdom. Our main source of income is annual management fee received in equal instalments on a monthly basis from the Council in line with the approved Management Agreement. The level of management fee is negotiated with the Council on an annual basis.

Tangible fixed assets and depreciation

Depreciation is provided evenly on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives.

The principal annual rates used for other assets are:

Plant and machinery	25%
Fixtures, fittings and equipment	25%
Vehicles	20%
Computer equipment	33%

Where there is evidence of impairment, fixed assets are written down to recoverable amount.

Leased assets

Rentals payable under operating leases are charged to the Income and Expenditure account in the year in which it relates.

Development

Development expenditure on the iWorld computer system is written off in the year in which it is incurred.

Notes to the Financial Statements

31 March 2010

Deferred taxation

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

In accordance with FRS 19 deferred tax is not provided on timing differences arising from:

- a) revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date; and
- b) gains on the sale of non-monetary assets, where on the basis of all available evidence it is more likely than not that the taxable gain will be rolled over into replacement assets.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Where law or accounting standards require gains and losses to be recognised in the statement of total recognised surpluses and deficits, the related taxation is also taken directly to the statement of total recognised gains and losses in due course.

Corporation Tax

Corporation Tax is calculated at the tax rates that are expected to apply in the period of the financial statements. HM Revenue & Customs guidance BIM58210 states that arrangements between an ALMO and its Council are not considered as trading activities and therefore profits and losses incurred as a result, fall outside the scope of Corporation Tax. Accordingly, no provision for Corporation tax has been made in the financial period. Profits generated from trading with third parties, including interest receivable are subject to Corporation tax within one year.

Pensions

The company operates a defined benefit pension scheme. The assets of the scheme are invested and managed independently of the finances of the company. Pension costs are assessed in accordance with the advice of an independently qualified actuary. Costs include the regular cost of providing benefits, which it is intended should remain a substantially level percentage of current and expected future earnings of the employees covered. Variations from the regular pension costs are spread evenly through the profit and loss account over the average remaining service lives of current employees.

The operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets and any other changes in fair value of the assets and liabilities, are recognised in the accounting period in which they arise. The operating costs, finance costs and expected return on assets are recognised in the profit and loss account with any other changes in fair value of assets and liabilities being recognised in the statement of total recognised gains and losses.

Notes to the Financial Statements

31 March 2010

2. Income

The company's income arose wholly in the United Kingdom.

	2010 £	2009 £
Capital Income	33,073,330	37,701,744
Revenue Income	<u>22,900,567</u>	<u>22,158,175</u>
	<u>55,973,897</u>	<u>59,859,919</u>

3. Operating Surplus/ (Deficit)

Operating surplus/ (deficit) is arrived at after charging:

	2010 £	2009 £
Operating lease rentals		
- land, vehicle and buildings	17,138	33,143
Fees payable to the Company's auditors for:		
- the audit of the financial statements	15,990	21,300
- Taxation services during financial year	1,500	1,500
Depreciation of tangible fixed assets	87,529	68,811
	<u> </u>	<u> </u>

Notes to the Financial Statements

31 March 2010

4. Interest Receivable

	2010 £	2009 £
Bank interest	18,892	277,686

5. Employees

Average number of employees:

	2010	2009
Chief Executive	1	1
Chief Executive's Office	1	1
Resources & Legal	42	41
Operations	86	85
Property & Investment	82	78
	<u>212</u>	<u>206</u>

Staff costs, including directors:

	2010 £	2009 £
Wages and salaries	6,437,106	5,627,994
Social security costs	510,884	452,758
Other pension costs	646,000	822,000
	<u>7,593,990</u>	<u>6,902,752</u>

6. Directors' Remuneration

From November 2009 the Company recruited a paid Chair. The sum paid to 31st March 2010 was £3,591. The directors of the Company are defined as being members of Ascham Homes Limited's main Board. None of the other directors received any remuneration such as salary, bonuses, commission or benefits in kind, during the year. They were entitled to reimbursement for incidental expenses incurred when attending Board meetings and other formal events in their capacity as Board members. These expenses totalled £5,192 (2009: £6,179).

Notes to the Financial Statements

31 March 2010

7. Taxation

Taxation charge for the year

The taxation charge for the year is analysed below:

	2010 £	2009 £
Current taxation: United Kingdom Corporation Tax	3,968	69,487
	<hr/>	<hr/>
Tax on (deficit)/surplus ordinary activities	<u>3,968</u>	<u>69,487</u>

Current tax reconciliation

The current tax charge is lower than the standard rate of corporation tax in the UK. Reconciliation is shown below:

	2010 £	2009 £
Deficit on ordinary activities before taxation	<u>(380,581)</u>	<u>(723,553)</u>
Theoretical tax at UK corporation tax rate of 28% (2009: 28%)	(106,563)	(202,595)
Effects of:		
-Non-taxable (profits)/non-allowable losses of mutual trading	111,853	280,347
- Small companies relief	<u>(1,322)</u>	<u>(8,265)</u>
Actual current taxation charge	<u>3,968</u>	<u>69,487</u>

Notes to the Financial Statements

31 March 2010

8. Tangible Assets

	Computer Equipment £	Plant and Machinery £	Vehicles £	Office Furniture and equipment £	Total £
Cost					
At 1 April 2009	296,974	59,310	73,157	20,028	449,469
Additions	48,895	59,687	-	19,123	127,706
At 31 March 2010	345,869	118,997	73,157	39,151	577,174
Depreciation					
At 1 April 2009	266,464	24,944	27,205	5,766	324,379
Charged in year	33,359	29,750	14,631	9,790	87,530
At 31 March 2010	299,823	54,694	41,836	15,556	411,909
Net book value					
At 31 March 2010	46,046	64,303	31,321	23,595	165,265
At 31 March 2009	30,510	34,366	45,952	14,262	125,090

9. Debtors

	2010 £	2009 £
Trade debtors	18,361	7,605
Other debtors	65,391	14,956
Amounts due from parent undertaking (London Borough of Waltham Forest)	5,649,976	6,550,842
CIS25 Withholding Tax	2,627	2,505
Prepayments & Accrued Income	86,847	61,448
	<u>5,823,202</u>	<u>6,637,356</u>

10. Creditors: Amounts Falling Due Within One Year

	2010 £	2009 £
Trade creditors	3,516,472	1,472,587
Amounts due to parent undertaking (London Borough of Waltham Forest)	865,100	524,422
Corporation Tax	2,549	68,067
VAT Payable	740,802	200,409
Other taxation and social security	218,315	-
Accruals	2,488,941	7,152,580
	<u>7,832,179</u>	<u>9,418,065</u>

Notes to the Financial Statements

31 March 2010

11. Revenue Reserve

	2010	2009
	£	£
At 1 April 2009	(3,628,936)	(2,678,896)
Deficit for the year	(384,549)	(793,040)
Actuarial gain/loss relating to pension scheme	(1,288,000)	(157,000)
	<hr/>	<hr/>
At 31 March 2010	(5,301,485)	(3,628,936)
	<hr/>	<hr/>

	2010	2009
	£	£
Revenue reserve excluding pension liability	200,515	140,064
Pension liability	(5,502,000)	(3,769,000)
	<hr/>	<hr/>
Revenue reserve including pension liability	(5,301,485)	(3,628,936)
	<hr/>	<hr/>

12. Reconciliation of movements in funds

	2010	2009
	£	£
Opening total funds	(3,628,936)	(2,678,896)
Total recognised deficits relating to the year	(1,672,549)	(950,040)
	<hr/>	<hr/>
Closing total funds	(5,301,485)	(3,628,936)
	<hr/>	<hr/>

Notes to the Financial Statements

31 March 2010

13. Related Party Transactions

Ascham Homes Limited is a London Borough of Waltham Forest (LBWF) controlled company established with no share capital and limited by guarantee. The Council has delegated responsibility for overseeing the management and maintenance of its residential stock to Ascham Homes Limited in accordance with a ten-year management agreement effective from 1st May 2003. The Council pays the company a monthly management fee in accordance with the agreement and any variations subsequently approved. In 2009/10 the total management fee for the year amounted to £21,486,790 (2008/09 £20,603,600).

The company undertakes capital works projects on behalf of the Council. The costs of these works are recharged to the Council, with both the costs and the corresponding income being recognised in the Income and Expenditure account. In 2009/10 these capital works amounted to £33,073,330 (2008/09: £37,701,744).

Ascham Homes Limited currently utilises the Council's Rent Accounting and Property System (Northgate iWorld).

Amounts due from LBWF to Ascham Homes Limited at the year-end of 2009/10 amounted to £5,649,976; (2008/09: £6,550,842). Ascham Homes Limited's indebtedness to LBWF at the end of 2009/10 was £865,100 (2008/09: £524,422) for the provision of support and other ancillary services.

14. Financial Commitments

Operating lease commitments

The payments, which the company is committed to make in the next year under operating leases, are as follows:

	2010 £	2009 £
Land and buildings, leases expiring: After five years	6,000	6,000
Vehicles, leases expiring: After one year	17,138	36,834
	<hr/> 23,138	<hr/> 42,834
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

31 March 2010

15. Reconciliation of Operating Surplus To Net Cash Inflow From Operating Activities

	2010 £	2009 £
Operating (deficit)/surplus	(80,473)	(864,239)
Depreciation	87,530	68,811
(Increase)/Decrease in debtors	814,154	(5,386,928)
Increase/(Decrease) in creditors	(1,585,886)	4,878,485
Pension Contributions	(520,000)	(464,000)
Pension Service /Past Costs	646,000	822,000
Net cash outflow from operating activities	<u>(638,675)</u>	<u>(945,871)</u>

16. Analysis of Net Cash Flow to Movement in Net Funds

	2010 £	2009 £
Decrease in cash in the period	(751,456)	(850,731)
Net funds at 1 April 2009	<u>2,795,683</u>	<u>3,646,414</u>
Net funds at 31 March 2010	<u>2,044,227</u>	<u>2,795,683</u>

Notes to the Financial Statement

31 March 2010

17. Analysis of Changes in Net Funds

	At 1 April 2009 £	Cash flows £	At 31 March 2010 £
Cash at bank and in hand	2,795,683	(751,456)	2,044,227
	<u>2,795,683</u>	<u>(751,456)</u>	<u>2,044,227</u>

18. Pensions

Ascham Homes Ltd participates in the Local Government Pension Scheme. The Local Government Pension Scheme is a defined benefit scheme based on final pensionable salary.

The last valuation was carried out as at 31 March 2007, and has been updated by independent actuaries to the London Borough of Waltham Forest Pension Fund (the Fund) to take account of the requirements of FRS17 in order to assess the liabilities of the Fund as at 31 March 2010. Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities discounted to their present value.

The contributions by Ascham Homes Limited for the year ended 31 March 2010 were £520,000 (2008/09: £464,000) at a contribution rate of 11.8% of pensionable salaries. The results of the actuaries valuation in March 2007, set the employers contribution rate for 2010/11 at 12.99%.

Notes to the Financial Statements

31 March 2010

18. Pensions (contd)

Assumptions used by the actuary were:

	2010 % per annum	2009 % per annum	2008 % per annum
Discount rate	5.60%	7.10%	6.10%
Rate of increase in salaries	4.80%	4.80%	5.10%
Rate of increase in pensions in payment	3.30%	3.30%	3.60%
Rate of inflation	3.30%	3.30%	3.60%

Life expectancy assumptions on retirement at age 65 are:

	Males		Females	
	2010	2009	2010	2009
Current Pensioner	20.4 years	20.3 years	23.2 years	23.2 years
Future Pensioners	21.3 years	21.3 years	24.1 years	24.1 years

Long term expected rates of return on assets

	2010	2009	2008
Equities	5.60%	7.50%	7.50%
Bonds	5.20%	6.00%	6.10%
Property	6.50%	6.50%	6.50%
Cash/Liquidity	.50%	0.50%	5.25%
Other	7.50%	7.50%	7.50%

Assets are valued at mid-market value, and comprise of:

	2010 £000	2009 £000	2008 £000
Equities	12,346	7,802	10,205
Bonds	2,321	1,386	2,126
Other	1,793	1,990	1,843
Total	16,460	11,178	14,174

The proportions of total assets held in each asset type, shown above, reflect the proportions held by the Fund as a whole at 31 March 2010.

Notes to the Financial Statements

31 March 2010

18. Pensions (contd)

Net Pension Liability

	2010 £000	2009 £000	2008 £000
Benefit obligation at end of period	16,460	(14,947)	(17,291)
Fair value of planned assets at end of period	(21,962)	11,178	14,174
Ascham Homes Ltd deficit in the Fund	(5,502)	(3,769)	(3,117)

Analysis of amount charged to operating profit

	2010 £000	2009 £000	2008 £000
Current service cost (13% of pensionable payroll, 16.5% 2009)	(546)	(822)	(677)
Past service/ curtailment (cost)	(100)	-	(231)
Total operating charge	(646)	(822)	(908)

Analysis of amount credited to other finance income

	2010 £000	2009 £000	2008 £000
Expected return on pension fund assets	754	984	996
Change in pension fund assets	-	3	-
Change in benefit obligations	-	(45)	-
Interest on pension scheme liabilities	(1073)	(1079)	(890)
	(319)	(137)	106

Analysis of actuarial gains and losses recognised in the statement of total recognised surpluses and deficits

	2010 £000	2009 £000	2008 £000
Actual return less expected return on pension scheme assets	4,213	(4,378)	(2,211)
Experience gains and losses arising on scheme liabilities	(5,501)	4,221	1,119
Changes in assumptions underlying the present value of scheme activities	-	-	(364)
	(1,288)	(157)	(1,456)

Notes to the Financial Statements

31 March 2010

18. Pensions (contd)

Movement in deficit during the year

	2010 £000	2009 £000	2008 £000
Deficit in scheme at beginning of year	(3,769)	(3,117)	(1,250)
Movement in year:			
Current service cost	(546)	(822)	(677)
Employer contributions	520	464	391
Past service/curtailment/settlement (loss)	(100)	-	(231)
Net Interest/Return on Assets	(319)	(137)	106
Actuarial loss	(1,288)	(157)	(1,456)
Deficit in scheme at end of year	<u>(5,502)</u>	<u>(3,769)</u>	<u>(3,117)</u>

Analysis of movement in the fair value of the scheme assets

	2010 £000	2009 £000
Fair value of plan assets at beginning of period	11,178	14,132
Expected return on planned assets	754	984
Employer contributions	520	464
Members contributions	295	295
Actuarial gain/loss	4,213	(4,378)
Benefits/Transfers paid	(500)	(319)
Fair value of plan assets at end of period	<u>16,460</u>	<u>11,178</u>

Notes to the Financial Statements

31 March 2010

18. Pensions (contd)

Analysis of movement in the present value of the scheme liabilities

	2010 £000	2009 £000
Benefit obligation at beginning of period	14,947	17,291
Current service cost	546	822
Interest on pension liabilities	1,073	1,079
Members contributions	295	295
Past service cost	100	-
Actuarial (loss)/gain	5,501	(4,221)
Benefits/Transfers paid	(500)	(319)
Benefit obligation at end of period	21,962	14,947

History of experience gains and losses

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Difference between the expected and actual return on scheme assets					
Amount	(4,213)	(4,378)	(2,211)	90	1,859
Percentage of scheme assets	25.6%	39.2%	15.6%	0.6%	13.8%
Experience gains and losses on scheme liabilities					
Amount	5,501	4,221	1,119	-	(29)
Percentage of present value of scheme liabilities	25%	28.2%	6.5%	0%	0.2%
Total amount recognised in statement of total recognised gains and losses					
Amount	(1,288)	(157)	(1,456)	1068	360
Percentage of present value of scheme liabilities	5.9%	1.10%	8.4%	6.6%	2.3%

Notes to the Financial Statements

31 March 2010

19. Parent Undertaking

The Company is a local authority controlled company within the meaning of Part V of the Local Government and Housing Act 1989, being a Company under the control of London Borough of Waltham Forest; a copy of the Consolidated Accounts can be obtained from London Borough of Waltham Forest and copies are readily available.

The Directors consider that London Borough of Waltham Forest is the ultimate controlling party.

20. Contingent Liability

By a letter dated 9 June 2010 the London Borough of Waltham Forest ("LBWF") has notified Ascham Homes Limited that it has a potential claim for damages in the sum of £5.4m arising from Ascham Homes alleged breach of contract and/or negligence in failing to properly run the resident consultation procedure under Section 20 of the Landlord and Tenant Act 1985. The claim in breach of contract and the claim in negligence arise from the same alleged failure by Ascham Homes and will not give rise to separate or distinct claims for damages; they are merely put in the alternative. The potential claim has been referred to insurers who have communicated with LBWF and are in the process of assessing the claim and its liability to indemnify under the policy. The insurer has already stated that the relevant insurance policy does not cover breaches in contract. In the event the insurer accepts a liability to indemnify, then Ascham Homes exposure will be limited to its policy excess to the extent that one is chargeable. If the insurer does not accept liability, and LBWF pursue a claim, then it is unlikely Ascham Homes will be in a position to meet the majority of any subsequent liability with consequent impact on the ability of the Company to continue as a going concern.