



**COMPANY NO: 04447876**

# **Ascham Homes Limited**

*(A Company Limited by Guarantee)*

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

***Year ended 31 March 2009***

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# Company Information

## **Board**

Chair

Paul Olford

Vice Chair

Naz Sarkar

Other members

Peter Barnett  
Mark Boisson  
Barry Coppock  
Barbara Gilmore  
Ahmed Hussain  
Mohamed Jiva  
Annie Niner  
Ronald Charles Tamcken  
Eric Graver Williams  
Rothstein Williams  
Wendy Wilson  
Peter Woolcott  
Saiyyidah Mah-Mubeen Zaidi

## **0Executive Directors**

Chief Executive and Secretary

Hassett E Auguste

Director of Resources & Legal

Mary Nuako

Interim Director of Property & Investment

Jan Taranczuk

Director of Operations

Janet Wilson

## **Registered office**

Willow House  
869 Forest Road  
Walthamstow  
London E17 4UH

## **Registered number**

04447876

## **Auditor**

Grant Thornton UK LLP  
Chartered Accountants  
Bryanston Court  
Selden Hill  
Hemel Hempstead HP2 4TN

## **Bankers**

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

## Chair's Statement

This year, 2008/09 the company has continued to deliver services to its customers notably in the area of Decent Homes. We were pleased to receive confirmation from the government of necessary funding to complete the programme without the need to re-profile intended works extensively.

From a base of 12% decency at the commencement of the company, Ascham Homes has now achieved 61% decency at March 2009. The company will continue on the core of the large projects; which will have the greatest impact and bring the largest benefit to the greater number of residents.

Repairs funding for next year is now settled and the company anticipates delivering a service that exceeds that of 2008/09.

The Legal team which was brought in house in the Autumn of 2007 continues to improve the achievement of securing entry for gas servicing. The company achieved a 100% success rate with all 9,041 properties being inspected and having landlord certificates issued within 12 months. Further improvements were also made in rent collection; projections for next year indicate a top quartile collection rate can be achieved, albeit within an economic downturn.

Rotational Board retirements saw 2 Tenant and 3 Independent Directors appointed to the Board. The new members will further enhance the "check and challenge" role of the Board, and assist in the continual drive for improvement and change.

We continue to progress the Decent Homes programme and consistently receive high tenant satisfaction with the completed works. Due to legal issues with the recovery of charges from leaseholders, and as a result of the disappointing ruling of the Lands Tribunal, the planned Decent Homes programme has been rescheduled in later years to minimise financial risk from the failure to recover charges. The company continues to review its legal options in light of the Lands Tribunal ruling.

The company prides itself on the work with its employees and resident involvement. The company held its annual residents award ceremony in January, and retained its accreditation for Investors in People (IIP) in February 2009. The company also completed the first stage rollout of its competency based framework to 50 managers to enable the development of management, technical and inter personal skills within the company.

The Interim Director arrangements on the Executive Team have proved successful and have provided stability and improvements in the operation of the company.

The company moved into its newly refurbished accommodation at Willow House in March 2009. The move was well managed by all staff concerned, and has resulted in minimal disruption to the provision of services to residents.

An increased volume of day to day and other repairs orders, coupled with an increase in the number of void dwellings presented by the Council, has seen extreme pressure on the repairs budgets of the company. As against the 2007/08 surplus, this has seen the 2008/09 financial accounts overspent, with the working balances significantly reduced.

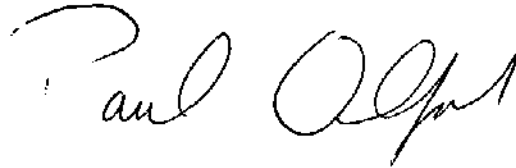
Our partnership with the Council has once again proved a vital source for critical and in-depth challenge. The company re-inspection by the Audit Commission will be taking place in February 2010, and we have the full support of the Council in achieving a successful re-

inspection result. The company will be striving to maintain and improve on its current 2 star rating achieved at its 2006 inspection.

Furthermore, due to the pressures on the repairs budget, and the forthcoming re-inspection, the efficiencies in delivering services have come under increased focus. An external review commenced in early 2009 to review company Value for Money, which will assist in our challenges of staying within budget, whilst delivering excellence, and keeping tenants at the centre of all we do.

Paul Olford

Chair



Date:

14<sup>th</sup> SEPTEMBER 2009.

# Report of the Board

The Board is pleased to present the financial statements of the company for the year ended 31 March 2009.

## 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 tenants 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 £793,040 after taxation, (2007/08; £261,492 surplus). The Balance Sheet presents a revenue reserve excluding pension liability of £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. The employer's contribution is regularly reviewed to address this deficit. Under the 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 from 1<sup>st</sup> April 2008 to date were as follows:

Paul Olford (Chair)	
Peter Barnett	Appointed 22.05.08
Mark Boisson	
Barry Coppock	
Barbara Gilmore	
Ahmed Hussain	Appointed 17.02.09
Mohamed Jiva	Appointed 27.10.08
Annie Niner	
Naz Sarkar	

Ronald Charles Tamcken
Eric Graver Williams
Rothstein Williams
Wendy Wilson
Peter Woolcott
Saiyyidah Mah-Mubeen Zaidi
<b>Also assisting the Board is:</b>
Jacky Kennedy (Board Mentor)

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 1<sup>st</sup> April 2008 to date:

Hassett Auguste

### **Management Team**

The executive directors who currently form the company's Management Team are 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 re-appoint Grant Thornton UK LLP as auditor for the ensuring year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

### **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 14<sup>th</sup> September 2009 and signed on its behalf by:

  
- Hassett Auguste  
H. Auguste  
Company Secretary

# Operating 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	2009	2008	2007
Capital spend achieved against planned <sup>1</sup>	100%	100%	100%	100%
Percentage of urgent repairs completed within government time limits <sup>2</sup>	98.50%	98.55%	98.21%	99.09%
Rent collected as a proportion of rents owed on HRA dwellings <sup>3</sup>	97.80%	97.49%	97.63%	95.45%
Percentage of Estate Inspections achieving grade B or above <sup>4</sup>	98.50%	99.87%	99.52%	98.12%
Proportion of Neighbourhood nuisance cases reported which lead to a successful result <sup>5</sup>	60%	Superseded by 6 below	67.30%	58.90%
Property Audit of Council Property <sup>6</sup>	85 days	51.25 days	-	-

### Notes to KPIs

- <sup>1</sup> 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 2008/09 was £37.7m.
- <sup>2</sup> 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.
- <sup>3</sup> 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.
- <sup>4</sup> 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.
- <sup>5</sup> Proportion of Neighbourhood nuisance cases reported which lead to a successful result: This indicator measures the count and percentage of all Tenancy Enforcement cases which have a successful result compared to the volume of cases being dealt with.
- <sup>6</sup> 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 Decent Homes programme. We also need to ensure we have adequate funding to maintain the delivery of a minimum 2 Star service. 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 in the year, this is becoming increasingly difficult as opportunities for rationalising the back office services and repairs partnering functions has already been achieved. However the company has embarked on an overarching efficiency review to identify further alternatives to those already implemented to meet the challenging management fee reduction targets being set by the London Borough of Waltham Forest. 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 tenants, four are Council nominees and four are independents. A full list of the directors who served during the year is shown on page 3.

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 2008/09. During 2008/09 we implemented a competency-based Personal Development Framework for all posts, and have

successfully retained the investors in people (IIP) award. Ascham Homes has an excellent tradition on which to build, all supported by having deep-rooted equalities policies and procedures. In 2009/10 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 92% (2008: 73%) 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 for the financial statements**

The directors are responsible for preparing the annual report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

# 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 2009 which comprise the principal accounting policies, the income and expenditure account, the balance sheet, the statement of total recognised surpluses and deficits and notes 2 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Board is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Board, the Chair's Statement and Operating Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement,

whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion:

- The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its deficit for the year then ended;
- The financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the Report of the Board is consistent with the financial statements.

*Grant Thornton UK LLP*  
GRANT THORNTON UK LLP  
REGISTERED AUDITOR  
CHARTERED ACCOUNTANTS  
Hemel Hempstead

Dated: *21 January 2010*

# Income and Expenditure Account

For the year ended 31 March 2009

	Note	2009 £	2008 £
<b>Income: continuing operations</b>	2	59,859,919	60,492,674
Direct costs		<u>(57,332,898)</u>	<u>(56,895,448)</u>
<b>Gross surplus</b>		<b>2,527,021</b>	<b>3,597,226</b>
Administrative expenses		<u>(3,391,260)</u>	<u>(3,669,144)</u>
<b>Operating deficit : continuing operations</b>	3	<b>(864,239)</b>	<b>(71,917)</b>
Interest receivable and similar income	4	277,686	309,124
Other finance (costs)/income	18	(137,000)	106,000
<b>(Deficit)Surplus on ordinary activities before taxation</b>		<u><b>(723,553)</b></u>	<u><b>343,207</b></u>
Tax on (deficit)/surplus on ordinary activities	7	(69,487)	(81,715)
<b>Retained (deficit)/surplus for the year</b>		<u><u><b>(793,040)</b></u></u>	<u><u><b>261,492</b></u></u>

The profit and loss account for the year under the Companies Act 1985 would reflect a deficit of £793,040, (2007/08: £261,492 surplus) in accordance with the above format.

## Statement of Total Recognised Surpluses and Deficits

For the year ended 31 March 2009		2009	2008
		£	£
(Deficit)/Surplus for the financial year		(793,040)	261,492
Actuarial loss relating to pension scheme	18	<u>(157,000)</u>	<u>(1,456,000)</u>
Total recognised losses relating to the year		(950,040)	(1,194,508)
Total recognised deficit since the last annual report		<u>(950,040)</u>	<u>(1,194,508)</u>

## Retained (deficit)/surplus excluding FRS17

For the year ended 31 March 2009		2009	2008
		£	£
Surplus/(Deficit) for the financial year		(793,040)	261,492
FRS17 pension liability b/f	18	(3,117,000)	(1,250,000)
Actuarial loss relating to pension scheme	18	(157,000)	(1,456,000)
FRS17 pension liability c/f	18	<u>3,769,000</u>	<u>3,117,000</u>
Operation surpluses /(deficits) before FRS17		<b>(298,040)</b>	<b>672,492</b>
Revenue reserve b/f		438,104	(234,388)
Balance sheet revenue reserve before FRS17	11	<u>140,064</u>	<u>438,104</u>


# Balance Sheet

At 31 March 2009

	Note	2009	2008
		£	£
<b>Fixed assets</b>			
Tangible assets	8	125,090	94,491
		<u>125,090</u>	<u>94,491</u>
<b>Current assets</b>			
Debtors	9	6,637,356	1,250,429
Cash at bank and in hand		2,795,683	3,646,414
		<u>9,433,039</u>	<u>4,896,843</u>
<b>Creditors: Amounts falling due within one year</b>	10	<u>(9,418,065)</u>	<u>(4,553,230)</u>
<b>Net current liabilities</b>		<u>14,974</u>	<u>343,613</u>
<b>Total assets less current liabilities, being net assets excluding pension liability</b>		140,064	438,104
Pension Liability	18	<u>(3,769,000)</u>	<u>(3,117,000)</u>
<b>Net Liabilities including pension liability</b>		<u><u>(3,628,936)</u></u>	<u><u>(2,678,896)</u></u>
<b>Reserves</b>			
Revenue Reserve	11	<u><u>(3,628,936)</u></u>	<u><u>(2,678,896)</u></u>

The financial statements were approved and authorised for issue by the Board on 14<sup>th</sup> September 2009 and signed on its behalf by:

Signed:

  
14/9/2009

Director

# Cash Flow Statement

For the year ended 31 March 2009

	Note	2009 £	2008 £
<b>Net cash outflow from operating activities</b>	15	(945,871)	(3,205,125)
<hr/>			
<b>Returns on investments and servicing of finance</b>			
Interest received	4	277,686	309,124
		277,686	309,124
<hr/>			
<b>Taxation paid</b>			
UK corporation tax		(83,135)	(81,715)
		(83,135)	(81,715)
<hr/>			
<b>Capital expenditure and financial investment</b>			
Payments for tangible fixed assets		(99,411)	(91,327)
<hr/>			
<b>(Decrease) in cash</b>	16	<b>(850,731)</b>	<b>(3,069,043)</b>

# Notes to the Financial Statements

31 March 2009

## 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

The financial statements are prepared on a going concern basis and its 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. In 2009/10 the management fee was £20,016,800 reduced from £20,603,600 in 2008/09, but with an additional fee of £1,370,000.

### Income

Income streams are: Customer & Client Receipts, Fee Income, Capital Income and Other Income to exclude interest receivable. All income consists of an invoiced value (excluding VAT) for services supplied. Our main source of income is a management fee received on annual 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.

### 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.

# Notes to the Financial Statements

31 March 2009

## 1. Accounting Policies (Continued)

### 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.

Following the Accounting Standards Board (ASB) amendment to FRS17 on 7 December 2006, the fair value of pension scheme assets is now based on the bid value for quoted securities rather than the mid market value. The change in basis of valuation is shown as an adjustment in the year ending 31 March 2009. The impact of the change has decreased profit for the year by £42,000. The change has also impacted through the statement of total recognised gains and losses.

## 2. Income

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

	2009 £	2008 £
Capital Income	37,701,744	39,689,482
Revenue Income	<u>22,158,175</u>	<u>20,803,192</u>
	<u>59,859,919</u>	<u>60,492,674</u>

## 3. Operating (Deficit)

Operating (deficit) is arrived at after charging:

	2009 £	2008 £
Operating lease rentals		
- land, vehicle and buildings	33,143	49,316
Fees payable to the Company's auditors for:		
- the audit of the financial statements	21,300	20,000
- other services	1,500	1,000
Depreciation of tangible fixed assets	68,811	89,258
	<u>                    </u>	<u>                    </u>

# Notes to the Financial Statements

31 March 2009

## 4. Interest Receivable

	2009 £	2008 £
Bank interest	277,686	309,124

## 5. Employees

Average number of employees, including executive directors:

	2009	2008
Chief Executive	1	1
Chief Executive's Office	1	1
Resources & Legal	41	39
Operations	85	83
Property & Investment	78	77
	<u>206</u>	<u>201</u>

Staff costs, including directors:

	2009 £	2008 £
Wages and salaries	5,627,994	5,639,337
Social security costs	452,758	453,977
Other pension costs	822,000	908,000
	<u>6,902,752</u>	<u>7,001,314</u>

## 6. Directors' Remuneration

The directors are defined as being members of Ascham Homes Limited's main Board. Although none of the 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 £6,179 (2008: £8,733)

# Notes to the Financial Statements

31 March 2009

## 7. Taxation

### Taxation charge for the year

The taxation charge for the year is analysed below:

	2009 £	2008 £
Current taxation: United Kingdom Corporation Tax	69,487	81,715
	<hr/>	<hr/>
Tax on (deficit)/surplus ordinary activities	<u>69,487</u>	<u>81,715</u>

### Current tax reconciliation

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

	2009 £	2008 £
(Deficit)/surplus on ordinary activities before taxation	(723,553)	343,207
	<hr/>	<hr/>
Theoretical tax at UK corporation tax rate of 28% (2008: 30%)	(202,595)	102,962
Effects of:		
- Non-taxable (profits)/non-allowable losses of mutual trading	280,347	(10,225)
- Small companies relief	(8,265)	(11,022)
	<hr/>	<hr/>
Actual current taxation charge	<u>69,487</u>	<u>81,715</u>

# Notes to the Financial Statements

31 March 2009

## 8. Tangible Assets

	Computer Equipment £	Plant and Machinery £	Vehicles £	Office Furniture and equipment £	Total £
<b>Cost</b>					
At 1 April 2008	676,165	104,027	62,867	75,705	918,764
Additions	40,353	31,210	10,290	17,558	99,411
Disposals	(419,544)	(75,927)	-	(73,235)	(568,706)
At 31 March 2009	296,974	59,310	73,157	20,028	449,469
<b>Depreciation</b>					
At 1 April 2008	662,546	80,397	12,574	68,757	824,274
Charged in year	23,462	20,474	14,631	10,244	68,811
Disposals	(419,544)	(75,928)	-	(73,235)	(568,706)
At 31 March 2009	266,464	24,944	27,205	5,766	324,379
<b>Net book value</b>					
At 31 March 2009	30,510	34,366	45,952	14,262	125,090
At 31 March 2008	13,620	23,628	50,294	6,949	94,491

## 9. Debtors

	2009 £	2008 £
Trade debtors	7,605	1,970
Other debtors	14,956	-
Amounts due from parent undertaking (London Borough of Waltham Forest)	6,550,842	178,346
VAT Recoverable	-	812,742
CIS25 Withholding Tax	2,505	2,190
Prepayments & Accrued Income	61,448	255,181
	<u>6,637,356</u>	<u>1,250,429</u>

## 10. Creditors: Amounts Falling Due Within One Year

	2009 £	2008 £
Trade creditors	1,472,587	1,190,669
Amounts due to parent undertaking (London Borough of Waltham Forest)	524,422	210,581
Corporation Tax	68,067	81,715
VAT Payable	200,409	-
Other taxation and social security	-	196,970
Accruals	7,152,580	2,873,295
	<u>9,418,065</u>	<u>4,553,230</u>

# Notes to the Financial Statements

31 March 2009

## 11. Revenue Reserve

	2009 £	2008 £
At 1 April 2008 as previously stated	(2,678,896)	(1,484,388)
At 1 April 2008 as stated	(2,678,896)	(1,484,388)
(Deficit)/Surplus for the year	(793,040)	261,492
Actuarial gain/loss relating to pension scheme	(157,000)	(1,456,000)
At 31 March 2009	(3,628,936)	(2,678,896)
	2009 £	2008 £
Revenue reserve excluding pension liability	140,064	438,104
Pension liability	(3,769,000)	(3,117,000)
Revenue reserve including pension liability	(3,628,936)	(2,678,896)

## 12. Reconciliation of movements in funds

	2009 £	2008 £
Opening total funds as previously stated	(2,678,896)	(1,484,388)
Opening total funds as stated	(2,678,896)	(1,484,388)
Total recognised deficits relating to the year	(950,040)	(1,194,508)
Closing total funds	(3,628,936)	(2,678,896)

# Notes to the Financial Statements

31 March 2009

## 13. Related Party Transactions

Ascham Homes Limited is a London Borough of Waltham Forest 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 1<sup>st</sup> May 2003. The Council pays the company a monthly management fee in accordance with the agreement and any variations subsequently approved. In 2008/09 the management fee for the year amounted to £20,603,600 (2007/08 £19,016,000).

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 2008/09 these capital works amounted to £37,701,744 (2007/08: £39,689,483).

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 2008/09 amounted to £6,550,842; (2007/08: £178,346). Ascham Homes Limited's indebtedness to LBWF at the end of 2008/09 was £524,422 (2007/08: £210,581) 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:

	2009 £	2008 £
Land and buildings, leases expiring: After five years	6,000	6,000
Vehicles, leases expiring: After one year	36,834	27,143
	<hr/>	<hr/>
	42,834	33,143
	<hr/>	<hr/>

# Notes to the Financial Statements

31 March 2009

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

	2009 £	2008 £
<b>Operating deficit</b>	(864,239)	(71,917)
Depreciation	68,811	89,258
(Increase) in debtors	(5,386,928)	(781,649)
Increase/(Decrease) in creditors	4,878,485	(2,957,817)
Pension Contributions	(464,000)	(391,000)
Pension Service /Past Costs	822,000	908,000
<b>Net cash outflow from operating activities</b>	<u>(945,871)</u>	<u>(3,205,125)</u>

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

	2009 £	2008 £
<b>Decrease in cash in the period</b>	(850,731)	(3,069,043)
Net funds at 1 April 2008	<u>3,646,414</u>	<u>6,715,457</u>
Net funds at 31 March 2009	<u>2,795,683</u>	<u>3,646,414</u>

# Notes to the Financial Statement

31 March 2009

## 17. Analysis of Changes in Net Funds

	At 1 April 2008 £	Cash flows £	Other changes £	At 31 March 2009 £
Cash at bank and in hand	3,646,414	(850,731)	-	2,795,683
	<u>3,646,414</u>	<u>(850,731)</u>	<u>-</u>	<u>2,795,683</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 2009. 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 2009 were £464,000 (2007/08: £391,000) at a contribution rate of 10.7% of pensionable salaries. The results of the actuaries valuation in March 2007, set the employers contribution rate for 2009/10 at 11.8%.

### Restatement of Financial Statement for year ending 2008

In December 2006, The Accounting Standard Board (ASB) made a number of changes to the FRS17 accounting standard. In the main, those changes related to the presentation of the figures and the disclosures rather than the underlying calculations themselves. However they also included a requirement for most assets to be valued at bid value as apposed to mid-market value. That change is reflected in Note.18 of the financial statement for 2008/2009.

# Notes to the Financial Statements

31 March 2009

## 18. Pensions (contd)

Assumptions used by the actuary were:

	2009 % per annum	2008 % per annum	2007 % per annum
Discount rate	7.10%	6.10%	5.40%
Rate of increase in salaries	4.80%	5.10%	4.60%
Rate of increase in pensions in payment	3.30%	3.60%	3.10%
Rate of inflation	3.30%	3.60%	3.10%

Life expectancy assumptions on retirement at age 65 are:

	Males	Females
Current Pensioner	20.3 years	23.2 years
Future Pensioners	21.3 years	24.1 years

Long term expected rates of return on assets

	2009	2008	2007
Equities	7.50%	7.50%	7.50%
Government Bonds	n/a	n/a	4.70%
Other Bonds	6.00%	6.10%	n/a
Property	6.50%	6.50%	6.50%
Cash/Liquidity	0.50%	5.25%	5.25%
Other	7.50%	7.50%	7.50%

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

	2009 £000	2008 £000	2007 £000
Equities	7,802	10,205	10,809
Government Bonds	n/a	n/a	2,380
Other Bonds	1,386	2,126	n/a
Other	1,990	1,843	1,781
<b>Total</b>	<b>11,178</b>	<b>14,174</b>	<b>14,970</b>

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 2009.

# Notes to the Financial Statements

31 March 2009

## 18. Pensions (contd)

### Net Pension Liability

	2009 £000	2008 £000	2007 £000
Fair value of planned assets at end of period	11,178	14,174	14,970
Benefit obligation at end of period	(14,947)	(17,291)	(16,220)
Ascham Homes Ltd deficit in the Fund	(3,769)	(3,117)	(1,250)

### Analysis of amount charged to operating profit

	2009 £000	2008 £000	2007 £000
Current service cost (19.5% of pensionable payroll, 16.5% 2008)	(822)	(677)	(788)
Past service/ curtailment (cost)	-	(231)	(71)
Total operating charge	(822)	(908)	(859)

### Analysis of amount credited to other finance income

	2009 £000	2008 £000	2007 £000
Expected return on pension fund assets	984	996	816
Change in pension fund assets	3	-	-
Change in benefit obligations	(45)	-	-
Interest on pension scheme liabilities	(1079)	(890)	(778)
	(137)	106	38

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

	2009 £000	2008 £000	2007 £000
Actual return less expected return on pension scheme assets	(4,378)	(2,211)	90
Experience gains and losses arising on scheme liabilities	4,221	1,119	-
Changes in assumptions underlying the present value of scheme activities	-	(364)	978
	(157)	(1,456)	1,068

# Notes to the Financial Statements

31 March 2009

## 18. Pensions (contd)

### Movement in deficit during the year

	2009 £000	2008 £000	2007 £000
Deficit in scheme at beginning of year	(3,117)	(1,250)	(1,947)
Movement in year:			
Current service cost	(822)	(677)	(788)
Employer contributions	464	391	450
Past service/curtailment/settlement (loss)	-	(231)	(71)
Net Interest/Return on Assets	(137)	106	38
Actuarial (loss)/gain	(157)	(1,456)	1,068
Deficit in scheme at end of year	<u>(3,769)</u>	<u>(3,117)</u>	<u>(1,250)</u>

### Analysis of movement in the fair value of the scheme assets

	2009 £000	2008 £000
Fair value of plan assets at beginning of period	14,132	14,925
Expected return on planned assets	984	993
Employer contributions	464	391
Members contributions	295	243
Actuarial loss	(4,378)	(2,005)
Benefits/Transfers paid	(319)	(415)
Fair value of plan assets at end of period	<u>11,178</u>	<u>14,132</u>

# Notes to the Financial Statements

31 March 2009

## 18. Pensions (contd)

### Analysis of movement in the present value of the scheme liabilities

	2009 £000	2008 £000
Benefit obligation at beginning of period	17,291	16,220
Current service cost	822	677
Interest on pension liabilities	1,079	890
Members contributions	295	243
Past service cost	-	231
Actuarial loss	(4,221)	(555)
Benefits/Transfers paid	(319)	(415)
Benefit obligation at end of period	14,947	17,291

### History of experience gains and losses

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Difference between the expected and actual return on scheme assets					
Amount	(4,378)	(2,211)	90	1,859	340
Percentage of scheme assets	39.2%	15.6%	0.6%	13.8%	3.3%
Experience gains and losses on scheme liabilities					
Amount	4,221	1,119	-	(29)	(188)
Percentage of present value of scheme liabilities	28.2%	6.5%	0%	0.2%	1.5%
Total amount recognised in statement of total recognised gains and losses					
Amount	(157)	(1,456)	1068	360	(1,042)
Percentage of present value of scheme liabilities	1.10%	8.4%	6.6%	2.3%	8.2%