

COMPANY NO : 3842589

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# **CHESTER & DISTRICT HOUSING TRUST LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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*Year ended 31 March 2004*

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**BOARD MEMBERS, EXECUTIVE DIRECTORS, ADVISORS AND BANKERS**

**Board:**

Chairman	Michael Shepstone-Trewartha (Tenant) (appointed October 2003) Bob Rudd (Council)(retired October 2003)	
Vice Chairmen	Jason Ridley (Independent) (appointed October 2003) Bob Rudd (Council) (appointed October 2003) (resigned January 2004) Michael Shepstone-Trewartha (Tenant) (retired October 2003) Nicola Osborne (Independent)(resigned June 2003)	
Other Members:		
Tenant	Eileen Ferris-Bell Lawrence Hopwood Ann Parker (resigned December 2003)	Ted White Idris Roberts (co-optee filling casual vacancy)
Independent	Penny Chandler (co-optee) Nick Croft (appointed September 2003) Andrew Grime (co-optee)	Sarah Pimlott Kathleen Stephenson Graham Worthington
Council	Eleanor Johnson Mike Jones (appointed July 2004) Robert Jordan (appointed September 2003) (resigned June 2004) James McCabe (resigned July 2003)	Lilian Price (resigned May 2003) Judith Stainthorp (appointed July 2004) Rob Thompson (appointed September 2003) Alan Tushingham (appointed September 2003) (resigned May 2004)
Housing Corporation appointees	David Green (appointed February 2004) Craig Moule (appointed February 2004)	David Procter (appointed February 2004)

**Executive directors & managers:**

Chief Executive	Geoff Blackburn (retired December 2003)
Acting Chief Executive	Rodney Dykes (appointed July 2004)
Company Secretary	Su Bramley
Director of Operations	David Rooke (Joint Acting Chief Executive December 2003 to June 2004)
Assistant Director of Operations	Jayne Lawton
Director of Resources	Su Bramley (Joint Acting Chief Executive December 2003 to June 2004)
Assistant Director of Resources	Andrew Owen Williams
Customer Services Manager	Mary Tuckley
Facilities Manager	Dave Wilson
Housing Manager	Morag Bailey
Human Resources Manager	Susan Harbridge
Information Systems Manager	Paul Skelland
Legal Services Manager	Paul Burton
Policy & Performance Manager	Dave Smith (resigned August 2003)
Regeneration & Development Manager	Jacqui Sinnott (resigned February 2004)
Business Assurance Manager	Ron Turner
Asset Manager	Julie Horner
TrustWorks Manager	Scott Murray

Registered office: Centurion House  
77 Northgate Street  
Chester  
CH1 2HQ

Auditors: RSM Robson Rhodes LLP  
Chartered Accountants  
Colwyn Chambers  
19 York Street  
Manchester M2 3BA

Principal solicitors: Trowers & Hamlin  
Sceptre Court  
London EC3N 4DX

Principal bankers:	Barclays Bank Plc (to 31 August 2004) St. Werbergh Street Chester CH1 2DY	Lloyds TSB (from 31 August 2004) 8 Foregate Street Chester CH1 1XP
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Registered as a non-charitable social landlord with Companies House No. 3842589.

Registered by the Housing Corporation No. LH4291.

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## REPORT OF THE BOARD

The Board presents its report and audited financial statements for the year ended 31 March 2004.

### Principal activities

Chester & District Housing Trust Limited ('the Trust') is a Registered Social Landlord within Cheshire. The Trust has two area offices; in Blacon and Lache; a technical centre (the Octavian Centre) and offices located at eight of our sheltered housing schemes. The head office (Centurion House) is in Northgate Street, Chester.

The Trust comprises two organisations, Chester & District Housing Trust Limited (the parent) and a wholly owned subsidiary, CDHT (Property Holdings) Limited. The subsidiary is a commercial property owning and management company.

The Trust's principal activities are the improvement, management and development of social housing. Performance during the year and position at the year end are summarised below.

This has been a challenging year for the Group and much has been achieved. We have continued to invest in our housing stock and in services to residents through our modernisation and development programmes and our commitment to Best Value.

### Housing Corporation Supervision

In June 2003 the Trust was placed in supervision mainly due to concerns about delays in getting the revised business plan approved. The business plan was subsequently verified and approved in August 2003 and supervision status was then removed in September 2003.

In January 2004 the Housing Corporation placed the Trust in supervision due to concerns over governance and the viability of the business plan. Three appointees have been made to the Board under Schedule 1 to the Housing Act 1996 and the Trust has produced and approved its action plan. The Trust is using the services of Rodney Dykes Housing Services Limited to cover the vacant Chief Executive's post and to assist with the implementation of the action plan.

### Performance for the year

The Board is reporting a Group deficit for the year of £8.145m (2003: £9.003m deficit).

Average assured rents were increased by 1% above inflation, in line with the transfer promise and rent policy.

As anticipated in our budget, we experienced substantial inflationary increases in staffing, maintenance and insurance costs. These were managed to an extent by vacancy management and reviewing management costs.

By the year-end Group funds amounted to £22.038m deficit (2003: £13.893m deficit). This is within the parameters of the approved business plan.

### Repairs and maintenance

Capital expenditure on property improvement and additional homes amounted to £6.36m in 2003-04. This was financed through loans of £6.26m and grants of £0.1m.

Details of changes to the Trust's fixed assets are shown in notes 14 and 15 to the financial statements.

During the year, the Trust made good progress in delivering the promises made to tenants and upgraded 978 kitchens, 398 bathrooms and installed new windows to 988 homes. In addition 129 central heating systems and 110 electrical re-wirings were completed and under energy efficiency initiatives 253 homes benefited from cavity wall insulation and 984 from loft insulation.

TrustWorks, the in-house repair team completed over 58,000 requests for repairs during the year. The average percentage of emergency, urgent and non urgent repairs being completed on time during the year was 95.84%. Once again response times continued to improve during the year and by March 2004, 99% of emergency jobs, 94% of urgent jobs and 96% of routine jobs were being completed on time.

Under our planned maintenance programme (five-year cycle) work was carried out to 1,416 properties. Satisfaction with the programme was high with over 75% of customers being either 'satisfied' or 'very satisfied' with the work.

As at the end of June 2004 the Trust had undertaken detailed stock condition surveys on 95% of its properties, had reduced its non-Decent Homes from 1,234 to 725 properties and is ahead of government targets for achieving the Decent Homes Standard. The Decent Homes Investment Plan and Environmental Strategy were approved by the Board in June 2004.

### Current and future developments

The Trust, through its development programme, added 10 general needs and 10 shared ownership properties to the housing stock during the year. A further 17 general needs units and 40 shared ownership units were in the process of construction at the year-end. The "Unity" refurbishment scheme was completed during the year, five months ahead of schedule.

The withdrawal of Local Authority Social Housing Grant (LASHG) and some unsuccessful Approved Development Programme (ADP) bids have meant that progress has been slow on the Treborth Road and Cleaver Road schemes. Alternative development options are being considered.

### Asset Value

The Board appointed external professional valuers to value the Trust's housing properties as at 31 March 2004. The value of the properties, on an existing use for social housing basis, was £92.25m. The carrying value of the properties in the financial statements is £48.78m.

### Pension costs

The Group participates in two pension schemes, the Social Housing Pension Scheme (SHPS) and the Cheshire County Superannuation Fund (CCSF). Both these are final salary schemes, offering good benefits for our staff. The Group has contributed to the schemes in accordance with levels set by the actuaries, of between 10.6% and 15%.

An actuarial valuation of the SHPS was undertaken at 30 September 2002 and revealed a shortfall of assets to cover expected liabilities. On the advice of the actuary, scheme contributions increased and from 1 April 2004. The employer rate increased from 10.6% to 11.7% of pensionable salaries.

The next actuarial valuation of the CCSF is due at 31 March 2004. With investment performance having fallen short of assumed levels and the impact of other external factors including changes in tax allowances, we anticipate that our contributions to this scheme will increase following the next valuation. The Group will continue to contribute to the scheme in line with the advice of independent actuaries and professional advisors.

Included within the notes to the financial statements are disclosures, required under standard accounting practice, which indicate that if the Group's share of the assets and liabilities of the CCSF were included in the financial statements on an FRS17 basis there would be an increase in net liabilities of £1,709,000 (2003: £1,900,000). The increase in net liabilities is primarily due to changes in actuarial assumptions.

### Financing and treasury management

The Group borrowed a further £13.5million during the year, to develop housing and fund the property improvement promises made at transfer.

The Board's approach to risk and treasury management is outlined below. The Board monitors the position through quarterly funding and treasury management reports.

The Group has a £114m loan facility with Halifax Bank of Scotland and the Cheshire Building Society. The Group does not include within its Treasury Management policy any requirement for a set ratio of funding between fixed and floating rates. The Group borrows at both fixed and floating rates of interest and at the year-end, 97.8 % of the Group's borrowings were at fixed rates (2003: 99.7%).

### Single European currency

Our accounting system is capable of accommodating the Euro.

### Post balance sheet events

We consider that there have been no events since the financial year-end that have had an important effect on the financial position of the Group.

### Payment of creditors

In line with government guidance, our policy is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier. Our performance against this policy is shown in note 20.

### Employees

The Group's ability to meet its objectives and commitments to tenants in an efficient and effective manner depends on the contribution of employees throughout the Group.

The Group continues to provide information on its objectives, progress and activities through regular team and departmental meetings. A Employee Forum of union representatives, Board members and executive directors meets regularly to discuss issues relevant to employment matters.

We are committed to equal opportunities for all employees and in particular we support the employment of disabled people, both in recruitment and in the retention of employees who become disabled whilst in the employment of the Group. We have adopted the Code of Practice on Race Equality arising from the Race and Housing Inquiry Challenge Report 2000.

The Trust achieved recognition as an Investor in People in July 2003.

### Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety. The Group has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

### Board directors and executive directors

The Board directors who served during the year, together with the executive directors and managers of the Group are set out on page 1. Board directors are drawn from a wide background bringing together professional, commercial and local experience.

The executive management team consists of the Chief Executive (when appointed), the Directors of Resources and Operations, the Assistant Directors of Resources and Operations, the Human Resources Manager and the Customer Services Manager.

The executive directors hold no financial interest in the Trust's limitation by guarantee and act as executives within the authority delegated by the Board.

The Trust has insurance policies which indemnify its Board members and executive directors against liability when acting for the Trust.

### **Service contracts**

The executive directors are employed on the same particulars of employment as other staff and their notice periods are three months.

### **Pensions**

The executive directors are members of the Cheshire County Superannuation Fund or Social Housing Pension Scheme. They participate in the scheme on the same terms as all other eligible staff.

### **Other benefits**

The executive directors are entitled to other benefits relating to the provision of a leased car or a cash alternative.

Details of executive directors' remuneration packages are included in note 12 to the audited financial statements.

### **NHF Code of Governance**

The Trust has adopted, and is pleased to report that it complies with the principal recommendations of, the NHF Code of Governance and is working toward full compliance. The key governance issues (excluding supervision - see page 2) during the year were :

- change of Chair of the Board in October 2003
- retirement of Chief Executive in December 2003
- suspension of committees and move to monthly Board meetings in January 2004
- appointment of acting Chief Executive in July 2004

### **Tenant involvement**

We actively encourage tenants' involvement in decision-making by promoting formal mechanisms of tenant involvement. We have five tenant Board members and have established clear reporting arrangements between tenant associations and the Board.

We have a clear and simple complaints policy that we issue to all tenants. During the year we received 213 complaints. Of these, 189 were resolved promptly to the satisfaction of the tenants. We are continuing to investigate and take action in respect of the remaining complaints.

### **Internal controls assurance**

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This responsibility applies to both members within the Group.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

In meeting its responsibilities, the Board has adopted a risk-based approach to establishing and maintaining internal controls which are embedded within day to day management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed and is consistent with the principles outlined in the Housing Corporation circular R2-25/01 Internal Controls Assurance.

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing, has been in place throughout the period commencing 1 April 2003 up to the date of approval of the annual report and financial statements. The Board receives and considers reports on risk management and control arrangements at each meeting during the year.

The arrangements adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework include:

### **Identifying and evaluating key risks**

The Group's risk management strategy, setting out the Board's attitude to risk in the achievement of its objectives, underpins the risk management, business planning and control arrangements. These arrangements clearly define management responsibility for the identification, evaluation and control of significant risks. The executive directors regularly consider reports on these risks and the Chief Executive is responsible for reporting to the Board any significant matters affecting key risks.

### **Control environment and internal controls**

The processes to identify and manage the key risks to which the Group is exposed are an integral part of the internal control environment. Such processes, which are reviewed annually and revised where necessary, include strategic planning, the recruitment of executive directors and senior staff, performance monitoring, control over developments and the setting of standards and targets for health and safety, data protection, fraud prevention and detection, and environmental performance.

### **Information and reporting systems**

Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years that are reviewed, approved by and monitored throughout the year by the Board. The Board regularly receives reports on key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

### **Monitoring arrangements**

Regular management reporting on control issues provides assurance to successive levels of management and to the Board. It is supplemented by regular reviews by internal audit who provide independent assurance to the Board, via its Audit Committee. The arrangements include a rigorous procedure, monitored by the Audit Committee, for ensuring that corrective action is taken in relation to any significant control issues.

#### Going concern

After making enquiries the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in the financial statements.

#### Annual general meeting (AGM)

The AGM will be held on 29 September 2004 at Centurion House, 77 Northgate Street, Chester, CH1 2HQ.

#### Auditors

A resolution for the appointment of KPMG LLP as the Group's external auditors will be proposed at the forthcoming annual general meeting.

The report of the Board was approved by the Board on 6 September 2004 and signed on its behalf by:



**Su Bramley**  
Director of Resources and Company Secretary

#### STATEMENT OF RESPONSIBILITIES OF THE BOARD

##### Statement of the responsibilities of the Board for the report and financial statements

The Companies Act and registered social landlord legislation in the United Kingdom require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Trust at the end of the year and of the surplus or deficit of the Group and Trust for the year then ended.

In preparing those financial statements the Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable United Kingdom Accounting Standards and the Statement of Recommended Practice: "Accounting by registered social landlords" (Update 2002); and
- prepare the financial statements on a going concern basis.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Trust and enable it to ensure that the financial statements comply with the Companies Act, paragraph 17 of Schedule 1 to the Housing Act 1996 and the Accounting Requirements for registered social landlords General Determination 2000. It is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice: "Accounting by registered social landlords" (Update 2002).

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF CHESTER & DISTRICT  
HOUSING TRUST LIMITED**

We have audited the financial statements on pages 7 to 29.

This report is made solely to the Group's and Trust's members, as a body, in accordance with regulations made under Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Group's and Trust's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and Trust and the Group's and Trust's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the directors and auditors**

As described on page 5, the Board is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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, the Housing Act 1996 and the Accounting Requirements for registered social landlords General Determination 2000. We also report to you if, in our opinion, the Report of the Board is not consistent with the financial statements, if the Group and Trust have not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group and Trust is not disclosed.

We read the information contained in the Report of the Board and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

**Basis of audit opinion**

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

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Group and Trust as at 31 March 2004 and of the Group's and Trust's deficit for the year then ended and have been properly prepared in accordance with the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for registered social landlords General Determination 2000.

*RSM Robson Rhodes LLP*

RSM Robson Rhodes LLP

Chartered Accountants and Registered Auditors  
Manchester, England

*6 September 2004*



**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT**  
 for the year ended 31 March 2004

	Note	2004 £000	2003 £000
Turnover: continuing activities	3	17,008	16,674
Operating costs	3	(22,868)	(23,670)
Cost of property sales	3	(143)	(135)
<b>Total costs</b>		<b>(23,011)</b>	<b>(23,805)</b>
<b>Operating deficit: continuing activities</b>	3	<b>(6,003)</b>	<b>(7,131)</b>
Surplus on sale of fixed assets - housing properties	7	1,948	1,406
Surplus on sale of other fixed assets	7	61	
Interest receivable and similar income	8	60	51
Interest payable and similar charges	9	(4,211)	(3,329)
<b>Deficit on ordinary activities before taxation</b>		<b>(8,145)</b>	<b>(9,003)</b>
Tax on deficit on ordinary activities	12	-	-
<b>Deficit for the financial year</b>	22	<b>(8,145)</b>	<b>(9,003)</b>
Revenue reserve at 1 April		(13,893)	(4,890)
<b>Revenue reserve at 31 March</b>		<b>(22,038)</b>	<b>(13,893)</b>

There were no recognised gains and losses other than those included in the income and expenditure account.

**TRUST INCOME AND EXPENDITURE ACCOUNT**

for the year ended 31 March 2004

	Note	2004 £000	2003 £000
Turnover: continuing activities	3	16,994	16,664
Operating costs	3	(23,107)	(23,936)
Cost of property sales	3	(143)	(135)
Total costs		(23,250)	(24,071)
Operating deficit: continuing activities	3	(6,256)	(7,407)
Surplus on sale of fixed assets - housing properties	7	1,948	1,406
Interest receivable and similar income	8	314	310
Interest payable and similar charges	9	(4,211)	(3,329)
Deficit on ordinary activities before taxation		(8,205)	(9,020)
Tax on deficit on ordinary activities	12	-	-
Deficit for the financial year	22	(8,205)	(9,020)
Revenue reserve at 1 April		(13,867)	(4,847)
Revenue reserve at 31 March		(22,072)	(13,867)

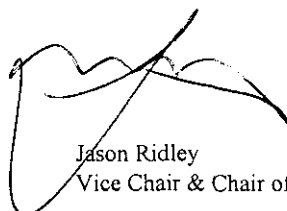
There were no recognised gains and losses other than those included in the income and expenditure account.

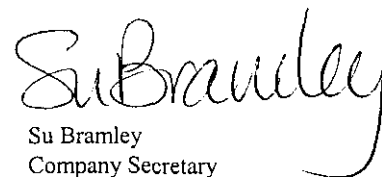
**CONSOLIDATED BALANCE SHEET**  
 as at 31 March 2004

	Note	2004 £000	2003 £000
<b>Tangible fixed assets</b>			
Housing properties	13	50,044	45,399
SHG and other grants	13	(1,269)	(1,133)
		<u>48,775</u>	<u>44,266</u>
Other tangible fixed assets	14	8,298	6,279
		<u>57,073</u>	<u>50,545</u>
<b>Current assets</b>			
Stocks	16	83	75
Debtors - due within one year	17	1,740	1,544
Investments	18	942	1,429
Cash at bank and in hand		2,086	1,079
		<u>4,851</u>	<u>4,127</u>
<b>Creditors: amounts falling due within one year</b>	19	(7,406)	(4,315)
<b>Net current liabilities</b>		<u>(2,555)</u>	<u>(188)</u>
<b>Total assets less current liabilities</b>		<u>54,518</u>	<u>50,357</u>
<b>Creditors: amounts falling due after more than one year</b>	20	76,556	64,250
<b>Capital and reserves</b>			
Revenue reserve	22	(22,038)	(13,893)
<b>Consolidated funds (non equity)</b>		<u>(22,038)</u>	<u>(13,893)</u>
		<u>54,518</u>	<u>50,357</u>

The financial statements were approved by the Board on 6 September 2004 and signed on its behalf by:

  
 Michael Shepstone-Trewartha  
 Chairman

  
 Jason Ridley  
 Vice Chair & Chair of Audit Committee

  
 Su Bramley  
 Company Secretary

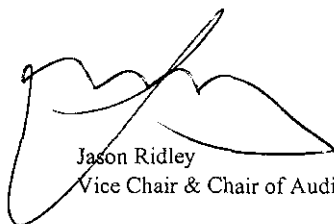
**TRUST BALANCE SHEET**  
as at 31 March 2004

	Note	2004 £000	2003 £000
<b>Tangible fixed assets</b>			
Housing properties	13	50,044	45,399
SHG and other grants	13	(1,269)	(1,133)
		<u>48,775</u>	<u>44,266</u>
Other tangible fixed assets	14	4,306	2,064
		<u>53,081</u>	<u>46,330</u>
<b>Current assets</b>			
Stocks	16	83	75
Debtors - due within one year	17	5,641	5,870
Investments	18	942	1,429
Cash at bank and in hand		1,984	1,037
		<u>8,650</u>	<u>8,411</u>
<b>Creditors: amounts falling due within one year</b>	19	(7,247)	(4,358)
<b>Net current assets</b>		<u>1,403</u>	<u>4,053</u>
<b>Total assets less current liabilities</b>		<u>54,484</u>	<u>50,383</u>
<b>Creditors: amounts falling due after more than one year</b>	20	76,556	64,250
<b>Capital and reserves</b>			
Revenue reserve	22	(22,072)	(13,867)
<b>Trust's funds (non equity)</b>		<u>(22,072)</u>	<u>(13,867)</u>
		<u>54,484</u>	<u>50,383</u>

The financial statements were approved by the Board on 6 September 2004 and signed on its behalf by:



Michael Shepstone-Trewartha  
Chairman



Jason Ridley  
Vice Chair & Chair of Audit Committee



Su Bramley  
Company Secretary

**CONSOLIDATED CASH FLOW STATEMENT**  
 for the year ended 31 March 2004

	Note	2004 £000	2003 £000
<b>Net cash outflow from operating activities</b>	26	(5,003)	(6,530)
<b>Returns on investments and servicing of finance</b>			
Interest received		36	79
Interest paid and similar charges		(4,100)	(3,329)
		(4,064)	(3,250)
<b>Tax paid</b>		-	-
<b>Capital expenditure</b>			
Purchase and construction of housing properties		(6,161)	(1,914)
Capital grants received		136	1,014
Purchase of other fixed assets		(2,335)	(265)
Sale of housing properties		4,210	2,975
Sale of other fixed assets		237	-
		(3,913)	1,810
<b>Management of liquid resources</b>			
Movement on money market deposits		487	351
<b>Financing</b>			
Loans received		13,500	7,600
<b>Increase/(decrease) in cash</b>	27	1,007	(19)

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 March 2004**

**1 Legal status**

The Trust is registered under the Companies Act 1985 and is registered with The Housing Corporation as a social landlord.

**2 Accounting Policies**

**Basis of accounting**

The financial statements of the Group and Trust are prepared in accordance with applicable accounting standards and the Statement of Recommended Practice: accounting by Registered Social Landlords, update issued in November 2002, and comply with the Accounting Requirements for registered social landlords General Determination 2000.

FRS 17 "Retirement Benefits" need not be applied in full until the 2006 accounts, so pension costs have been accounted for under SSAP 24. Some additional disclosures are given as required by FRS 17 (note 10).

**Basis of consolidation**

The Group accounts consolidate the accounts of the Trust and its subsidiary CDHT (Property Holdings) Limited at 31 March using acquisition accounting.

**Turnover**

Turnover comprises rental income receivable in the year, income from property sales, other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants.

**Deferred taxation**

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Except as noted below, full provision for deferred taxation is made under the liability method on all timing differences that have arisen, but not reversed by the balance sheet date.

In accordance with FRS 19, deferred tax is not provided for gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over.

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.

**Value added tax**

The Group charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Customs and Excise. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

**Interest payable**

Interest payable is charged to the income and expenditure account in the year.

**Pensions**

The Group participates in two funded multi-employer defined benefit schemes. Pension costs are assessed in accordance with the advice of an independent 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 pensions costs are spread evenly through the income and expenditure account over the average remaining service lives of current employees.

**Housing properties**

Housing properties are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest (charges incurred during the development period) and expenditure incurred in respect of improvements.

Improvements are works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only direct overhead costs associated with new development or improvements are capitalised.

Shared ownership properties are included in housing properties at cost, less the first tranche sale proceeds and any provisions needed for depreciation or impairment.

## 2 Accounting Policies (Continued)

### Social housing grant (SHG)

SHG is receivable from the Housing Corporation and is utilised to reduce the capital costs of housing properties, including land costs. The amount of SHG receivable is calculated on a fixed basis depending on the size, location and type of housing property. SHG due from the Housing Corporation or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with the Housing Corporation. SHG released on sale of properties may be repayable but is normally recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

### Other grants

Other grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

### Depreciation of housing properties

Freehold land is not depreciated. Depreciation of buildings is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight-line basis, over their estimated useful economic lives in the business.

The depreciable amount is arrived at on the basis of original cost, less the proportion of SHG and other grants attributable to housing properties, less residual value. The Group's housing properties are depreciated at 1.66% per annum.

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in business if shorter.

### Stock

Stocks are valued at lower of cost and estimated net realisable value. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

### Impairment

Housing properties which are depreciated over a period in excess of 50 years are subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to the recoverable amount. Any such write down would be charged to operating surplus unless it was a reversal of a past revaluation surplus in which case it would be taken to the statement of total recognised gains and losses.

### Other tangible fixed assets

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold office building	1%
Freehold technical building	3.33%
Improvements to buildings	3.33%
Furniture, fixtures and fittings	20%
Plant and machinery	25%
Computers and office equipment	33%

### Leased assets

The Group does not have any assets held under finance leases.

Rentals payable under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

### Current asset investments

Investments are stated at market value.

### Liquid resources

Liquid resources are readily disposable current asset investments. They include some money market deposits, held for more than 24 hours, that can only be withdrawn without penalty on maturity or by giving notice of more than one working day.

## 3 TURNOVER, OPERATING SURPLUS AND SURPLUS BEFORE TAXATION

Group - continuing activities	2004				2003			
	Turnover £000	Cost of Sales £000	Operating Costs £000	Operating Deficit £000	Turnover £000	Cost of Sales £000	Operating Costs £000	Operating Deficit £000
<b>Social housing lettings</b>	15,360	-	(21,465)	(6,105)	15,661	-	(22,312)	(6,651)
<b>Other social housing activities</b>								
Management services	1,011	-	(745)	266	332	-	(680)	(348)
Other	143	(143)	-	-	135	(135)	-	-
	1,154	(143)	(745)	266	467	(135)	(680)	(348)
<b>Non-social housing activities</b>								
Lettings	240	-	(353)	(113)	239	-	(389)	(150)
Other	254	-	(305)	(51)	307	-	(289)	18
	494	-	(658)	(164)	546	-	(678)	(132)
	17,008	(143)	(22,868)	(6,003)	16,674	(135)	(23,670)	(7,131)
<b>Trust - continuing activities</b>								
	Turnover £000	Cost of Sales £000	Operating Costs £000	Operating Deficit £000	Turnover £000	Cost of Sales £000	Operating Costs £000	Operating Deficit £000
<b>Social housing lettings</b>	15,360	-	(21,465)	(6,105)	15,661	-	(22,312)	(6,651)
<b>Other social housing activities</b>								
Management services	1,011	-	(745)	266	332	-	(680)	(348)
Other	143	(143)	-	-	135	(135)	-	-
	1,154	(143)	(745)	266	467	(135)	(680)	(348)
<b>Non-social housing activities</b>								
Lettings	226	-	(172)	54	229	-	(197)	32
Other	254	-	(725)	(471)	307	-	(747)	(440)
	480	-	(897)	(417)	536	-	(944)	(408)
	16,994	(143)	(23,107)	(6,256)	16,664	(135)	(23,936)	(7,407)



4 PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL LETTINGS (GENERAL HOUSING)

	Group		Trust	
	2004 £000	2003 £000	2004 £000	2003 £000
<b>Turnover from social housing lettings</b>				
Rent receivable net of identifiable service charges	15,326	15,791	15,326	15,791
Service charges receivable	303	114	303	114
<b>Gross rental income</b>	15,629	15,905	15,629	15,905
Voids	(269)	(244)	(269)	(244)
<b>Net rental income from social housing lettings</b>	15,360	15,661	15,360	15,661
<b>Expenditure on social housing lettings</b>				
Management	(3,257)	(3,306)	(3,257)	(3,306)
Services	(1,123)	(715)	(1,123)	(715)
Routine maintenance	(4,617)	(5,844)	(4,617)	(5,844)
Planned maintenance	(11,783)	(11,750)	(11,783)	(11,750)
Bad debts	(87)	(141)	(87)	(141)
Depreciation of housing properties	(598)	(556)	(598)	(556)
<b>Operating costs on social housing lettings</b>	(21,465)	(22,312)	(21,465)	(22,312)
<b>Operating (deficit) on social housing lettings</b>	(6,105)	(6,651)	(6,105)	(6,651)

**5 ACCOMMODATION IN MANAGEMENT**

	<b>Group</b>		<b>Trust</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>
Social Housing- general housing	6,505	6,643	6,505	6,643
Shared ownership	3	-	3	-
<b>Total owned and managed</b>	<b>6,508</b>	<b>6,643</b>	<b>6,508</b>	<b>6,643</b>

**6 OPERATING DEFICIT**

This is arrived at after charging:

	<b>Group</b>		<b>Trust</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Depreciation of housing properties	598	556	598	556
Depreciation of other fixed assets	446	427	399	379
Operating leases				
- land and buildings	14	14	14	14
- office equip, computers & vehicles	236	260	236	260
Auditor's remuneration (incl VAT)				
- for audit services	25	30	22	27
- for non-audit services	30	15	28	15

**7 SURPLUS ON SALE OF FIXED ASSETS**

	<b>Group</b>		<b>Trust</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Housing properties</b>				
Disposal proceeds	3,070	2,311	3,070	2,311
Carrying value of fixed assets	(1,122)	(905)	(1,122)	(905)
	<b>1,948</b>	<b>1,406</b>	<b>1,948</b>	<b>1,406</b>
<b>Other fixed assets</b>				
Disposal proceeds	237	-	-	-
Carrying value of fixed assets	(176)	-	-	-
	<b>61</b>	<b>-</b>	<b>-</b>	<b>-</b>

**8 INTEREST RECEIVABLE AND OTHER INCOME**

	<b>Group</b>		<b>Trust</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Interest receivable and other income	60	51	314	310

**9 INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>Group</b>		<b>Trust</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Loans and bank overdrafts	3,947	3,329	3,947	3,329
Loan facility arrangement and other fees	264	-	264	-
	<u>4,211</u>	<u>3,329</u>	<u>4,211</u>	<u>3,329</u>

**10 EMPLOYEES**

<b>Average monthly number of employees</b>	<b>Group</b>		<b>Trust</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
Housing Management	146	135	146	135
Development & Regeneration	6	9	6	9
Customer Services	18	17	18	17
Facilities Management	10	17	10	17
Property Services	127	138	127	138
Financial Services	11	13	11	13
Business Assurance	3	2	3	2
Legal Services	4	5	4	5
Human Resources	5	6	5	6
Information Technology	6	6	6	6
Policy & Performance	-	5	-	5
Executive	7	6	7	6
	<u>343</u>	<u>359</u>	<u>343</u>	<u>359</u>

<b>Average monthly number of employees expressed in full time equivalents</b>	<b>Group</b>		<b>Trust</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
Housing Management	129	120	129	120
Development & Regeneration	6	9	6	9
Customer Services	13	13	13	13
Facilities Management	8	14	8	14
Property Services	126	137	126	137
Financial Services	10	13	10	13
Business Assurance	3	2	3	2
Legal Services	4	5	4	5
Human Resources	5	6	5	6
Information Technology	5	5	5	5
Policy & Performance	-	4	-	4
Executive	6	6	6	6
	<u>315</u>	<u>334</u>	<u>315</u>	<u>334</u>

<b>Employee Costs</b>	<b>Group</b>		<b>Trust</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Wages and salaries	6,174	6,007	6,174	6,007
Social security costs	455	408	455	408
Other pension costs	735	742	735	742
	<u>7,364</u>	<u>7,157</u>	<u>7,364</u>	<u>7,157</u>

**10 EMPLOYEES (Continued)****Cheshire County Council Scheme**

The Trust participates in the Cheshire County Council defined benefit scheme. Triennial actuarial valuations of the pension scheme are performed by a qualified actuary using the projected unit method. The most recent formal actuarial review of the defined benefit pension scheme was at 31 March 2001. The market value of the scheme assets at that date was £1,527.1m and the level of funding was 91%.

The Director of Operations and Director of Resources are both members of the Cheshire County Council Pension Scheme, a defined benefit final salary pension scheme. They are ordinary members of the pension scheme and no enhanced or special terms apply. Chester and District Housing Trust does not make any further contributions to individual pension arrangements for these Directors.

The main actuarial assumptions used in the valuation were:

Investment returns	6.0% p a
Salary increases	4.3% p a
Future pension increases	2.8% p a

New entrants - a constant age profile for the pension scheme.

**SUPPLEMENTARY PENSIONS DISCLOSURES UNDER FRS 17**

The income and expenditure account charge for pension costs, the accounting policies and the disclosures above are given on the basis of Statement of Standard Accounting Practice 24. SSAP 24 is going to be replaced by Financial Reporting Standard 17. The additional disclosures which follow, are given in preparation for FRS 17 being adopted. They are based on a full actuarial review at 31 March 2001, relate only to the defined benefit scheme and are given on a group basis.

**a) contributions**

The defined benefit scheme employers' contributions for 2004 were £707,000 and the employers' contribution rate has been fixed as 15% of pensionable pay until 31 March 2005.

**b) FRS 17 balance sheet information**

	Value at 31 March 2004	Long-term rate of return expected at 31 March	Value at 31 March 2003	Long-term rate of return expected at 31 March	Value at 31 March 2002	Long-term rate of return expected at 31 March
	£'000	%	£'000	%	£'000	%
Equities	8,224	7.70%	6,195	8.00%	6,097	7.50%
Bonds	1,179	5.10%	337	4.80%	963	5.50%
Property	1,023	6.50%	838	6.00%	562	6.00%
Cash	292	4.00%	576	4.00%	401	4.00%
Fair value of assets	10,718		7,946		8,023	
Present value of scheme liabilities	(13,159)		(10,627)		(8,161)	
Present value of unfunded liabilities	-		(33)		-	
Actuarial surplus	(2,441)		(2,714)		(138)	
Deferred tax	732		814		41	
Actuarial deficit after tax	(1,709)		(1,900)		(97)	

All of the £2,441,000 would have been shown as a liability had the Group's balance sheet been prepared under FRS 17.

**10 EMPLOYEES (Continued)**

**c) Profit and loss reserve**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
As reported on SSAP 24 basis	(22,038)	(13,893)
SSAP 24 pensions creditor (net of deferred tax)	(1,709)	(1,900)
On FRS 17 basis	<u>(23,747)</u>	<u>(15,793)</u>

**d) Analysis of amount charged to operating deficit**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amount Charged to Operating Deficit</b>		
Service cost	749	694
Past service cost	17	59
<b>Total Operating Charge (A)</b>	<u>766</u>	<u>753</u>

**Projected Amount Credited to Other Finance Income**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Expected Return on Employer Assets	617	561
Interest on Pension Scheme Liabilities	(601)	(481)
<b>Net Return (B)</b>	<u>16</u>	<u>80</u>

<b>Net Revenue Account Cost (A)-(B)</b>	<u>750</u>	<u>673</u>
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**e) Analysis of Amount Recognised in Statement of Total Recognised Surpluses and Deficits**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Actual return less expected return on pension scheme assets	1,297	(2,399)
Experience gains and losses arising on the scheme liabilities	(109)	370
Change in financial assumptions underlying the present value of the scheme liabilities	(875)	(544)
<b>Actuarial loss recognised in STRSD</b>	<u>313</u>	<u>(2,573)</u>

**f) Movement in deficit during the year**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
<b>Deficit at beginning of the year</b>	(2,714)	(138)
Current Service Cost	(749)	(694)
Employer contributions	710	670
Past service costs	(17)	(59)
Net return on assets	16	80
Actuarial gains	313	(2,573)
<b>Deficit at end of year</b>	<u>(2,441)</u>	<u>(2,714)</u>

**10 EMPLOYEES (Continued)****g) History of Experience Gains and Losses**

	2004 £'000	2003 £'000
Difference between the expected and actual return on assets	1,297	(2,400)
Value of assets	10,718	7,946
<b>Percentage of assets</b>	<b>12.1%</b>	<b>(30.2%)</b>
Experience gains on liabilities	(109)	370
Present value of liabilities	13,159	10,627
<b>Percentage of the present value of liabilities</b>	<b>(0.8%)</b>	<b>3.5%</b>
Actuarial losses recognised in STRGL	313	(2,573)
Present value of liabilities	13,159	10,627
<b>Percentage of the present value of liabilities</b>	<b>2.4%</b>	<b>(24.2%)</b>

**h) Assumptions**

The major assumptions used by the actuary in assessing scheme liabilities on a FRS 17 basis were:

	At 31 March 2004 %	At 31 March 2003 %	At 31 March 2002 %
Rate of increase in salaries	4.40%	4.00%	4.30%
Rate of increase in pensions in payment	2.90%	2.50%	2.80%
Discount rate	5.50%	5.40%	5.90%
Inflation assumption	2.90%	2.50%	2.80%

**Social Housing Pension Scheme****General**

Chester & District Housing Trust Ltd participates in the Social Housing Pension Scheme (SHPS). SHPS is a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme.

The last formal valuation of the scheme was performed at 30 September 2002 by a professional qualified actuary using the 'projected unit credit' method. The market value of the scheme's assets at the last valuation date were £650 million.

The Trust paid contributions at the rate of 10.6% during the accounting period. Member contributions vary between 2.0% and 5.0%, depending on age. Contributions to the scheme amounted to £33,000 (2003 : £25,000).

It is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers.

Due to the nature of the scheme, the income and expenditure account charge for the period under both SSAP 24 and FRS 17 represents the employer contribution payable.

**Financial assumptions**

The financial assumptions underlying the valuation were as follows:

	% pa
Rate of return on future contributions	6.6
Rate of return on accumulated assets	7.2
Rate of salary increases	4.5
Rate of pension increases	2.5
Rate of price inflation	2.5

The accumulated assets of the scheme were assumed to earn the same return as if they had been investing in a portfolio comprising 100% UK equities for non-pensioner liabilities and 25% UK equities/75% gilts for pensioner liabilities.

**10 EMPLOYEES (Continued)****Valuation Results**

The valuation revealed a shortfall of assets compared with the value of liabilities of some £117million (equivalent to a past service funding level of 85%).

The long-term joint contribution rate required from employers and members to meet the cost of future benefit accrual was assessed as 15.0% of pensionable salaries.

Following consideration of the results of the actuarial valuation it has been agreed that, with effect from 1 April 2004:

- The standard employer contribution rate will be increased from 10.6% to 11.7% of pensionable salaries.
- Member contributions will also be increased by 1.1% from 2.0-5.0% to 3.1-6.1% of pensionable salaries depending on age.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate). This rate will increase from 15.0% to 17.3% of pensionable salaries with effect from 1 April 2004.

Employers that have closed the Scheme to new members are required to pay an additional employer contribution loading of 3.0% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the SHPS Scheme.

New employers that have joined the Scheme after 30 September 2002 without any past service liability will pay an employer contribution rate of 9.4% of pensionable salaries with effect from 1 April 2004. This rate will apply until 1 April 2007, after which it will change to the standard employer contribution rate per the actuarial valuation due to take place as at 30 September 2005.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past deficit by March 2017.

The next valuation will be as at 30 September 2005.

**11 BOARD MEMBERS AND EXECUTIVE DIRECTORS**

	Basic Salary £000	Benefits in kind £000	Pension contbns £000	2004 Total £000	2003 Total £000
<b>Chief Executive</b>					
Geoff Blackburn (to December 2003)	57	6	9	72	100
<b>Director of Resources</b>					
Su Bramley	70	7	10	87	83
<b>Director of Operations</b>					
David Rooke	70	7	10	87	83
	197	20	29	246	266

None of the non-executive Board Directors received emoluments. Expenses paid during the year to Board Directors amounted to £681 (2003: £597). The emoluments of the highest paid directors: the Director of Resources and Director of Operations whilst Joint Acting Chief Executives, excluding pension contributions were £76,483 (2003: Chief Executive £86,506). The Chief Executive retired in December 2003.

The Directors all participate in the Cheshire County Council Pension Scheme, which is a defined benefit scheme. They are ordinary members of the pension scheme and no enhanced or special terms apply. Chester & District Housing Trust Limited does not make any further contribution to an individual pension agreement for any of the Directors.

Cllr Eleanor Johnson, Cllr Mike Jones, Cllr Rob Thompson and Cllr Judith Stainthorp (Council members), who are members of the Board, are Councillors with Chester City Council. The Trust provides services to the Council and also purchases services from the Council. During the period the Trust paid fees totalling £254,695 (2003: £592,402) to, and received fees totalling £434,806 (2003: £380,115) from, Chester City Council. The traded services balances outstanding at the period end were £69,101 (2003: £101,384) owed to the Council by the Trust and £72,844 (2003: £165,326) owed to the Trust by the Council.

## 12 TAX DEFICIT ON ORDINARY ACTIVITIES

	Group		Trust	
	2004	2003	2004	2003
	£000	£000	£000	£000
<b>United Kingdom Corporation Tax</b>				
Current tax on income for the year	-	-	-	-
Adjustments in respect of prior years	-	-	-	-
<b>Current taxation</b>	-	-	-	-
<b>Deferred taxation</b>				
Net origination (reversal) of timing differences	-	-	-	-
Changes in tax rates	-	-	-	-
<b>Tax on deficit on ordinary activities</b>	-	-	-	-
<b>Current tax reconciliation</b>				
Deficit on ordinary activities before taxation	(8,145)	(9,003)	(8,205)	(9,020)
Theoretical tax at UK corporation tax rate 30% (2003: 30%)	(2,444)	(2,701)	(2,462)	(2,706)
<b>Effects of:</b>				
Expenditure not tax deductible	230	236	219	222
Enhanced expenditure	-	(7)	-	(7)
Adjustments in respect of capital items	(174)	(422)	(170)	(422)
Income not chargeable to corporation tax	-	(40)	-	(40)
Movement on deferred tax not provided	2,363	2,907	2,365	2,907
Accelerated capital allowances	20	8	20	14
Short term timing differences	5	19	5	19
Group relief	-	-	23	13
<b>Actual current taxation charge</b>	-	-	-	-

Unrelieved losses of £22,772k (2003 : £14,794k) are carried forward and are available to reduce the tax liability in respect of future profits.

The group has a deferred tax asset in relation to tax losses of £6,832k as at 31 March 2004 (2003: 4,438k) which have not been recognised as these may be only set against certain profits arising in future accounting periods.

The group also has not recognised a deferred tax asset in relation to short term timing differences of £19k (2003: Deferred tax liability of £14k).

Consequently the group has unrecognised deferred tax assets of £6,851k as at 31 March 2004 (2003: £4,452k).



## 13 TANGIBLE FIXED ASSETS - HOUSING PROPERTIES

Group and Trust	Social housing properties held for letting £000	Social housing properties under construction £000	Completed shared ownership housing properties £000	Shared ownership properties under construction £000	Total £000
<b>Cost</b>					
At 1 April 2003	46,690	-	-	-	46,690
Additions	1,519	2,128	-	2,717	6,364
Schemes completed	801	(801)	778	(778)	-
Disposals	(1,086)	-	(67)	-	(1,153)
At 31 March 2004	47,924	1,327	711	1,939	51,901
<b>Depreciation and impairment</b>					
At 1 April 2003	1,291	-	-	-	1,291
Charge for the year	591	-	7	-	598
Disposals	(32)	-	-	-	(32)
At 31 March 2004	1,850	-	7	-	1,857
<b>Net Book Value</b>					
At 31 March 2004	46,074	1,327	704	1,939	50,044
At 31 March 2003	45,399	-	-	-	45,399
<b>Social Housing Grant</b>					
At 1 April 2003	1,116	-	-	-	1,116
Additions	-	125	-	-	125
Schemes completed	125	(125)	-	-	-
At 31 March 2004	1,241	-	-	-	1,241
<b>Other grants</b>					
At 1 April 2003	17	-	-	-	17
Additions	11	-	-	-	11
Schemes completed	-	-	-	-	-
At 31 March 2004	28	-	-	-	28

Housing properties book value, net of depreciation and grants, and offices net book value (note 14) comprise entirely of freehold land and buildings.

## 14 TANGIBLE FIXED ASSETS - OTHER

## Group

	Freehold offices £000	Fixtures and fittings £000	Computers and office equipment £000	Plant and Machinery £000	Total  £000
<b>Cost</b>					
At 1 April 2003	5,972	404	775	11	7,162
Additions	2,530	20	91	-	2,641
Disposal	(180)	-	-	-	(180)
At 31 March 2004	8,322	424	866	11	9,623
<b>Depreciation</b>					
At 1 April 2003	195	155	526	7	883
Charge for the year	95	98	250	3	446
Disposal	(4)	-	-	-	(4)
At 31 March 2004	286	253	776	10	1,325
<b>Net Book Value</b>					
At 31 March 2004	8,036	171	90	1	8,298
At 31 March 2003	5,777	249	249	4	6,279

## Trust

	Freehold offices £000	Fixtures and fittings £000	Computers and office equipment £000	Plant and Machinery £000	Total  £000
<b>Cost</b>					
At 1 April 2003	1,664	400	775	11	2,850
Additions	2,530	20	91	-	2,641
At 31 March 2004	4,194	420	866	11	5,491
<b>Depreciation</b>					
At 1 April 2003	106	147	526	7	786
Charge for the year	56	90	250	3	399
At 31 March 2004	162	237	776	10	1,185
<b>Net Book Value</b>					
At 31 March 2004	4,032	183	90	1	4,306
At 31 March 2003	1,558	253	249	4	2,064

**15 INVESTMENT IN SUBSIDIARIES**

As required by statute, the financial statements consolidate the results of Chester & District Housing Trust Limited and its wholly owned subsidiary, CDHT (Property Holdings) Limited. The Trust has the right to appoint members to the Board of the subsidiary and thereby exercises control over it. Chester & District Housing Trust Limited is the ultimate parent undertaking.

**16 STOCKS AND WORK IN PROGRESS**

	Group		Trust	
	2004	2003	2004	2003
	£000	£000	£000	£000
Raw materials and consumables	83	75	83	75

**17 DEBTORS**

	Group		Trust	
	2004	2003	2004	2003
	£000	£000	£000	£000
<b>Due within one year</b>				
Rent and service charges receivable	1,463	1,371	1,463	1,371
Less provision for bad debts	(889)	(847)	(889)	(847)
	574	524	574	524
Amount due from subsidiary	-	-	29	75
Loans to subsidiary	-	-	3,872	4,252
Other debtors	575	565	575	564
Prepayments and accrued income	591	455	591	455
	1,740	1,544	5,641	5,870

**18 CURRENT ASSET INVESTMENTS**

	Group		Trust	
	2004	2003	2004	2003
	£000	£000	£000	£000
Money market and term deposits	942	1,429	942	1,429

**19 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Trust</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Debt (note 21)	1,721	221	1,721	221
Trade creditors	158	2	158	2
Due to subsidiary	-	-	-	53
Rents and service charges received in advance	51	39	51	39
Right to Buy Sharing Agreement	2,662	1,631	2,662	1,631
Other taxation and social security costs	160	163	160	163
Other creditors	167	175	148	175
Accruals and deferred income	2,487	2,084	2,347	2,074
	<u>7,406</u>	<u>4,315</u>	<u>7,247</u>	<u>4,358</u>

**Payments to creditors**

The following information has been extracted from the Group's creditor payments system.

	<b>Group</b>		<b>Trust</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>
Average number of days between receipt and payment of purchase invoices	<u>30</u>	<u>32</u>	<u>30</u>	<u>32</u>

**20 CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>Group</b>		<b>Trust</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Debt (note 21)	76,250	64,250	76,250	64,250
Disposal proceeds fund	306	-	306	-
	<u>76,556</u>	<u>64,250</u>	<u>76,556</u>	<u>64,250</u>

**21 DEBT ANALYSIS**

	<b>Group</b>		<b>Trust</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Due within one year</b>				
Bank and Building Society Loans	<u>1,721</u>	<u>221</u>	<u>1,721</u>	<u>221</u>
	<b>Group</b>		<b>Trust</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Due after more than one year</b>				
Bank and Building Society Loans	<u>76,250</u>	<u>64,250</u>	<u>76,250</u>	<u>64,250</u>

**21 DEBT ANALYSIS (continued)**

Debt is repayable as follows:

	Group		Trust	
	2004 £000	2003 £000	2004 £000	2003 £000
Within one year	1,721	221	1,721	221
Between one and two years	-	-	-	-
Between two and five years	6,000	-	6,000	-
After five years	70,250	64,250	70,250	64,250
Bank and Building Society Loans	<u>77,971</u>	<u>64,471</u>	<u>77,971</u>	<u>64,471</u>

The Bank and Building Society loans are secured by a floating charge over the assets of the Trust and by fixed charges on housing properties and Centurion House.

The Bank and Building Society loans of £76.25million are at fixed rates of interest ranging from 4.95% to 6.12% and fall to be repaid in the period 2006 – 2030.

The fixed loans as at 31 March 2004 were £70.25m and the LIBOR loans were £7.721m. However on 1st April 2004 £6.0m of the LIBOR loans were fixed for 10 years at 5.15%.

In addition to the above debt, at 31 March 2004 the Group had undrawn loan facilities of £36.03m (2003: £25.53m). The overall loan facility was increased from £90m to £114m during the year.

**22 RESERVES**

	Group £000	Trust £000
At 1 April 2003	(13,893)	(13,867)
Deficit for the year	<u>(8,145)</u>	<u>(8,205)</u>
At 31 March 2004	<u>(22,038)</u>	<u>(22,072)</u>

**23 RECONCILIATION OF MOVEMENT IN GROUP FUNDS**

	Group £000	Trust £000
Opening funds at		
At 1 April 2003	(13,893)	(13,867)
Deficit for the year	<u>(8,145)</u>	<u>(8,205)</u>
At 31 March 2004	<u>(22,038)</u>	<u>(22,072)</u>

**24 FINANCIAL COMMITMENTS**

Capital expenditure commitments are as follows:

	<b>Group</b>		<b>Trust</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Capital Expenditure</b>				
Expenditure contracted for but not provided for in the accounts	2,631	9,411	2,631	9,411
Expenditure authorised by the Board, but not contracted	7,627	9,978	7,627	9,978
	<u>10,258</u>	<u>19,389</u>	<u>10,258</u>	<u>19,389</u>

**Operating Leases**

The payments which the Group and Trust is committed to make in the next year under operating leases are as follows:

	<b>Group</b>		<b>Trust</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Vehicles and office equipment leases expiring				
One to five years	<u>236</u>	<u>260</u>	<u>236</u>	<u>260</u>

**25 CONTINGENT LIABILITIES**

There were no contingent liabilities at 31 March 2004.

**26 RECONCILIATION OF OPERATING DEFICIT TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Operating deficit	(6,003)	(7,131)
Depreciation of tangible fixed assets	1,044	983
	<u>(4,959)</u>	<u>(6,148)</u>
<b>Working capital movements</b>		
Stock and WIP	(8)	9
Debtors	(282)	(491)
Creditors	246	100
<b>Net cash outflow from operating activities</b>	<u>(5,003)</u>	<u>(6,530)</u>

**27 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Increase / (Decrease) in cash	1,007	(19)
Cash flow from movement in liquid resources	(487)	(351)
Cash flow from movement in debt and lease finance	(13,500)	(7,600)
Increase in net debt from cash flows	(12,980)	(7,970)
Net debt at 1 April 2003	(61,963)	(53,993)
Net debt at 31 March 2004	(74,943)	(61,963)

**28 ANALYSIS OF NET DEBT**

	<b>1 April</b>	<b>Cash flow</b>	<b>31 March</b>
	<b>2003</b>		<b>2004</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	1,079	1,007	2,086
Bank overdraft	-	-	-
Changes in cash	1,079	1,007	2,086
Current asset investments	1,429	(487)	942
Changes in debt (loans)	(64,471)	(13,500)	(77,971)
Changes in net debt	(61,963)	(12,980)	(74,943)

**29 FINANCIAL ASSETS AND LIABILITIES**

The Board policy on derivatives and financial instruments is explained in the Report of the Board on page 3.

**Financial Assets**

Other than short term debtors, other financial assets held are cash deposits placed on money markets at call, 7-day and monthly rates and cash at bank. They attract interest at variable rates and amounts held were:

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Sterling	3,028	2,508

**30 RELATED PARTIES**

There are five tenant members of the Board. Their tenancies are on normal commercial terms and they are not able to use their position to their advantage. There is currently one vacancy.

The Tenant Board members are: Eileen Ferris-Bell, Lawrence Hopwood, Michael Shepstone-Trewartha and Ted White. Idris Roberts is a tenant of the Trust who during the year has been co-opted to the Trust Board.