

2010 Rotherham Limited

Directors' report and financial statements
Company Limited by Guarantee
Registered in Cardiff number 05292646
31 March 2011



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Company Information

Company registration number

05292646

Registered office:

Chesterton Road,
Eastwood Trading Estate
Rotherham
S65 1SZ

Bankers:

The Co-operative Bank plc
Head Office
P O Box 101
1 Balloon Street
Manchester
M60 4EP

Solicitors:

Trowers & Hamlins
Sceptre Court
40 Tower Hill
London
EC3N 4DX

Auditors:

KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW

Internal Auditors:

Rotherham Metropolitan Borough Council
Financial Services Directorate
Grove Road
Rotherham
S60 2ER

Company Secretary

Trowers & Hamlins

Company Information (*continued*)

Board of Directors

Tenant Board Members

Mrs Liz Booth	Appointed 29 th April 2005 Resigned 10 th November 2010
Mr Bob Brown	Appointed 1 st October 2008, Resigned 29 th June 2011
Mr Pat Cahill	Appointed 1 st October 2008, Resigned 29 th June 2011
Mrs Anita Wilson	Appointed 3 rd June 2009, Resigned 29 th June 2011

Council Board Members

Cllr Barry Dodson	Appointed 29 th April 2005, Resigned 29 th June 2011
Cllr Neil License	Appointed 29 th April 2005, Resigned 29 th June 2011
Cllr Reg Littleboy	Appointed 30 th August 2006, Resigned 30 th March 2011
Cllr Simon Currie	Appointed 30 th January 2008, Resigned 29 th June 2011
Cllr Jacquie Falvey	Appointed 16 th December 2009, Resigned 25 th May 2011
Mrs Teresa Butler	Appointed 29 th June 2011
Mr David Richmond	Appointed 29 th June 2011
Mr Richard Waller	Appointed 29 th June 2011

Independent Board Members

Paul Jagger (Chair)	Appointed 14 th June 2010, Resigned 29 th June 2011
Mr Almas Abbasi	Appointed 23 rd November 2005, Resigned 29 th June 2011
Mr John Lewis	Appointed 30 th May 2007, Resigned 29 th June 2011
Mrs Kirstie Penk	Appointed 16 th December 2009, Resigned 29 th June 2011
Mr Mark Trumper	Appointed 16 th December 2009, Resigned 25 th May 2011
Mr S Wragg	Appointed 16 th December 2009, Resigned 29 th June 2011

2010 Rotherham Limited Senior Management Team

Mr Graham Eades	Interim Chief Executive – 19 th October 2009 to 30 th June 2011
Mrs Teresa Butler	Director of Business Support – Appointed 26 th June 2006
Mr James Bell	Interim Director of Property Services - 1 st November 2009 to 31 October 2010
Mrs Maureen Gatt	Director of Finance – Appointed 1 st June 2009
Mr Matthew Spittles	Director of Operations – 6 th July 2009 to 15 th May 2011

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2011

Principal activities

2010 Rotherham Limited is a wholly owned and controlled Company of Rotherham Metropolitan Borough Council ("RMBC") 2010 Rotherham Limited (2010) was incorporated as a Company Limited by Guarantee on 22 November 2004

During the year ended 31 March 2011 the Company's principal activity was the management and maintenance of RMBC's housing stock and the management of the Decent Homes capital investment programme The housing stock numbered some 20,919 tenanted dwellings and 467 leasehold dwellings as at 31 March 2011

At its meeting on 23rd February 2011, the Cabinet of Rotherham Metropolitan Borough Council resolved that the management of Council Housing should return to the direct control of the Council Therefore, the company will cease trading when the management agreement between the Council and its arms length management organisation (ALMO), 2010 Rotherham Ltd, expires on 30th June 2011 Therefore the financial statements have not been prepared on a going concern basis The effect of this is explained in note 1

Under the management agreement with RMBC, 2010 Rotherham Ltd received a management fee of £7 777 million in the year ending 31 March 2011 for providing housing management services, with an additional £1 911 million being received for the management of the Decent Homes programme In addition to this, 2010 Rotherham Ltd also received other income of £0 258 million for the year ending 31 March 2011, giving a total housing management related income of £9 946 million

2010 Rotherham Ltd continued to buy a number of essential services from RMBC These included, for example, legal services, finance, personnel management and the provision of ICT services These are each subject to a service level agreement which sets out agreed service standards and costs

During the financial year reported upon here, the delivery of the repairs and maintenance work was externalised to two commercial contractors following an extensive procurement process under OJEU regulations Those contracts went live on 1st November 2010 The funding for the repairs and maintenance is a council budget managed on its behalf by 2010 Rotherham Ltd That continued to be the case following externalisation, contractors are paid from the council's repairs and maintenance budgets with 2010 Rotherham Ltd receiving a fee for managing the contracts and monitoring contractor performance

Legal status of Company

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

Status of Company and Composition of the Board

Rotherham Metropolitan Borough Council, the sole member of the company, undertakes, in the event of the company being wound up, to contribute such amount as may be required for the payment of the debts and liabilities of the company providing this amount does not exceed one pound After the satisfaction of all the debts and liabilities the remaining assets will be transferred to RMBC's Housing Revenue Account (as defined in the Local Government & Housing Act 1989)

A Board of non-executive directors runs the company and is made up of representatives of the local community and independent members

- 5 Council nominees,
- 4 Council tenants and one leaseholder, and
- 5 Independent members

The composition of the Board reflects the range and mix of skills and experience required for the effective management of the Company An executive management team supports the Board, the executive management team is responsible for the day-to-day running of the Company

Business Review

Principal Risks and Uncertainties

Each year, strategic risks are identified by the executive management team as part of the business planning process Those risks, and the mitigating actions, are considered by the Audit and Governance Committee and, when agreed, are monitored by that committee at its quarterly meetings

For 2010/11, the highest ranking risk continued to be the financial viability of the company, largely due to the cumulative deficit within the In-House Service Provider. At the point of externalisation of the repairs and maintenance contracts (i.e. 31st October 2010) the closing financial position of the In-House Service Provider was a deficit of £6.039 million.

The externalisation of the repairs and maintenance contracts was identified as a risk to service delivery. Whilst the process went smoothly, the persistent adverse weather immediately following transfer impacted severely on one contractor in particular and it was impossible to recover performance indicators by the end of the year.

A major risk to the company at the outset of the 2010/11 financial year was that of extending the management agreement, due to expire on 30th June 2011. That risk materialised within the year when the Cabinet of Rotherham Metropolitan Borough Council resolved that the management of Council Housing should return to the direct control of the Council.

In a company of this nature, health and safety is always a risk especially with regard to reportable incidents. In the year to 31st March 2011, employees were provided with information, training and personal protective equipment relative to their roles to reduce the number of injurious accidents. Sound asset management procedures were also in place with appropriate software and surveying capacity for asbestos linked to an overall strategy for the ongoing management of asbestos.

Performance and Developments during the Year

The Company's performance is measured principally by a suite of key performance indicators for issues pertinent to the Council and the Communities and Local Government unit in Whitehall. The indicators are given in the table on the following page which includes performance in 2008/09 and 2009/10 for comparison.

Other performance measures include various kitemarks:

- Customer Service Excellence
- The IHSP is CORGI registered and is fully compliant and registered with 'Gas Safe'
- ISO 9000 2008 for management of gas servicing
- Investors in People

During 2009/10 an improvement plan was agreed with the Council and our management agreement was extended to 30th June 2011. At 31st March 2011, just one of 62 actions remained to be completed – that of revising and agreeing the RMBC lease arrangements with leaseholders. It had been hoped to complete that work within the financial year but agreement had not by that time been confirmed with 75% of leaseholders, the threshold to avoid seeking judgement from a Leasehold Valuation Tribunal.

The organisation is structured into four directorates and the office of the chief executive:

- Operations (including Neighbourhood Management and Asset Management)
- Property Services (the In-House Service Provider) (to 31st October 2010 only)
- Business Support (Equality & Diversity, Governance, Human Resources, Information Systems, Learning & Development, Performance and Improvement, and Communications & Marketing)
- Finance
- Chief Executive's Office (including Health & Safety)

The Operations Directorate is responsible for managing and maintaining all Council homes in Rotherham on behalf of RMBC via the management agreement. Key responsibilities include:

- Tenancy & Estate Management
- Housing Income Management
- Resident Involvement
- Leasehold Management
- Empty Homes Management
- Estate Management
- Managing low level Anti-Social Behaviour
- Customer Access
- Repairs and Maintenance
- Decent Homes refurbishment programme

From April to the end of October 2010, the In-House Service Provider (IHSP) delivered responsive and programmed repairs, mechanical and electrical services, supplies, and construction work as required by the client on behalf of the Council and tenants. From 1st November 2010, the repairs work was contracted out to two commercial suppliers, 2010 Rotherham Ltd manages the contracts and monitors contractor performance.

PI Ref	Description	08/09 Actual	09/10 Actual	10/11 Actual	10/11 Target	Better or worse than 09/10?
LPI 63	The average energy rating (SAP) of local authority owned dwellings	97.99% Lower is better			72	Better 😊
LPI 66a	% rent collected				99.12%	Worse 😞
LPI 66b	% of tenants owing more than 36 days rent arrears				3.08% Lower is better	Better 😊
LPI 66c	% of tenants in arrears who have had a Notice to Seek Possession (NSP) served				9.85% Lower is better	Better 😊
LPI 66d	% of tenants evicted as a result of rent arrears				0.25% Lower is better	Better ¹ 😊
NI 158a	% of homes non decent at the start of the financial year				0.00% Lower is better	Better 😊
NI 158b	% change in non-decency				100%	Better 😊
LPI 72	Urgent repairs completed in time	97.99%	97.99%	97.99%	92.50%	Better 😊
LPI 185	Repairs appointments made and kept	98.37%	98.37%	98.37%	95.00%	Worse 😞
LPI 73	Average time to complete non-urgent repairs (days)	11.00 Lower is better			9.00	Worse ² 😞
LPI 212	Average relet time from termination to start (days)	38.46 Lower is better	38.37 Lower is better		23.00 Lower is better	Worse 😞

KEY	On target	Off target by <5%	Off target by >5%
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The Decent Homes refurbishment programme was completed as planned by 31st December, achieving the government's target. The programme delivered improvements to over 19,000 council homes and installed

- More than 15,000 new kitchens
- Almost 12,000 bathrooms
- Nearly 9,000 full or partial re-wires
- Around 13,000 central heating systems
- Windows to 14,000 properties
- 12,000 high security doors

Customer satisfaction was very high at over 90% throughout the programme and almost 99% at its completion

Position at the end of the year

For the year ended 31 March 2011 the company achieved a profit and loss deficit of £11 407 million. However this includes £10 510 million recoverable from RMBC under a pension fund guarantee in respect of actuarial deficits resulting from the FRS17 valuation of the pension scheme assets and liabilities. This is offset by a reduction in the pension scheme liability as shown in the "statement of total recognised gains and losses". The £10 510 million therefore represents an accounting adjustment which needs to be excluded to get to the operational performance of the business. This was a deficit of £0 897 million as shown in the 'statement of total recognised gains and losses'. This leaves the company with a cumulative deficit to date of £3 272 million on Capital and Reserves. This balance will be addressed when the company is wound up later in 2011 following the transfer of assets, liabilities and business to RMBC.

Employment Policy

Workforce levels at the beginning of the year stood as 610, including the In-House Service provider. Following some downsizing and the TUPE transfer of staff in connection with the externalisation of the repairs and maintenance contracts, the company employed 167 at 31st March 2011.

The Company has adopted a comprehensive range of policies in partnership with Rotherham Borough Council aimed at supporting people with disabilities at work and encouraging them back into the work place. The Company offers reasonable work place adaptations, training and career development support, and office facilities to support wheel chair users in the work place. Our employment policies are fully tested for equality impact on disability, gender, race, sexual orientation, religion and beliefs and we have assessed the organisation as being at the achieving level of the Social Housing Equalities Framework.

2010 has a Joint Consultative Committee (JCC) with all the Trades Unions. All health and safety issues, employment policies and service arrangements are discussed and, where possible, agreements are reached with employees and their Trades Union representatives before new services and policies are implemented. Key decisions from Board meetings are cascaded to all staff within 24 hours and there is a monthly meeting of all managers (tiers 1 – 4) to ensure consistency of understanding and approaches to personal development reviews and other management issues.

During the year, a substantial investment was made in management skills with the delivery of an accredited Management Leadership Development Programme to senior and middle (tier 4) managers.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he/she ought to have taken as a director to become aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Proposed dividend

The Company is limited by guarantee and does not have any Share Capital, no dividends are paid, therefore, there will not be a distribution of any surplus.

Directors and Directors' Interests

The Directors who held office during the period are detailed on page 2. A register of Directors' Interests is maintained at Chesterton Road.

Future Developments

The major development in the coming year will be the transfer of services currently delivered or managed by 2010 Rotherham Ltd to the Council. That is scheduled for 1st July, the day after the management agreement expires. All staff employed by the company will be transferred to the employ of the Council under TUPE provisions.

It is proposed to cease trading with effect from 1st July 2011 and apply for voluntary strike off as soon as possible thereafter.

Political and charitable contributions

The Company has not made any charitable contributions nor has it made any contributions to political organisations.

Environmental Policy

The Company has an environmental policy which identifies the Company's approach to environmental sustainability. We promote a culture of environmental responsibility. The implementation of this policy has links with all the Company's strategic priorities and aims.

Statement of Internal Control

The Board of Directors acknowledges its ultimate responsibility for ensuring that the Company has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to

- The reliability of financial information used within the Company or for publication,
- The maintenance of proper accounting records, and
- The safeguarding of assets against unauthorised use or disposal

It is the Board of Directors' responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. The system of internal control includes the following key elements

- The corporate financial services including management accounting, financial systems and taxation services provided by Rotherham Metropolitan Borough Council (RMBC) through a Service Level Agreement (SLA),
- In-house financial management led by a Finance Director,
- Regular internal audit by RMBC to review effectiveness of internal controls,
- Financial Regulations which are the foundation of financial policies and procedures appropriate to the company, including risk management and a scheme of delegation of authority,
- The risk management framework, developed and agreed with the Audit & Governance Committee to identify and manage key strategic and operational risks to the company,
- Forecasts and budgets prepared to enable Directors and managers to monitor the key business risks and financial objectives and progress towards achievement of targets. Regular management accounts are prepared promptly to provide reliable, up-to-date financial and other information for Directors, significant variances from forecasts were investigated and reported appropriately,
- Formal authorisation procedures through officers, committees and the Board were applied to all significant new initiatives, major commitments and investment projects,
- A full range of insurance to safeguard assets,
- A Finance and Asset Management Committee of the Board, comprising of seven directors,
- An Audit & Governance Committee of the Board, comprising of seven directors, representation from RMBC Internal Audit, KPMG and an independent co-optee who is the Section 151 officer in a neighbouring authority

These procedures and processes are regularly reviewed

Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the association and of the surplus or deficit for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice 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 association will continue in business. (As explained in note 1, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis)


The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

Auditors

In accordance with section 406 of the Companies Act 2006 a resolution for the re-appointment of KPMG LLP as auditor to the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board and signed on its behalf

Teresa Butler
Director
Dated


15th August 2011.

2010 Rotherham Limited
Chesterton Road
Eastwood Trading Estate
Rotherham S65 1SZ



Report of the independent auditors to the members of 2010 Rotherham Limited

We have audited the financial statements of 2010 Rotherham Limited ("the Company") for the year ended 31 March 2011 set out on pages 10 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice). These financial statements have not been prepared on the going concern basis for the reason set out in note 1 to the financial statements.

This report is made solely to the Company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of affairs of the association as at 31 March 2011 and of its surplus/(deficit) for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

06/09/11

Trevor Rees (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Profit and loss account
for the year ended 31 March 2011

		Year ended 31 March 2011	Year ended 31 March 2010
	Note	£000	£000
Turnover	2	23 055	34 012
Cost of sales		(16 835)	(24 558)
Gross profit		6,220	9,454
Administrative expenses		(2 809)	(9 131)
Other operating costs		(2 206)	(2 549)
Change in pension reimbursement rights		(16 099)	14 707
FRS17 change in benefits *		4 419	-
Operating (loss)/profit		(10,475)	12,481
Other interest payable and similar expense	6	(946)	(899)
(Loss)/profit on ordinary activities before taxation		(11,421)	11,582
Tax on profit on ordinary activities	7	14	(9)
(Loss)/profit on ordinary activities after taxation for the financial period	12	(11,407)	11,573

The results are wholly attributable to continuing activities. However, as explained in the Directors' Report the company is to cease trading on 30 June 2011 and on 1 July 2011 all business activities currently undertaken by the Company will transfer to Rotherham Metropolitan Borough Council.

* In its June 2010 budget the government announced that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than as previously the Retail Price Index (RPI). The company has considered the South Yorkshire Pension Scheme LGPS scheme rules and associated members' literature and has concluded that this change is a change in benefits and so has recognised the resulting credit of £4 419k in the Income & Expenditure account.

The notes on pages 14 – 24 form part of these statements.

Statement of total recognised gains and losses
for the year ended 31 March 2011

	Year ended 31 March 2011	Year ended 31 March 2010
	£000	£000
(Loss)/profit for the financial period	(11 407)	11 573
Actuarial gains/(losses) in respect of pension scheme (see note 13)	10 510	(12 229)
Total recognised gains and losses relating to the financial period	(897)	(656)

Balance sheet
At 31 March 2011

	Note	2011	2010
		£000	£000
Current assets			
Stock	9	-	419
Debtors	8	3,555	13,010
Cash at bank and in hand		-	-
		<u>3,555</u>	<u>13,429</u>
Creditors: amounts falling due within one year	10	(6,827)	(15,804)
		<u>(6,827)</u>	<u>(15,804)</u>
Total liabilities less current liabilities		(3,272)	(2,375)
Provisions for liabilities and charges		-	-
		<u>-</u>	<u>-</u>
Net Assets excluding pension liabilities		(3,272)	(2,375)
		<u>(3,272)</u>	<u>(2,375)</u>
Pension liabilities			
Pension liability	13	(5,430)	(21,529)
Pension related asset	13	5,430	21,529
		<u>-</u>	<u>-</u>
Net (liabilities)/assets including pension liabilities		(3,272)	(2,375)
		<u>(3,272)</u>	<u>(2,375)</u>
Capital and reserves	12	(3,272)	(2,375)
		<u>(3,272)</u>	<u>(2,375)</u>

These financial statements were approved by the Board of Directors on 15/08/2011 and were signed on its behalf by

Teresa Butler
 Director

Teresa Butler
15th August 2011.

		Year ended 31 March 2011	Year ended 31 March 2010
		£000	£000
Reconciliation of operating profit to net cash flow from operating activities	<i>Note</i>		
Operating (loss)/profit		(10,475)	12,481
Reduction/(increase) in stocks		419	127
Reduction/(increase) in debtors		9,454	1,129
(Reduction)/increase in creditors		(4,603)	(1,641)
(Reduction)/increase in provisions for liabilities and charges		-	-
Pension contributions	13	(1,699)	(1,829)
Pension current service cost	13	(4,822)	3,432
Change in pension reimbursement rights		16,099	(14,707)
Net cash inflow/(outflow) from operating activities		4,373	(1,008)
Cash flow statement			
For the year ended 31 March 2011			
Cash flow from operating activities		4,373	(1,008)
Returns on investments and servicing of finance			
Interest (payable)/receivable	6	(16)	(24)
Taxation			
Taxation – corporation tax paid		-	-
(Decrease)/increase in cash in the period		4,357	(1,032)
Reconciliation of net cash flow to movement in net funds			
Increase/(decrease) in cash in the period	14	4,357	(1,032)
Cash inflow from increase in debt		-	-
Movement in net funds	14	4,357	(1,032)
Opening funds	14	(6,541)	(5,509)
Closing funds	14	(2,184)	(6,541)

Reconciliation of movements in shareholders' funds
for the year ended 31 March 2011

	Year ended 31 March 2011	Year ended 31 March 2010
	£000	£000
(Loss)/profit for the financial period	(11,407)	11,573
Other recognised gains/(losses) relating to the period	10,510	(12,229)
	<hr/>	<hr/>
Net reduction to shareholders' funds	(897)	(656)
	 <hr/>	 <hr/>
Opening shareholders' funds	(2,375)	(1,719)
	<hr/>	<hr/>
Closing shareholders' funds	(3,272)	(2,375)
	<hr/> <hr/>	<hr/> <hr/>

Notes

(forming part of the financial statements)

1 Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

Basis of Preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

2010 Rotherham Limited undertakes the management and maintenance of the housing stock of RMBC and the management of the investment programme for the modernisation of the housing stock. 2010 Rotherham Limited works primarily for RMBC including partner bodies such as Rotherham Construction Partnership

There is an agreement in place to recharge to RMBC the costs incurred which include the pension contributions. There is another agreement whereby RMBC will take back the assets and liabilities of 2010 Rotherham Limited at the end of its life or if the operations move elsewhere

During the period, 2010 Rotherham Limited applied FRS 17, relating to the employers liability in respect of the final salary pension scheme. The South Yorkshire Local Government Pension scheme, like a number of final salary pension schemes, has a deficit. Measures are in place to address this deficit, by increasing employers' contributions in the medium term. However the requirement of FRS 17 is to show the deficit on the pension scheme as a liability on the balance sheet. As a result of the above agreements and the application of FRS 17 a pension related asset being the guarantee from RMBC to cover all related pension costs exists. This asset will always be equal and opposite to the pension liability.

The components of the FRS 17 pension accounting taken through the profit and loss account and statement of total recognised gains and losses (STRGL), therefore, attract an equal and opposite reimbursement which is taken through other income. The result of adopting FRS 17 gives rise to equal and opposite assets and liabilities and income/gains and expenses/losses and, therefore, there is no net effect to the net assets. There will, however, be a net effect on the profit for the period due to the fact that a charge in respect of the actuarial gain, recognised in the STRGL, is taken through the profit and loss account.

Going Concern

In previous years, the financial statements have been prepared on a going concern basis. However, during this year, 2010 Rotherham Limited completed the delivery of the Decent Homes Project and externalisation of the Property Services repair and maintenance activities to two external contractors, Willmott Dixon Partnerships Limited and Morrison Facilities Services Limited. The externalisation resulted in all Property Services staff being transferred to the two contractors on 1 November 2011. These events resulted in a reduction in the scale of 2010 Rotherham Limited's activities and workforce. Also, following consultation with tenants, Rotherham Metropolitan Borough Council ("RMBC") has decided not to extend the Management Agreement with 2010 Rotherham Limited beyond 30 June 2011 and with effect from 1 July 2011, all activities of 2010 Rotherham Limited will be re-integrated into RMBC. As part of this process, RMBC will receive all remaining employees and assume responsibility for all assets and liabilities not directly discharged by 2010 Rotherham Limited. As result of this, the directors have decided to cease trading following the transfer on 30 June 2011 and to apply for voluntary strike off at the earliest opportunity thereafter.

In the event that the transfer process is delayed (or for any reason, does not ultimately take place), it is expected that 2010 Rotherham Limited will continue to manage the Council's housing stock on a basis similar (if not identical) to that on which it presently operates.

The directors have received a letter of support from RMBC stating that RMBC will "continue to provide financial and other support to 2010 Rotherham Limited for the later of at least the next twelve months or the voluntary strike off date".

As a result of the activities indicated above and the directors decision to wind up the company at the earliest opportunity following the transfer of undertakings to RMBC on 1 July 2011 or as soon as possible thereafter, the financial statements have been prepared on a non-going concern basis. However, as income in the three months to 30 June 2011 is expected to cover all operating and termination costs during these months, the company has no fixed assets, all stock not transferred to contractors as part of the externalisation of the Property Services has already been written down, all debtors not already provided for in the normal course of business are expected to be collected in full, there are no material leases or other commitments and all staff will transfer to RMBC, no adjustments were necessary to the amounts at which the remaining net assets are included in these financial statements.

Notes (continued)

Fixed Assets and Depreciation

2010 Rotherham Limited does not hold any fixed assets

Post-retirement Benefits

The Company participates in the Local Government Pension Scheme (LGPS). The scheme is a defined benefit pension scheme based on final pensionable salary. The assets of the scheme are held separately from those of the Company in an independently administered fund.

Pension scheme assets are measured using bid price values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Except where otherwise required, full provision is made, without discounting, for all timing differences which have arisen but not reversed at the balance sheet date except as required by FRS 19.

Turnover

Turnover represents the amounts largely derived from the provision of goods and services to the parent organisation, RMBC, and is stated net of value added tax. 2010 Rotherham Limited works primarily for RMBC including partner bodies such as Rotherham Construction Partnership. Income is included in turnover on the basis of work done. All turnover arises in the United Kingdom.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

Stocks

Stocks are stated at the lower of cost and net realisable value.

2 Analysis of Turnover

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
By activity		
Housing Management Fee	9,688	11,990
Housing – Other Income	258	131
Repairs and building services	13,108	21,891
	<u>23,054</u>	<u>34,012</u>

Notes (continued)

3 Profit on ordinary activities before taxation

	Year ended 31 March 2011	Year ended 31 March 2010
	£000	£000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors remuneration		
Audit	19	20
Other services – fees paid to the auditor for taxation services	1	-
	<u>20</u>	<u>20</u>

4 Remuneration of directors

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Members of the Board of Directors		
Directors' emoluments – Directors receive no remuneration for their services	-	-
None of the Directors is a member of the defined benefit pension scheme		
Members of the Management Team		
The Executive Management Team, including the Chief Executive Officer, received emoluments as follows		
Aggregate emoluments (wages & salary) payable to the Executive Management Team (including pension contributions No benefits in kind were received)	<u>294</u>	<u>311</u>
The aggregate amount paid to third parties for making available the services of directors	<u>254</u>	<u>289</u>

Of the above, £138,593 was paid to the highest paid director, the Interim Chief Executive

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the Company (including Directors, who do not hold contracts of employment) during the period, analysed by category, was as follows

	Year ended 31 March 2011 Number	Year ended 31 March 2010 Number
Housing services	181	220
Repairs and building services	193	389
Directors Executive Directors	3	3
Non-Executive Directors	14	14
	<u>391</u>	<u>626</u>

The aggregate payroll costs of these persons were as follows

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Wages and salaries	10,516	16,362
Social security costs	713	1,087
Pension contributions	1,103	1,865
	<u>12,332</u>	<u>19,314</u>

Notes (continued)

6 Other finance (costs)/income

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Expected return on pension scheme assets	2,793	2,516
Interest on pension scheme liabilities	(3,723)	(3,391)
Bank interest	(16)	(24)
	<u>(946)</u>	<u>(899)</u>

7 Taxation

Analysis of charge in period

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
<i>UK corporation tax</i>		
Current tax on income for the period	-	9
Adjustments in respect of prior years	(14)	-
	<u>(14)</u>	<u>9</u>
Total current tax	<u>(14)</u>	<u>9</u>
	<u>(14)</u>	<u>9</u>
Tax on profit on ordinary activities	<u>(14)</u>	<u>9</u>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower than the standard rate of corporation tax in the UK of 21%. The differences are explained below

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before tax	(11,421)	11,582
	<u>-</u>	<u>-</u>
Current tax at 21% (2010 - 21%)	-	-
<i>Effects of</i>		
Activities outside the scope of corporation tax	-	-
Specific activities within the scope of corporation tax	-	9
Adjustments in respect of prior years	(14)	-
	<u>(14)</u>	<u>9</u>
Total current tax (credit)/charge (see above)	<u>(14)</u>	<u>9</u>

Notes (continued)

8 Debtors

	31 March 2011 £000	31 March 2010 £000
Trade debtors	297	176
Amounts owed by group undertakings	3,155	10,126
Other debtors	103	-
Prepayments and accrued income	-	2,708
	<u>3,555</u>	<u>13,010</u>

9 Stock

	31 March 2011 £000	31 March 2010 £000
Raw materials and consumables	-	419
	<u>-</u>	<u>419</u>

10 Creditors: amounts falling due within one year

	31 March 2011 £000	31 March 2010 £000
Bank overdrafts	2,184	6,541
Trade creditors	-	-
Amounts owed to group undertakings	2,987	4,609
Taxation and social security	188	1,101
Corporation tax	-	14
Other creditors	-	2,014
Accruals and deferred income	1,468	1,525
	<u>6,827</u>	<u>15,804</u>

Notes (continued)

11 Called up share capital

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

12 Reserves

	Total capital and reserves 31 March 2011 £000	Total capital and reserves 31 March 2010 £000
At beginning of period	(2,375)	(1,719)
Retained (loss)/profit for the period	(11,407)	11,573
Actuarial gain/(loss) recognised in the pension scheme	10,510	(12,229)
	<hr/>	<hr/>
At end of period	(3,272)	(2,375)
	<hr/>	<hr/>

13 Pension scheme

The Company participates in the South Yorkshire Local Government Pension Fund (LGPS). The pension contributions payable by the Company to the scheme for the period amounted to £1,676,000 (2010 - £1,865,000)

At 31 March 2011 £826,000 (2010 - £1,427,000) remained unpaid in respect of early retirees. This amount is payable in instalments in April 2011, April 2012

The pension scheme provides benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. The contributions are determined by a qualified actuary. The most recent valuation of the entire LGPS was at 31 March 2010.

RMBC and 2010 Rotherham will keep the level of employers' contributions under review to allow the fund to balance in the medium term.

Certain financial assumptions underlying the valuation were

Current rate of employers' contributions	14.3%
Market value of the Scheme Assets	£34,768m

	Past Service	Future Service
Rate of general pay increases	4.75%	4.750%
Price inflation	3.00%	3.00%

Notes (continued)

13 Pension scheme (continued)

Financial Reporting Standard 17 – Retirement Benefits

Under the requirements of FRS17 the Company is required to disclose further information on the assets and liabilities of the scheme on a market value basis at the end of the accounting year. The information is set out below.

	2011	2010
Actuarial assumptions		
Rate of increase in salaries	4.75%	5.0%
Rate of increase of pensions in payment and deferred pensions	3.0%	3.5%
Discount rate	5.5%	5.7%
Rate of inflation – RPI	3.5%	3.5%
Rate of inflation – CPI	3.0%	3.0%
 Scheme assets and expected return on assets		
Equities (UK)	7.5%	7.5%
Government Bonds	4.4%	4.0%
Other Bonds	5.1%	6.0%
Property	6.5%	6.5%
Cash	0.5%	0.5%
	£000	£000
Total market value of assets	34,768	55,046
Actuarial value of liability	(40,198)	(76,575)
 Net pension liability £'000	 (5,430)	 (21,529)

Split of scheme asset values

	2011		2010	
	£000	%	£000	%
Equities (UK)	23,434	67.4%	35,560	64.6%
Government Bonds	5,076	14.6%	8,477	15.4%
Other Bonds	2,503	7.2%	4,349	7.9%
Property	3,407	9.8%	5,009	9.1%
Cash/Liquidity	348	1.0%	1,651	3.0%
 Total market value of assets	 34,768		 55,046	

Notes (continued)

13 Pension scheme (continued)

Movement in deficit during the period	2011 £000	2010 £000
Scheme deficit at beginning of period	(21,529)	(6,822)
<i>Movement in period</i>		
Current service cost	(1,574)	(1,472)
Contributions	1,699	1,829
Past service gain	4,419	-
Impact of settlements and curtailments	1,975	(1,960)
Net returns on assets/(interest cost)	(930)	(875)
Actuarial gain/(loss)	10,510	(12,229)
Deficit in scheme at end of period	(5,430)	(21,529)
Council guarantee asset (see basis of preparation)	5,430	21,529
	-	-
Analysis of other pension costs charged in arriving at operating profit	2011 £000	2010 £000
Current service cost	(1,574)	(1,472)
Past service gain	4,419	-
Impact on settlements and curtailments	1,975	(1,960)
Total Operating Charge	4,820	(3,432)
Analysis of amounts included in other finance costs	2011 £000	2010 £000
Expected return on pension assets	2,793	2,516
Interest on pension liabilities	(3,723)	(3,391)
	(930)	(875)
Analysis of amounts recognised in statement of total recognised gains and losses	2011 £000	2010 £000
Actual return less expected return on assets	278	2,516
Gain/(loss) on change of assumptions	10,232	(14,745)
Actuarial gain/(loss) recognised in STRGL	10,510	(12,229)

Notes (continued)

13 Pension scheme (continued)

The 2010 Rotherham Limited pension fund commenced on 19th May 2005. Although the transfers in to the scheme were fully funded in actuarial terms, using the measurement bases required by FRS 17 resulted in a loss on commencement of the fund. This loss, which has moved with time, has been recognised in the statement of total recognised gains and losses.

History of experienced gains and losses

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Difference between the expected and actual return on scheme assets	706	2,516	3,127	(3,025)	361
Amount (£000)					
Percentage of period end scheme assets	2.0%	4.6%	7.8%	6.4%	0.8%

Experience gains and losses on scheme liabilities:

Amount (£000)	5,028	-	-	-	-
Percentage of scheme assets	14.5%	-	-	-	-

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

Amount (£000) (loss)/gain	10,510	(12,229)	4,565	(2,009)	4,059
Percentage of scheme assets	30.2%	22.2%	11.4%	4.3%	9.37%

14 Analysis of net funds

	At beginning of period £000	Cash flow £000	At end of period £000
Cash in hand, at bank	(6,541)	4,357	(2,184)
Total	(6,541)	4,357	(2,184)

Notes (continued)

15 Related party disclosures

Details of the status of the company and composition of the board of directors are given in the Directors Report. The ultimate controlling party is Rotherham Metropolitan Borough Council (RMBC).

Tenant members of the board are resident in properties maintained by the company and owned by the council. These residents have a standard tenancy agreement and are required to fulfil the same obligations and receive the same benefits as other tenants.

The accounts of RMBC are publicly available on the council's website at www.rotherham.gov.uk. The council has delegated responsibility for overseeing the management and maintenance of its residential stock to 2010 in accordance with the five year Management Agreement signed on the same day as the contract became effective, 19th May 2005. The council pays the company a monthly management fee in accordance with that management agreement and any variations subsequently approved. In the current year, the management fee amounted to £9.688 million (2010 - £11.990 million), including capital management fee of £1.911 million (2010 - £4.443 million). The income received from the council for the maintenance work was £12.860 million (2010 - £21.125 million).

The company does not own any fixed assets. RMBC owns all buildings, plant, equipment, furniture and IT hardware. RMBC is responsible for the calculation of depreciation on assets, and the replacement of assets when necessary. 2010 currently uses the RMBC financial ledger including its payroll system for all staff.

2010 Rotherham Limited bought £1.982 million (2010 - £2.085 million) of support services from the council under agreed Service Level Agreements, which included charges for:

Economic Development Services	£383,000
Financial Services	£204,000
Legal Services	£115,000
RBT Procurement, HR, ICT	£1,280,000

In the event of the company being wound up, RMBC undertakes to contribute such amounts as may be required for the payment of the debts and liabilities of the organisation providing this amount does not exceed one pound. After the satisfaction of all debts and liabilities the remaining assets will be transferred to the Housing Revenue Account of RMBC.

16 Subsequent events

As indicated in the Directors' Report, On 1 July 2011 all staff and business activities of 2010 Rotherham Limited were transferred to RMBC. The Company effectively ceased trading on this date and will be wound up and de-registered as soon as practically possible.

17 Ultimate controlling body

The Company is a subsidiary undertaking of Rotherham Metropolitan Borough Council, a local government organisation.