

COMPANY REGISTRATION NO 06395296

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 MARCH 2010**

**REGISTERED WITH
THE TENANT SERVICES AUTHORITY
NO: L4527**

**CHARITY COMMISSION
REGISTRATION NO 1123496**

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CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 MARCH 2010

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CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

BOARD MEMBERS, EXECUTIVE DIRECTORS, ADVISORS AND BANKERS

Board Member

Category

Susan Kennedy	Tenant Rep
Glenn Routledge	Tenant Rep
Mike Brennan	Tenant Rep – resigned 01 12 09
Jackie Harrison	Tenant Rep
David Dennehy	Tenant Rep
Phil Summers	Independent
Margaret Goddard	Independent
Anne Southern	Independent
Karen Heaton	Independent
Peter Morrison	Councillor
Roy Walters	Councillor
Mary Murphy	Councillor
Rob Brown	Council Officer

Executive Directors

Heads/Managers of Services

Heads/Managers of Service

Chief Executive	Dave Power	Head of Finance	Gill Darling	Head of Regeneration	Niall Power
Director of Finance and Resources	John McGrail	Head of Organisational development	Tracy Hodgkiss	Head of Asset Management	Chns Wainwright
Director of Neighbourhood Services	Angela Salami	Head of Business Support	Pam Homer	Head of Technical Services	Tom Rock
Director of Asset Management	Brendan Mason	Head of Neighbourhood Services	Liz Jenkinson	Head of Repairs and Maintenance	Rob Collier
		Head of strategy and Performance	Mike Simpson		

Registered Group Office

City South Manchester Housing Trust Limited
 Tunng House
 Archway 5
 Hulme
 Manchester
 M15 5RL

Registered number

Registered with the Tenant Services Authority, No L4527
 Charity registered with the Charity Commission No 1123496
 VAT Registration No 930 5931 29

Internal Auditors

BDO Stoy Hayward
 3 Hardman Street
 Manchester
 M3 3AT

External Auditors

PKF (UK) LLP
 5 Temple Square
 Temple Street
 Liverpool
 L2 5RH

Bankers

Barclays Commercial Bank
 PO Box 3333
 1 Snowhill, Snowhill
 Queensway
 Birmingham
 B3 2WN

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDING 31 MARCH 2010

The Directors' (also referred to as the Board) are pleased to present its report and the audited financial statements for the year ending 31 March 2010

Principal Activities

The principal activity of City South Manchester Housing Trust Limited is the provision, management and maintenance and improvement of affordable social housing

City South Manchester Housing Trust Limited

City South Manchester Housing Trust Limited is a Charitable Trust and a Registered Social Landlord administered by a voluntary Board. The Trust was incorporated on the 10 October 2007 and commenced trading on 3 June 2008 in order to facilitate the Large Scale Voluntary Transfer (LSVT) of 4,434 homes from Manchester City Council (MCC). Hence the previous accounting period was from 10 October 2007 until 31 March 2009, covering a trading period of ten months.

As at 31 March 2010 the Trust had 4,405 homes

Review of Results

The Board reports an expected deficit of £5.83m (before adjustment for Financial Reporting Standard 17) and this was within our covenants. During 2009/010 the Trust has invested significantly in its housing stock (details of financial performance and future plans are highlighted in the operational and financial review on pages 8 to 14). It is anticipated that in future years the Trust will continue to incur losses until the completion of the Regeneration Programme in 2013 and those losses are incorporated into our Business Plan. This situation is normal for a company set up as a result of an LSVT.

Turnover for the 12 month trading year of £19.6m was largely made up of rents and service charges due of £14.8m. Recurring operating costs for the 12 months were £24.8m producing an operating deficit after exceptional items of £5.2m.

During the 12 month trading year a total of 15 properties were sold to tenants exercising their preserved Right to Buy. The average property valuation (before tenant discount) was £91.9k.

In our second year of trading (our first full 12 months) progress was also made across a number of key objectives including:

- Rent collection at 100.3%
- Void loss at 1.0%
- Regeneration Programme expenditure of £19.5m net of salaries and overheads on our homes
- 2,734 out of a total of 4,412 homes (62%) were made decent by 31 March 2010

Going Concern

After making enquiries, the Board is confident that the Trust has adequate resources to continue in operational existence for the foreseeable future and for this reason it has adopted the going concern basis in the financial statements.

Fixed Assets

Our closing fixed assets reflect the capitalisation of property improvements and are set out in notes 11 and 19.

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

REPORT OF THE DIRECTORS (continued)

FOR THE YEAR ENDING 31 MARCH 2010

The Board and Executive Directors

The Board and Executive Directors are set out on page 1

Board Members are drawn from a wide background and include independent, tenant and council nominated members. They bring, collectively, a range of professional, commercial and local experience.

The Executive Directors are the Chief Executive, Director of Finance and Resources, Director of Neighbourhood Services and Director of Asset Management. The Executive Directors do not have the legal status of directors, they act as Executives within the authority delegated by the Board. The Director of Finance and Resources also acts as Company Secretary.

City South Manchester Housing Trust Limited has insurance policies that indemnify its Board members and Executive Directors against liability when acting on behalf of the Trust.

Employees

The strength of the Trust lies in the quality and commitment of its employees and City South Manchester Housing Trust Limited recognises that the ability to meet our objectives and commitments to our customers depends on the contribution of our employees.

City South Manchester Housing Trust Limited is committed to equality and diversity for employees and welcomes applications for employment from all groups in society and particularly from disabled persons for whom we seek to provide training, career development and promotion.

Health and Safety/Fire Safety

The Board is aware of its responsibilities on matters relating to Health and Safety and Fire Safety. The Trust has an updated detailed Health and Safety policy. We have an embedded risk management framework.

Corporate Governance

City South Manchester Housing Trust Limited complies with the principal recommendations of the NHF Code of Governance (as per 2009 publication).

The Board is responsible for the Trust's strategic and policy framework. Implementation of the framework and day to day management of the business is delegated to the Chief Executive and other Executive Directors who attend Board meetings and meet regularly between Board meetings.

In our second year of trading considerable progress was made to strengthen the Governance Framework of the Trust with a review of our Corporate Governance arrangements undertaken by our internal auditors in November 2009. All Board Members were appraised during the year and the training needs were identified. An ongoing Board Member Development Programme is in place and specific training was provided in the following areas:

- Finance and Resources
- Role of Audit Committees and Risk Management
- Treasury Management Update

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

REPORT OF THE DIRECTORS (continued)

FOR THE YEAR ENDING 31 MARCH 2010

The Board

In March 2008 the Board resolved to create the new company. It was agreed that the board would comprise of 12 members

These are to be made up as follows

- 4 Tenants
- 4 Independents
- 4 Manchester City Council Nominees

This structure has been applied to Board Meetings held from March 2008 and the Board met on at least a quarterly basis from then

Committees

The Board has four Committees Finance, Legal and Organisational Development (FLOD) Committee, Neighbourhood and Performance Committee, Audit Committee and Remuneration, Selection and Appraisal Committee (to consider the Chief Executive's and Executive Directors' remuneration, Board appointments and Board appraisals). In addition a separate Task Group is in place to deal with Regeneration issues

So far as each Director is aware at the time the report is approved

- There is no relevant audit information of which the Trust's auditors are unaware and
- The Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of the information

Efficiency

City South Manchester Housing Trust Limited is committed to continuous improvement and 2009/10 saw further embedding of targets across service areas in order to finance and deliver new and improved services to our customers. 2009/10 also saw the implementation of a new Value For Money Strategy, further work on Contract Procurement and planning for organisational change. The focus in 2010/11 is to further evidence that City South Manchester Housing Trust Limited's costs compare positively to other organisations (further and more detailed benchmarking is planned) and to ensure that resources are maximised to improve front line services and fund new priorities

Statement on the Trust's System of Internal Controls

In accordance with Housing Corporation Circular 07-07 "Internal Controls Assurance" and the Good Practice Note 15 (January 2008) "Demonstrating internal controls assurance in housing associations" the Board has reviewed and noted the content of the circular and note. During the 12 month trading year the Board has reviewed its corporate governance and risk management arrangements and acknowledges it has overall responsibility for establishing and maintaining the whole system of internal controls and for reviewing its effectiveness

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

REPORT OF THE DIRECTORS (continued)

FOR THE YEAR ENDING 31 MARCH 2010

In its second trading year City South Manchester Housing Trust Limited's system of internal controls 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

The main features of the internal control system are

Standing Orders, Financial Regulations, Terms of Reference and Schedule of Delegated Authorities

These high level documents are in place and assign responsibilities and levels of authority. These documents have been overhauled and updated in the first trading year.

Policies and Procedures

Supporting City South Manchester Housing Trust Limited strategies and objectives are a series of policies agreed by the Board, and implemented and communicated to staff by Senior Management. Policies and procedures are due for further review and updating in 2010/11.

The Corporate Plan was updated in March 2010.

Budgeting and Business Planning

The first budget was set in the context of the Trust's long term Business Plan. In its second trading year a more robust process (including enhanced accountability) was put in place and this has been further enhanced in setting its third (2nd full) budget.

The Trust's updated Business Plan and 2010/11 Budget were approved by the Board in March 2010.

Information and Reporting Systems

Financial reporting procedures include detailed budgets for the year ahead, and forecasts both to the year end and into the future via the business planning process. Financial performance has been reviewed monthly by the FLOD Committee and Board, and by Executive Directors.

Risk Management Framework

A risk management framework is in place for identifying, evaluating and managing significant risks faced by the organisation. A formal risk assessment of all areas of the business has been undertaken through 2009/10. A risk matrix for each part of the business is in place and a high level Strategic Risk Map has been reported to the Audit Committee and the Board. This is updated at least quarterly.

Audit Committee

City South Manchester Housing Trust Limited has an established and developing Audit Committee. The Committee provides independent advice to the Board on the effectiveness of the internal controls systems including the adequacy of the Trust's risk management arrangements. The Committee ensures that corrective action is taken in response to control issues highlighted by the internal auditors.

Internal Audit

Internal audit is responsible for providing independent and objective assurance that is designed to add value and help us to improve our operations. BDO Stoy Hayward LLP has been appointed to provide the Board (via the Audit Committee), the Chief Executive and other managers with assurances on the adequacy of risk management, corporate governance and internal controls arrangements at City South Manchester Housing Trust Limited. A full internal audit programme was delivered in 2009/10 and a plan for 2010/11 is in place and being delivered.

External Audit

External audit provides feedback to the Audit Committee and Board on the operation of the internal financial controls reviewed as part of the annual audit. PKF (UK) LLP has been appointed to provide external audit services and the external audit process involves an interim and year end audit.

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

REPORT OF THE DIRECTORS (continued)

FOR THE YEAR ENDING 31 MARCH 2010

Reappointment of Auditor

A resolution to reappoint PKF (UK) LLP, a limited liability partnership incorporated under the limited Liability Partnership Act 2000, to act as external auditors to the Trust is to be proposed and ratified at the Annual General Meeting of 17 June 2010

The Report of the Directors was approved by the Board on 29 July 2010 and signed on its behalf by



Phil Summers
Chair of the Board



Anne Southern
Chair of Finance,
Legal and Organisational
Development Committee



Glenn Routledge
Chair of Audit Committee

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing these financial statements the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

OPERATING AND FINANCIAL REVIEW

FOR THE YEAR ENDING 31 MARCH 2010

Activities:

City South Manchester Housing Trust Limited is an LSVT Housing Trust established to take ownership and control of 4,434 housing stock units from Manchester City Council on 3 June 2008

Our principle activities are the provision of housing management, repair and maintenance and the improvement of affordable social housing. Our priorities include a focus in relation to decent homes, balanced communities, urban renaissance and support for the most vulnerable

City South Manchester Housing Trust Limited currently operates solely within the area of the City of Manchester and whilst now autonomous of Manchester City Council, we accept responsibility to contribute to a number of local and regional strategies which are aimed at environmental and economical sustainability. We therefore have a key strategic role in assisting to meet objectives which result in safe, inclusive and healthy communities

We place the customer at the centre of our service delivery, actively engaging and involving the communities that we serve. We recognise that people must feel that they belong, that they can contribute, influence and make their own choices, with support as necessary

A "sense of pride" is central to the sustainability of our neighbourhoods and a primary driver to the success of our business

City South Manchester Housing Trust Limited's head quarters are based at Turing House in Hulme, Manchester and we operate throughout Hulme, Moss Side, Fallowfield and Whalley Range

We own and manage 4,405 homes (at 31 March 2010) and we are Landlord to 303 Leaseholders

Objectives.

The Corporate Plan is pivotal to the delivery and accomplishment of our mission and in 2009/10 had eight key themes

Themes of 2009/10 Corporate Plan

In overview the themes and key outcomes are

- Implementing strategy and performance

Key achievements in the period included the introduction of the new housing management system, Aareon, the development or refinement of key strategies including ICT, Communications, Asset management and the development of more robust 3 year Corporate Planning

- Efficiency and Value for Money

Key achievements include the introduction of full cost centre management, development of the VFM strategy and further enhancement to risk management, benchmarking through HouseMark, SLA reviews, and the embedding of the CSM leaseholder strategy and Leaseholder Plus have given the organisation better visibility on its costs and services

- Delivering Service Improvement Neighbourhood Services

Key achievements include the introduction of a lettable standard, tenancy management service standards and the development of Housing Options Advice through Step-Up

- Delivering Service Improvement Repairs and maintenance

Key achievements include the development of the apprenticeship programme with 3 recruits, a shift to a monthly salary scheme and integration of repairs into asset management

- Accountability to Customers

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

OPERATING AND FINANCIAL REVIEW (continued)

FOR THE YEAR ENDING 31 MARCH 2010

Achievements include setting up key diversity groups including the Youth Group, utilising customer profile information to increase involvement in service review, the STATUS survey, and the review and overhaul of the Customer Involvement Strategy

- Investing in Leadership and People

Achievements include developing the Performance Management System, developing a full training programme following skills analysis and developing and implementing the staff forum

- Planning and Regenerating Neighbourhoods Regeneration and Resident Involvement

Key achievements include the development of 8 neighbourhood plans with a further 14 going through consultation, development of the CSM Environmental strategy and six projects complete. A range of apprentice initiatives and development opportunities in place for CSM residents including the Princes Trust, the Contact Theatre, and the Manchester School of Excellence. Developing the Financial Inclusion Strategy and increasing the uptake of the Credit Union.

- Investing in Homes

Achievements include implementing the first stages of the Multi-storey Implementation Strategy, the energy efficiency improvement programme, robust VFM and monitoring of the Improvement Programme and best practice review with CWC and development of Policy and funding criteria for Aids and Adaptations

Operating Review

During 2009/10, we invested £19.5m (net of salaries and overheads) in improving the condition of our homes. Our programme of windows, kitchen and bathroom refurbishments, complemented by insulation works, central heating and boiler replacement, doors and electrical rewiring has continued and added to the works completed in 2008/09. The main new strand of work in 2009/10 has been the commencement of the over cladding to 4 of our 11 multi story blocks, enhancing thermal and weatherproofing to the properties whilst also adding an aesthetic uplift to the previous dreary facades.

In total, 6,400 elemental units were replaced or improved.

The improvement programme works were procured through IMPACT, an arms length company limited by guarantee specifically set up by five local Registered Social Landlords (including CSM) to provide a cost effective procurement framework. The Chief Executive of CSM is a Director of IMPACT but all transactions with IMPACT are on an arms length basis. Practicably, CSM contributes a small sum each year to assist in the running costs of IMPACT. In 2009/10 the cost was £55,850.

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

OPERATING AND FINANCIAL REVIEW (continued)

FOR THE YEAR ENDING 31 MARCH 2010

Total gross expenditure for 2009/10 on the improvement programme was as follows

Element Description (Outputs)	Year ended March 2010	
	Units completed	Eligible cost Incurred/Gap funding paid
		£
Kitchens	1,196	4,677,481
Bathrooms	1,047	2,873,550
Electricals	239	931,397
Heating and Insulation	749	1,800,952
Internal work	1,399	352,199
Windows and External Doors	1,196	4,911,468
External works to buildings	228	154,126
Fencing, gates, paths & associated works	0	0
Cladding, low rise and Multi Storey blocks	346	3,797,787
Other costs	0	1,950
TOTAL UNITS/COSTS	6,400	19,500,910

In our second trading year we made good progress in reducing the number of empty properties which we own and declared 36 (0.82% of our stock) at 31 March 2010. This void loss of 1.0% compares favourably to our budget target of 1.5%.

This year also saw some encouraging progress in the level of cash collected which was reported at 100.3%. This performance shows some good progress when compared to historical pre transfer performance and this income maximisation has helped to reduce the level of current rent arrears. This coupled with the provision against uneconomical to pursue former tenant arrears during the year has focussed performance and staff resources to this key business driver.

Right to Buy sales were in line with the Business Plan at 15 sales.

Performance in the year

Our financial results for the year ended 31 March 2010 show a deficit for the year of £5.8m.

Our actual turnover in the year was £19.6m.

During the year no additional asset sales were made and proceeds received in respect of Right to Buy sales were £0.99m. The main balance of this receipt, £0.82m was due to Manchester City Council under the RTB sharing agreement. Further details are shown in note 3 to the accounts.

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

OPERATING AND FINANCIAL REVIEW (Continued)

FOR THE YEAR ENDING 31 MARCH 2010

The table below summarises our overall results for the year ending 31 March 2010

Financial Performance	2010 £000
Turnover	19,630
Operating costs (including extraordinary items)	(24,884)
Operating (deficit)	(5,254)
Interest receivable	2
Surplus on sale of fixed assets	150
Interest Payable	(726)
Deficit for the year	(5,828)
Financial Statistics	2010
Rent losses on void properties	1.0%
Units in Management	2010
General Needs Housing	4405

Dynamics of the Trust

The main factors and influences that will have a potential impact on our future financial results include

Rent Restructuring – this limits the amount we are able to charge in rent and service charges and therefore our future income levels. At March 2010 our average actual rent of £62.82 was 2% lower than our rent restructuring target average rent of £63.97. It is expected that over 99% of all our properties will be at target rent by 2012.

Decent Homes Standard – the delivery of the improvement programme will be funded from rental income and loans and supported by Gap funding.

Transfer promises to tenants – as part of the transfer process City South Manchester Housing Trust Limited promised to deliver a range of improvements to our tenants' homes. As we fulfil these commitments our financing costs will rise significantly and operating deficits are anticipated until the completion of the Improvement Programme in 2013.

Right to Buy sales – over the last 12 months the number of tenants exercising their Preserved Right To Buy has remained broadly static when compared to 2008/09. The number of anticipated sales in 2010/11 and beyond is expected to continue to remain low as a result of the current credit crunch and the general economic conditions although this estimate may change if prices continue to fall further.

Environmental Programme – work is anticipated to start in 2010. Significant investment is planned to improve the physical condition and aesthetic appearance of the open spaces in our neighbourhoods.

Key Risks to the Trust

The main risks most likely to influence our future performance are

Rent Arrears

Historically, Manchester City Council experienced high levels of rent arrears, both of current and former tenants. Our Rents Team has, during the last 12 months, built upon early good progress in 2008/09 and has continued to work to reduce inherited high levels of debt and stabilise low levels of debt, with some mixed level of success. Performance and rent arrears in 2009/10 has had a very positive collection rate at just over 100%. However, there now needs to be sustained and improved recovery of Former Tenants Arrears in 2010/11. The organisation went live with a new rent collection system (Aareon) in April 2010 and this investment should aid positive rent performance and continued ongoing collection success in future years.

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

OPERATING AND FINANCIAL REVIEW (Continued)

FOR THE YEAR ENDING 31 MARCH 2010

Construction Prices

Within the Manchester area, demand for scarce contractor capacity could lead to real cost pressure. Whilst the economic downturn has allowed prices inflation to be contained in the short term we have looked to lock in the value of current construction rates whilst also leveraging employment and trainee opportunities for the communities we serve. We have established long term partnering agreements with our construction partners in order to contain the costs of the major works programme to within our affordable Business Plan targets.

Interest Rates

We forecast significant borrowing in the coming years and so our Business Plan is susceptible to adverse changes in interest rates. Our approach to managing this risk is described under the Treasury Policy section.

Changes to Housing Benefit

Housing Benefit accounts for approximately 65% of our rental income. Therefore, any change to the level of benefit or the method by which it is paid to us could have a detrimental impact on our rent collection performance.

Gap Funding

City South Manchester Housing Trust Limited is partially funded by a total Gap Funding Grant of £52.2m from the Homes and Communities Agency (HCA). Whilst our funding for 2010/11 is in place any future withdrawal of this assistance by the HCA would impact significantly upon the future viability of the Trust. Regular contact and dialogue are maintained with the HCA in relation to our current and future year Business Plan assumptions.

Investment and Improvement for the Future

We are ambitious to improve and wish to be regarded in the housing sector as one of the top performing housing trusts. We have therefore set ourselves the demanding but attainable target of being rated as a two star housing trust with excellent prospects for improvement.

Other continuous improvement initiatives that have started or completed in 2009/10 include:

- An action plan focussed upon excellent service delivery and the Audit Commission Key Lines of enquiry (KLOE's)
- A programme of Service Reviews (diagnostic, gap analysis and evidence gathering) e.g. rent collection
- Development of neighbourhood based asset management plans
- Cross cutting value for money and procurement projects/action plans to deliver annual efficiency savings
- Development of our Human Resources Strategy and Organisational Design
- Implementation of the final elements of our ICT Strategy including the implementation of a new housing management system
- Development of a performance management system that will be fully implemented in 2010/11
- Review and reassessment of our staff rewards package
- Management Development Programme for all managers
- Benchmarking our costs and performance using Housemark
- Enhanced services for our tenants and service users including an in house call centre and grounds maintenance function
- A range of initiatives to encourage financial awareness, choices and advice for tenants
- Work, training and cultural opportunities for all our communities

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

OPERATING AND FINANCIAL REVIEW (Continued)

FOR THE YEAR ENDING 31 MARCH 2010

We will continue to invest significantly in improving our homes and the quality of housing services provided and are ambitious to develop new homes and provide new services for future generations

Financial Review

The main accounting policies are set out on pages 20 to 23 of the financial statements. The policies that most impact on the financial statements are the valuation of housing properties, the capitalisation of housing improvement expenditure and the calculation of housing depreciation.

During the year we continue to adopt Financial Reporting Standard 17 in full.

Capital Structure and Treasury Policy

The City South Manchester Housing Trust Limited Treasury Strategy is reviewed annually and approved by the Board. The Strategy seeks to address funding and liability risks and loan covenant compliance. As at 31 March 2010, City South Manchester Housing Trust Limited had a £25m outstanding loan. There are three fixed rate loan arrangements currently in place, although a further five £5m forward fixed rate loans will be drawn down over the next three years. The total loan facility agreed with City South Manchester Housing Trust Limited funders is £70m.

City South Manchester Housing Trust Limited regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities and our strategy focus on the risk implications for City South Manchester Housing Trust Limited. With the recent market volatility the intention is to revisit the Treasury arrangements each 6 months for perceived market changes and risks.

City South Manchester Housing Trust Limited acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

The Trust is risk averse and will endeavour to ensure that its borrowings contain a mix of fixed and variable interest rate structures. The optimum mix will be determined in the Annual Treasury Strategy through sensitivity analysis on the Trust's anticipated cash flows, but contained within the following overall guidelines:

- | | |
|---|------|
| • Maximum exposure to variable interest rates | 40% |
| • Maximum exposure to fixed interest rates | 100% |
| • Max % of fixed rate loans due to re-set in any one year | 25% |
| • Max % variable rate debt maturing on any date | 35% |

All our borrowings and available facility are from a UK bank as follows:

	2010 £m
Fixed/Hedged Rate Loans	15
Variable Rate Loans	3
Revolving Credit Facility	7
Total Loans Repaid	0
Un-drawn Facility	45
	<hr/> 70

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

OPERATING AND FINANCIAL REVIEW (Continued)

FOR THE YEAR ENDING 31 MARCH 2010

As part of our hedging strategy a series of fixes and forward fixes have been put in place, as detailed below

Current Loan facilities as at 1st April 2010

Table A3 1 – Fixed Rate (including any forward starts)

Lender	£m	Start Date	End Date	Current Rate% (excl. margin)
Barclays	5 00	01/10/08	30/09/23 ¹	4 95
Barclays	5 00	01/04/09	31/03/24 ¹	4 88
Barclays	5 00	01/10/09	30/09/29	5 01
Barclays	5 00	01/04/10	31/03/30	4 98
Barclays	5 00	01/10/10	30/09/25	5 13
Barclays	5 00	01/04/11	31/03/26	5 08
Barclays	5 00	01/10/11	30/09/31	4 86
Barclays	5 00	01/04/12	31/03/32	4 82
	40 00			

¹ Callable after 5 years and then annually thereafter

Cash Flows

The cash flow statement on page 19 shows that during the year the Trust generated net cash out-flow from operating activities of £5.2m. The principal cash outflows are in respect of our improvement programme and operational management costs.

We received a cash inflow of £0.99m from Right to Buy sales, however the bulk of that, £0.82m is payable to Manchester City Council.

Liquidity

At the year end we had surplus cash and investments of £0.76m and un-drawn loan facilities of £45.0m. Based on the latest property valuation (dated March 2009) we had sufficient "Asset Cover" to support total borrowing of £42m, above our projected borrowing for the next twelve months.

In addition to Asset Cover, our lending agreement includes other financial covenants. We have performed comfortably within the limits set by our funders during the year and have issued our 2010/11 Business Plan to them, to agree and recalculate our future year covenants.

Statement of Compliance

The Board has endeavoured to follow the principles as detailed in the 2008 Statement of Recommended Practice in the production of its Operating and Financial Review.

The Board is of the opinion that the Operating and Financial Review meets the requirement of the Accounting Standard Board's 2006 Reporting statement.

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

We have audited the financial statements of City South Manchester Housing Trust Limited for the year ended 31 March 2010 which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised surpluses and deficits and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and Schedule 1 to the Housing Act 1996. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its deficit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 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.

PKF (UK) LLP

Brian Ricketts (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditors
Liverpool, UK

[Date] *3 August 2010*

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDING 31 MARCH 2010

	Notes	Year to 31 March 2010 £000	Period ended 31 March 2009 £000
Turnover	2 1	19,630	15,893
Operating costs – recurring	2 1	(24,397)	(21,345)
Operating costs – exceptional	2 1	(487)	(2,021)
Operating Deficit	2 1	(5,254)	(7,473)
Interest Receivable	7	2	127
Surplus on sale of fixed assets	3	150	798
Interest payable and similar charges	8	(726)	(195)
Deficit on ordinary activities	9	(5,828)	(6,743)
Tax on surplus on ordinary activities	10	-	-
Deficit for the year/period	18	(5,828)	(6,743)

All amounts relate to continuing activities

The above deficits are the historical cost deficits

The notes on pages 20 to 38 form part of these Financial Statements

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

STATEMENT OF TOTAL RECOGNISED SURPLUSES & DEFICITS

FOR THE YEAR ENDING 31 MARCH 2010

	Notes	Year to 31 March 2010 £000	Period ended 31 March 2009 £000
Reported Deficit		(5,828)	(6,743)
Actuarial (loss)/gain on pension schemes	6	(4,750)	3
Total deficits relating to the year/period		(10,578)	(6,740)

All recognised surpluses and deficits are included in this statement

All amounts relate to continuing activities

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

(COMPANY REGISTERED NUMBER 06395296)

BALANCE SHEET

AS AT 31 MARCH 2010

	Notes	As at 31 March 2010 £000	As at 31 March 2009 £000
Fixed Assets			
Housing Property	11	12,410	3,885
Capital grant	11	(4,617)	(1,456)
Depreciation	11	(327)	(67)
Net book value of housing properties		7,466	2,362
Other fixed assets	12	761	840
		8,227	3,202
Current Assets			
Debtors	13	5,971	5,704
Cash at bank and in hand		763	552
		6,734	6,256
Creditors			
Amounts falling due within one year	15	(3,220)	(3,286)
Net current assets excluding pension asset		3,514	2,970
Pension asset	6	-	54
Net current assets including pension asset		3,514	3,024
Total assets less current liabilities		11,741	6,226
Creditors amounts falling due after more than one year	16	24,434	12,966
Pension liabilities	6	4,625	-
Capital and reserves			
Revenue reserves	18	(17,318)	(6,740)
		11,741	6,226

The financial statements comprising the Income and Expenditure Account, the Statement of Total Recognised Surpluses and Deficits, the Balance Sheet, the Cash Flow Statement and the related notes were approved by the Board and were authorised for issue and signed on its behalf on 29 July 2010

Chair of the Board

Chair of Finance, Legal & Organisational
Development Committee

Chair of Audit Committee

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDING 31 MARCH 2010

	Notes	Year to 31 March 2010 £000	Period ended 31 March 2009 £000
Reconciliation of operating deficits to net cash inflow from operating activities			
Operating Deficit – including exceptional activities		(5,254)	(7,473)
FRS17 non cash adjustment		(72)	3
Depreciation charges		642	303
Movement in debtors		(330)	(5,669)
Movement in creditors/provisions		(231)	3,472
Net cash (outflow) from operating activities		(5,245)	(9,364)
CASH FLOW STATEMENT			
Net cash flow from operating activities		(5,245)	(9,364)
Returns on investments and servicing of finance	20	(516)	(90)
Capital Expenditure	20	(5,528)	(2,694)
Net cash (outflow) before management of liquid resources and financing		(11,289)	(12,148)
Management of Liquid Resources			
Financing net of FRS4 costs		11,500	12,700
Increase in cash		211	552
Reconciliation of net cash flow to movement in net funds/debt			
Increase in cash in the year		211	552
Increase in debt		(11,500)	(13,500)
Increase in debt during the year/period		(11,289)	(12,948)
Net debt at start of the year		(12,948)	-
Net debt at end of the year		(24,237)	(12,948)

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 MARCH 2010

1 PRINCIPAL ACCOUNTING POLICIES

The Trust is incorporated under the Companies Act and is registered with the Tenant Services Authority as a Registered Provider. The following Accounting Policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of Accounting

The financial statements of the Trust are prepared in accordance with applicable accounting standards and the Statement of Recommended Practice (SORP) 2008 - Accounting by Registered Social Landlords, and comply with the Accounting Requirements for Registered Social Landlords General Determination 2006

The Board is confident that the Trust has adequate resources to continue in operational existence for the foreseeable future and for this reason it has adopted the going concern basis in the financial statements

Turnover

Turnover represents collectable rental income in the year (i.e. rent due (rent debit) less rent loss due to voids), collectable service charges, any revenue grants from Local and Central Government, the Homes and Communities Agency (HCA) and any other income generated

Operating Costs

Operating costs are attributable to the day to day running costs of the Trust. These include housing management, property repair and maintenance and major improvement works

Overheads and Administrative Costs

These are allocated across operating cost headings on the basis of staff time

Gap Funding

The Trust is partly funded through Gap Funding Grant by the HCA. This grant is classified as a revenue or capital grant depending on the classification of the underlying spend to which it relates, and is shown in the Income and Expenditure Account or Balance Sheet as appropriate

Grants

Grants received for items treated as revenue expenditure are credited to the Income and Expenditure Account, in the same year as the actual expenditure to which they relate is incurred. A separate disclosure will be made in the turnover note

Depreciation

Fixed assets are depreciated in accordance with Financial Reporting Standard 15 at rates calculated to write down the net book value to their estimated residual value, on a straight line basis, over the expected remaining useful life of the particular asset

The depreciable amount will be recognised in the Income and Expenditure Account over the useful life of the asset

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDING 31 MARCH 2010

1 PRINCIPAL ACCOUNTING POLICIES (continued)

The following component rates have been applied

<u>Asset Type</u>	<u>Depreciation</u>
Assets:	
Office Premises	Over 20 Years (or lease year if shorter)
Plant and Machinery	Over 4 Years
Computer Equipment	Over 3 Years
Furniture, Equipment & Vehicles	Over 4 Years
Improvements	
Windows	Over 30 years
Overcladding	Over 40 years

Valuation

Housing properties are valued under the historical cost basis

Improvements to housing properties are depreciated on a component basis as detailed above. Freehold land is not depreciated.

Going forward the useful life of components will be reassessed annually.

Regeneration (Improvement) Costs

Improvements are classified as works which maintain or extend the useful life of the housing stock or other related assets.

Regeneration programme expenditure will be capitalised in accordance with Financial Reporting Standard 15 and the relevant Statement of Recommended Practice. The Trust capitalises expenditure on housing and other related assets which results in an increase in net rental income, extends its useful life, or otherwise adds to the overall valuation of the property.

All other expenditure incurred in respect of general repairs to the housing stock will be charged to the Income and Expenditure Account in the year in which it is incurred.

Depreciation will commence at the date of capitalisation and will be over the useful life of the component. Capitalisation will take place at the end of the project or the financial year-end if earlier.

Capitalisation of interest on borrowings

Interest on borrowings is not capitalised.

Impairment

The Trust will undertake impairment reviews where there is an indication that impairment may have occurred.

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDING 31 MARCH 2010

1 PRINCIPAL ACCOUNTING POLICIES (continued)

Where there is evidence of impairment, fixed assets are written down to the recoverable amount. Any such write down is charged in the Income and Expenditure Account and contained within the Operating Deficit.

Liquid Resources

Liquid resources are classified as readily disposable current asset investments.

Leasing Commitments

Assets held under financial and operational leases are capitalised in the Balance Sheet and are depreciated over their remaining useful life.

The interest element of the rental amount is charged to the Income and Expenditure Account over the year of the lease. This represents a constant proportion of the balance of capital repayments outstanding.

Rental expenditure paid under operating leases is charged to the Income and Expenditure Account, on a straight-line basis over the lease term.

Pensions

The Trust participates in the Tameside Metropolitan Borough Council (TMBC) Local Government Pension Scheme, which is a defined benefit final salary scheme. The assets of the scheme are invested and managed independently of the Trust.

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 employees covered. Any variations from the regular pension costs are spread evenly through the income and expenditure account over the average remaining service lives of current employees.

The Trust has fully adopted Financial Reporting Standard 17 'Retirement Benefits' during the year.

The impact of this standard has been reflected throughout the financial statements. The difference between the fair value of the assets held in the Trust's defined benefit pension scheme and schemes liabilities measured on an actuarial basis using the projected unit method, are recognised in the Trust's Balance Sheet as a pension scheme asset or liability (as appropriate).

The carrying value of any resulting pension scheme asset is restricted to the extent that the Trust is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

The pension scheme balance is recognised net of any related deferred tax balance. Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the Trust are charged to the Income and Expenditure Account or the Statement of Total Recognised Surpluses and Deficits in accordance with Financial Reporting Standard 17 'Retirement Benefits'.

Property Managed by Agents

Should the Trust carry the financial risk on property managed by agents, all the income and expenditure arising from the property during the year will be included in the Income and Expenditure Account.

Should an agency carry the financial risk, then the Income and Expenditure Account will include only that income and expenditure that relates solely to the Trust.

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDING 31 MARCH 2010

1 PRINCIPAL ACCOUNTING POLICIES (continued)

Bad Debts and Write-Offs

A provision for bad debts will be charged to the Income and Expenditure Account in the year in which the debts are incurred

This provision is calculated based on an estimation of those debts that are unlikely to be recovered at the Balance Sheet date

In respect of rental debtors provision the provision is calculated using the following basis

- | | | |
|-----|-----------------|---|
| (a) | Current tenants | At varying percentages on the age of the debt |
| (b) | Former tenants | At 100% of the debt |
| (c) | Other Debtors | At varying percentages based upon the age and value of the debt and local knowledge |

Value Added Tax (VAT)

The Trust's main income streams are rent and service charge income, which are exempt from VAT

The majority of expenditure incurred is subject to VAT and so is shown inclusive of VAT

For some activities, the Trust may reclaim VAT using the partial exemption methodology Any VAT recovered will be credited to the Income and Expenditure Account

The Trust has an approved VAT Shelter Scheme which commenced on the 3 June 2008 and lasts for 10 years from that date As a result VAT incurred on the Regeneration Programme will be recovered The balance of VAT recoverable at the year end will be included as a Current Asset in the Balance Sheet

Investments

Investments will be classified as a Current Asset if the intention is to realise the investment in the short- term Otherwise, they will be classified as a separate category within Fixed Assets

Property Disposals

The profit or loss incurred upon the disposal of Fixed Assets will be included in the Income and Expenditure Account in which the actual disposal occurs This will be shown as a separate item

True and Fair Override

Under the requirements of the SORP, capital grants are shown as a deduction from the cost of housing properties on the balance sheet This treatment is not in accordance with the Regulations made under Companies Act 2006 which requires fixed assets to be shown at cost and grants as deferred income The treatment has been adopted in order to show a true and fair view as, in the opinion of the Board, this is a relevant accounting policy, comparable to that adopted by other registered social landlords

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDING 31 MARCH 2010

2.1 TURNOVER, OPERATING COSTS AND OPERATING SURPLUS/DEFICIT

Year to 31 March 2010				
Notes	Turnover	Operating costs	Operating (Deficit)/ surplus	
	£000	£000	£000	
Social housing lettings	2 2	19,192	23,640	(4,448)
Non social housing lettings		263	152	111
Other activities		175	605	(430)
Sub Total		19,630	24,397	(4,767)
Exceptional item		-	487	(487)
Total		19,630	24,884	(5,254)

The exceptional item relates to £487k for the implementation of a new housing management IT system

Period ended 31 March 2009				
		←	→	
	Notes	Turnover	Operating costs	Operating deficit
		£000	£000	£000
Social housing lettings	2 2	15,493	20,384	(4,891)
Non social housing lettings		298	587	(289)
Other activities		102	374	(272)
Sub Total		15,893	21,345	(5,452)
Exceptional item		-	2,021	(2,021)
Total		15,893	23,366	(7,473)

The exceptional item relates to set-up costs of the Trust

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDING 31 MARCH 2010

2.2 SOCIAL HOUSING LETTINGS

	Notes	Year to 31 March 2010 £000	Period ended 31 March 2009 £000
Income			
Rents (net of void loss)		14,242	11,477
Service Charges net of void loss		586	369
Net rental income		14,828	11,846
Other Revenue Grants	2.3	4,225	3,565
Other Miscellaneous Income		139	82
Total income from social housing lettings		19,192	15,493
Expenditure			
Management		(3,997)	(3,349)
Service costs		(1,230)	(1,134)
Responsive Planned and Programmed Maintenance		(4,642)	(3,952)
Regeneration (Major Repairs)		(13,473)	(11,099)
Bad debts		(38)	(783)
Depreciation	9	(260)	(67)
Total Expenditure on Social Housing Lettings		(23,640)	(20,384)
Operating Deficit on Social Housing Letting Activities		(4,448)	(4,891)
Void Loss		(144)	(193)

2.3 GAP FUNDING

During the year the Trust received £7.4m in Gap Funding Grant from the Homes and Communities Agency (HCA), of which £4.2m is treated as revenue in the income and expenditure account and included above. This relates to the negative valuation of the housing stock at the commencement of the transfer and is reimbursed to the Trust based on the achievement of delivery of the Decent Homes Programme.

3 SURPLUS ON SALE OF FIXED ASSETS

	Year to 31 March 2010 £000	Period ended 31 March 2009 £000
Sale proceeds from property sales	993	842
Cost of sales	(27)	(44)
RTB Sharing Agreement (Manchester City Council)	(816)	-
Surplus on sale of fixed assets	150	798

Proceeds from property sales were realised through 15 Right to Buy sales

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDING 31 MARCH 2010

4 DIRECTORS' EMOLUMENTS

	Year to 31 March 2010 £000	Period ended 31 March 2009 £000
Aggregate emoluments paid to Directors (including pension contributions)	356	303
Emoluments paid to the highest paid Director (Chief Executive excluding pension contributions)	100	83
<p>The Chief Executive is a member of the Local Government – Tameside MBC Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The Company does not make any further contributions to an individual pension arrangement for the Chief Executive.</p> <p>Directors comprise the Chief Executive and Executive Directors as listed on page 1.</p>		
Total expenses reimbursed to the Board not chargeable to United Kingdom Income Tax	0.3	1

5 EMPLOYEE INFORMATION

	Year to 31 March 2010 £000	Period ended 31 March 2009 £000
Staff costs		
Salaries and Wages	4,278	3,083
Social Security Costs	328	235
Other Pension Costs	511	505
	5,117	3,823
	Year to 31 March 2010 FTEs	Period ended 31 March 2009 FTEs
The average monthly number of persons employed (full time equivalents) during the year was:		
Housing Management	53	47
Maintenance and Improvements	71	68
Central Services and Regeneration	26	19
	150	134

The above excludes £554k (2009- £444k) which was incurred for temporary staff

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDING 31 MARCH 2010

6 PENSION OBLIGATIONS

The Tameside MBC Pension Scheme

The Scheme commissions an actuarial valuation of the Scheme every 3 years. This is to determine the financial position of the Scheme and assess the level of future contributions required, so that the Scheme can meet its future pension obligations as they fall due.

The most recent actuarial valuation was carried out in 2007 and at the point of transfer, our Scheme was fully funded based upon the 31 March 2007 actuarial valuation assumptions and methodology.

Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting year we paid contributions at the rate of 17.3%. Employee member contributions varied between 5.5% and 7.5% depending on their salary. Expected contributions for the year 2010/11 are £670k.

The last formal valuation of the scheme was performed by a professionally qualified actuary using the "projected unit credit" method.

Financial Assumptions

	Year to 31 March 2010	Period ended 31 March 2009
	% per annum	% per annum
Discount Rate	5.5%	6.9%
Expected Rate of Return on Plan Assets at 31 March		
- Equities	7.8%	7.0%
- Bonds	5.0%	5.4%
- Property	5.8%	4.9%
- Cash/current assets	4.8%	4.0%
Future Salary Increases	5.3%	4.6%
Future Pension Increases	3.8%	3.1%
Inflation Assumption	3.8%	3.1%

Mortality Assumptions

The post-retirement mortality assumptions used to value the benefit obligation at March 2010 are based on the PA 92 series.

The subject of increasing life expectancy has been under increasing focus. As part of the 2007 actuarial valuations the scheme analysed the mortality experience of their clients over the 3 year year to 31 March 2007, and made changes to life expectancy assumptions as a result. To allow for future improvements the scheme adopted the "medium cohort" mortality projections which are applied for funding and expensing for UK pension schemes generally.

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDING 31 MARCH 2010

6 PENSION OBLIGATIONS (Continued)

	2010 No of years	2009 No of years
Current Pensioners		
Males	20.8	19.6
Females	24.1	22.5
Future Pensioners		
Males	22.8	20.7
Females	26.2	23.6

Amounts Recognised in the Balance Sheet

	Year to 31 March 2010 £000	Period ended 31 March 2009 £000
Present Value of Funded Obligations	(20,053)	(10,544)
Fair Value of Plan Assets	15,428	10,598
	(4,625)	54
Present Value of Unfunded Obligations	-	-
Unrecognised Past Service Cost	-	-
(Deficit)/ Surplus	(4,625)	54
Related Deferred Tax Asset	-	-
Net (liability)/ asset	(4,625)	54
Amounts in Balance Sheet		
Assets	-	54
Liabilities	(4,625)	-
Net (liability)/ asset	(4,625)	54

Analysis of the Amount Charged to the Income and Expenditure Account

	Year to 31 March 2010 £000	Period ended 31 March 2009 £000
Current Service Cost	510	444
Loss on Settlements	-	-
Expected Return on Pension Scheme Assets	(695)	(741)
Interest on Pension Scheme Liability	753	652
Past Service Costs	-	2
Total Operating Charge	568	357

£510,000 was charged to the Operating Deficit and £58,000 was debited to Interest payable

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDING 31 MARCH 2010

6 PENSION OBLIGATIONS (Continued)

	Year to 31 March 2010 £000	Period ended 31 March 2009 £000
Amount Recognised in the statement of Total Recognised Surpluses and Deficits		
Total Operating (Loss)/ Gain in the year	(4,750)	3
Cumulative Loss at 31 March 2010	(4,750)	3
Changes in Present Value of Defined Benefit Obligation		
	Year to 31 March 2010 £000	Period ended 31 March 2009 £000
Opening Defined Benefit Obligation	10,544	97
Service Cost	510	443
Member Contributions	239	146
Interest Cost	753	652
Past Service Costs	-	2
Actuarial Losses/(Gains)	8,007	(3,220)
Liabilities brought forward in a Business Combination	-	12,424
Closing Defined Benefit Obligations	20,053	10,544
Changes in the Fair Value of Plan Assets		
	Year to 31 March 2010 £000	Period ended 31 March 2009 £000
Opening Fair Value of Plan Assets	10,598	100
Expected Return	695	741
Actuarial Gains and (Losses)	3,256	(3,217)
Contributions by Employer	640	392
Member Contributions	239	146
Assets Acquired in a Business Combination	-	12,436
Fair Value of Plan Assets at End of Year	15,428	10,598

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDING 31 MARCH 2010

6 PENSION OBLIGATIONS (Continued)

Major Categories of Plan Assets as a Percentage of Total Plan Assets

	2010	2009
Equities	67%	67%
Bonds	16%	16%
Property	6%	7%
Cash	11%	10%

Actual Return on Plan Assets

	2010 £000	2009 £000
Actual Return on Plan Assets	-	2,433

Amounts for the Current Year are as follows:

	2010 £000	2009 £000
Present Value of Defined Benefit Obligation	20,053	10,544
Fair Value of Scheme Assets	(15,428)	(10,598)
Surplus/ (deficit) on Scheme	(4,625)	54
Experience Adjustments on Plan Liabilities	3,256	-
Experience Adjustment on Plan Assets	-	(3,217)

Budgeting Information for the Year Commencing 1 April 2010

Based on the above details, the budgeted Current Service Cost for the year commencing 1 April 2010 is approximately 26.3% of Pensionable Salaries. The Pensionable Salaries used for the year ended 31 March 2010 were £3.83m and if this figure was to continue to apply for the year commencing 1 April 2010, the Service Cost would then be approximately £1.02m.

7 INTEREST RECEIVABLE

	2010 £000	2009 £000
Interest receivable on liquid deposits	2	38
Net interest on pension asset	-	89
	2	127

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDING 31 MARCH 2010

8 INTEREST PAYABLE AND SIMILAR CHARGES

	2010 £000	2009 £000
Interest payable on bank and building society loans	668	195
Net interest payable on pension liabilities	58	-
	<u>726</u>	<u>195</u>

9 DEFICIT ON ORDINARY ACTIVITIES

	2010 £000	2009 £000
Is stated after charging		
Depreciation - housing properties	260	67
- other fixed assets Depreciation -	383	235
Auditors remuneration (including VAT)		
In their capacity as auditors	18	15
In respect of services - other	-	-
Operating lease payments – offices	240	240
– vehicles	151	76
– photocopiers and printer	<u>51</u>	<u>46</u>

10 TAXATION

City South Manchester Housing Trust Limited is a registered charity and is therefore exempt from Corporation Tax in respect of income under Section 505 ICTA 1988

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDING 31 MARCH 2010

11 TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Social Housing Properties Held For Letting 2010 £000
Cost	
1 April 2009	3,885
Additions – property improvements	8,525
At 31 March 2010	12,410
Capital Grant	
1 April 2009	1,456
Additions	3,161
At 31 March 2010	4,617
Depreciation	
1 April 2009	67
Charge for the year	260
At 31 March 2010	327
Net book value	
At 31 March 2010	7,466
At 31 March 2009	2,362

The vacant possession market valuation of the properties as at 31 March 2010 is £320m

	2010 £000	2009 £000
Net Works Expenditure – Existing Properties		
Accounts capitalised	8,525	3,885
Accounts charged to Income and Expenditure Account	13,473	11,099
	21,998	14,984

All housing properties are held on a freehold basis

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDING 31 MARCH 2010

12 TANGIBLE FIXED ASSETS – OTHER ASSETS

	2010 £000
Cost	
31 March 2009	1,075
Additions	304
At 31 March 2010	1,379
Depreciation	
31 March 2009	235
Charge for the year	383
At 31 March 2010	618
Net book value	
At 31 March 2010	761
At 31 March 2009	840

13 DEBTORS

	2010 £000	2009 £000
Amounts falling due within one year		
Current rent arrears	1,092	1,273
Former rent arrears	233	154
Less provision for bad debts	(745)	(782)
	580	645
Prepayments and accrued income (see note 14)	1,016	977
Other debtors	1,359	1,363
Amounts due from or owed by HCA	1,841	1,782
Other taxation and social security receivable	1,175	937
Total	5,971	5,704

The HCA (Homes and Communities Agency) is the provider of Gap funding to the Trust

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDING 31 MARCH 2010

14 PREPAYMENTS AND ACCRUED INCOME

Included in Prepayments and Accrued Income is an amount of £375,000 relating to a 10-year Environmental Insurance Policy purchased in June 2008

15 CREDITORS

	2010 £000	2009 £000
Amounts falling due within one year		
Trade creditors	1,650	1,782
Accruals and deferred income	1,269	1,245
Receipts received in advance	301	259
Total	3,220	3,286

16 CREDITORS

	2010 £000	2009 £000
Amounts falling due after more than one year		
Housing loans (due in more than 5 years)	25,000	13,500
Less amortised funding costs	(751)	(778)
	24,249	12,722
Deferred income	185	244
Total	24,434	12,966

The balance of loans due at 31 March 2010 is made up of a fixed facility of £15m, a revolving facility of £7m and a variable facility of £3m

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDING 31 MARCH 2010

Undrawn and committed borrowing facilities as at 31 March 2010 were as follows

	2010 £000	2009 £000
Fixed Rate	25,000	35,000
Expiry more than 5 years	20,000	21,500
	<u>45,000</u>	<u>56,500</u>

Housing loans

Loans from banks and other financial institutions are secured by specific charges on the Trust's housing properties and are repayable at varying rates of interest

17 FINANCIAL INSTRUMENTS

The Trust is committed to drawing down £25m in tranches of £5m at fixed rates (between 4.82% and 5.13%) in the year from April 2010 to April 2012

18 RESERVES

	2010 £000	2009 £000
Brought forward	(6,740)	-
Deficit in the year /period	(5,828)	(6,743)
Actuanal (loss)/gain pension scheme (note 6)	(4,750)	3
Reserves at 31 March 2010	<u>(17,318)</u>	<u>(6,740)</u>

19 CAPITAL COMMITMENTS

	2010 £000	2009 £000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	21,339	10,525
Capital expenditure that is planned but has not yet been authorised or contracted for by the Board	52,959	85,772
Funded from borrowing and reserves	<u>74,298</u>	<u>96,297</u>

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDING 31 MARCH 2010

19 CAPITAL COMMITMENTS (continued)

As part of the stock transfer agreement, MCC was obliged to carry out enhancement works to its housing stock valued at £111.28m excluding VAT. City South Manchester Housing Trust Limited contracted with the Council to undertake this work over a five year period. On transfer of the properties to City South Manchester Housing Trust Limited the Trust became the beneficiary of the enhancement works as well as the party carrying out those improvements. No assets and liabilities in relation to this are recognised in the financial statements.

City South Manchester Housing Trust Limited intends to carry out the enhancement works. The future capital works are included as capital commitments as follows:

	Capital Works Commitment 2010 £000	Capital Works Commitment 2009 £000
Original works commitment	111,281	111,281
Works completed to date	(36,983)	(14,984)
Closing future works commitment	74,298	96,297

The above costs are net of recoverable VAT and include management fees.

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDING 31 MARCH 2010

20 CASH FLOW STATEMENT NOTES

	2010 £000	2009 £000	
Returns on investments and servicing of finance			
Interest and investment income received	2	38	
Interest paid	(518)	(128)	
	<u>(516)</u>	<u>(90)</u>	
	2010 £000	2009 £000	
Capital Expenditure			
Improvement of housing properties	(8,525)	(3,885)	
Purchase of other fixed assets	(316)	(1,063)	
Capital Grant Received	3,161	1,456	
Sale of housing properties	148	798	
	<u>(5,528)</u>	<u>(2,694)</u>	
	2010 £000	2009 £000	
Financing			
Housing Loans received	11,500	13,500	
Issue costs	-	(800)	
	<u>11,500</u>	<u>12,700</u>	
Analysis of Net Funds	31 March 2009 £000	Cashflow £000	31 March 2010 £000
Cash in hand and at bank	552	211	763
Debt due after one year	(13,500)	(11,500)	(25,000)
	<u>(12,948)</u>	<u>(11,289)</u>	<u>(24,237)</u>

CITY SOUTH MANCHESTER HOUSING TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDING 31 MARCH 2010

21 OPERATING LEASES

The Trust holds office equipment and occupies office accommodation under operating leases. At 31 March 2010 the Trust had annual commitments under these leases as follows -

		2010 £000	2009 £000
Leases expiring within the next year	- motor vehicles	150	65
Leases expiring in the second to fifth years	- equipment	51	50
Leases expiring in the second to fifth years	- office accommodation	240	240
		<u>441</u>	<u>355</u>

22 RELATED PARTY TRANSACTIONS

Some Board members of the Trust are also tenants of City South Manchester Housing Trust Limited. Their tenancy is on normal commercial terms and they cannot use their position for their advantage. There are no other related party transactions. A further four Board Members are nominees of Manchester City Council.

23 ACQUISITION OF HOUSING PROPERTIES

During the year the Trust acquired no additional housing dwellings.

24 CONTINGENT LIABILITIES

As at 31 March 2010 the Trust had a contingent liability totalling £15.4m in respect of the VAT Sharing Agreement with MCC. The repayment of this amount is dependent upon the future level of the Trust's VAT.

25 ACCOMMODATION UNDER DEVELOPMENT AND IN MANAGEMENT

	2010 Units	2009 Units
Under management at transfer of year		
Housing accommodation	<u>4,393</u>	<u>4,377</u>
Under management at end of year		
Housing accommodation	<u>4,380</u>	<u>4,393</u>

26 ACCOMMODATION MANAGED BY OTHERS

Managed by others at start of year	<u>27</u>	<u>57</u>
Managed by others at end of year	<u>25</u>	<u>27</u>