

Independent auditors' report to the member of Your Homes Newcastle Limited

We have audited the Group financial statements for the year ended 31 March 2011 which comprise the Group Income and Expenditure Account, Company Income and Expenditure Account, Group Balance Sheet, Company Balance Sheet, Group Statement of Cash Flows, Company Statement of Cash Flows and the related notes 1 to 18. 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 Housing Association's members, as a body, in accordance with the Industrial and Provident Societies Acts, 1965 to 2002, the Housing and Regeneration Act 2008 and The Accounting Requirements for Registered Social Landlords General Determination 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 the board and the auditor

As explained more fully in the Statement of Board's Responsibilities set out on page 10, the board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on 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

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 association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the board; and the overall presentation of the financial statements. In addition, we read all the financial and nonfinancial information in the Reports of the members of the Board to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and

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- have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2002, the Housing and Regeneration Act 2008 and The Accounting Requirements for Registered Social Landlords General Determination 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Caroline Mulley (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Newcastle upon Tyne

Date

Group income and expenditure account

For the year ended 31 March 2011

	Note	2011 £'000	2010 £'000
Turnover	2	30,200	31,338
Operating costs	3	(30,179)	(31,247)
Operating surplus		21	91
Interest receivable and other income	4(a)	39	-
Interest payable and similar charges	4(b)	(48)	(53)
Surplus on ordinary activities before taxation	5	12	38
Taxation on surplus on ordinary activities	8	(12)	-
Surplus on ordinary activities after taxation	14	-	38

All amounts relate to continuing activities.

There have been no recognised gains and losses other than those shown in the income and expenditure account in both the current and prior years, therefore no Statement of Total Recognised Gains and Losses has been prepared.

Company income and expenditure account

For the year ended 31 March 2011

	<i>Note</i>	<i>2011</i> <i>£'000</i>	<i>2010</i> <i>£'000</i>
Turnover	2	30,200	31,338
Operating costs	3	(30,168)	(31,247)
Gift Aid payment	3	-	(38)
Operating surplus		<u>32</u>	<u>53</u>
Interest receivable and other income	4(a)	39	-
Interest payable and similar charges	4(b)	(48)	(53)
Surplus on ordinary activities before taxation	5	23	-
Taxation on surplus on ordinary activities	8	(12)	-
Surplus on ordinary activities after taxation	14	<u>11</u>	<u>-</u>

All amounts relate to continuing activities.

There have been no recognised gains and losses other than those shown in the income and expenditure account in both the current and prior years, therefore no Statement of Total Recognised Gains and Losses has been prepared.

Group balance sheet

at 31 March 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Tangible assets – depreciated cost	9	12,251	2,681
Less: Social housing capital grants	9	(7,501)	(1,370)
Other public capital grants	9	(1,095)	-
	9	<u>3,655</u>	<u>1,311</u>
Current assets			
Debtors	10	6,005	7,468
Cash		39	40
		<u>6,044</u>	<u>7,508</u>
Creditors: amounts falling due in less than one year	11	<u>(4,747)</u>	<u>(8,781)</u>
Net current assets/(liabilities)		1,297	(1,273)
Total assets less current liabilities		4,952	38
Creditors: amounts falling due in more than one year	12	<u>(4,914)</u>	<u>-</u>
Net assets		<u>38</u>	<u>38</u>
Capital and reserves	14	<u>38</u>	<u>38</u>

These financial statements were approved by the Board and authorised for issue on 12th July 2011.

Signed on behalf of the Board

Stephen Murphy
Chair

Company balance sheet

at 31 March 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Tangible assets – depreciated costs	9	12,251	2,681
Less: Social housing capital grants	9	(7,501)	(1,370)
Other public capital grants	9	(1,095)	-
	9	<u>3,655</u>	<u>1,311</u>
Current assets			
Debtors	10	6,015	7,468
Cash		2	2
		<u>6,017</u>	<u>7,470</u>
Creditors: amounts falling due in less than one year	11	<u>(4,747)</u>	<u>(8,781)</u>
Net current assets/(liabilities)		<u>1,270</u>	<u>(1,311)</u>
Total assets less current liabilities		4,925	-
Creditors: amounts falling due in more than one year	12	(4,914)	-
		<u>11</u>	<u>-</u>
Net assets		<u>11</u>	<u>-</u>
Capital and reserves	14	<u>11</u>	<u>-</u>

These financial statements were approved by the Board and authorised for issue on 12th July 2011.

Signed on behalf of the Board

Stephen Murphy
Chair

Group statement of cash flows

for the year ended 31 March 2011

	Note	2011 £'000	2010 £'000
Net cash flow from operating activities	15	(31)	(1,267)
Returns on investments and servicing of finance			
Interest paid		-	(53)
Interest received		39	-
		<u>39</u>	<u>(53)</u>
Taxation		(2)	-
Capital expenditure			
Acquisition and construction of housing properties		(9,562)	(2,688)
Capital grants received		4,641	4,008
		<u>4,641</u>	<u>4,008</u>
Cash (outflow)/inflow from capital expenditure		<u>(4,921)</u>	<u>1,320</u>
Financing			
New loans received		4,914	-
		<u>4,914</u>	<u>-</u>
Decrease in cash		<u>(1)</u>	<u>-</u>

Company statement of cash flows

for the year ended 31 March 2011

	Note	2011 £'000	2010 £'000
Net cash flow from operating activities	15	(30)	(1,267)
Returns on investments and servicing of finance			
Interest paid		-	(53)
Interest received		39	-
		<u>39</u>	<u>(53)</u>
Taxation		(2)	-
Capital expenditure			
Acquisition and construction of housing properties		(9,562)	(2,688)
Capital grants received		4,641	4,008
Cash (outflow)/inflow from capital expenditure		<u>(4,921)</u>	<u>1,320</u>
Financing			
New loans received		4,914	-
Increase in cash		<u>-</u>	<u>-</u>

Notes to the financial statements

at 31 March 2011

1. Principal accounting policies

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards. A summary of the more important accounting policies is set out below.

Accounting convention

The financial statements have been prepared under the historical cost accounting convention modified to include the revaluation of certain land and buildings and in accordance with applicable accounting standards in the United Kingdom, the Accounting Requirements for Registered Social Landlords General Determination as amended, and the 'Statement of Recommended Practice: accounting by registered social landlords (SORP Update)', issued in 2008.

Basis of consolidation

The group income and expenditure account and group balance sheet consolidate the financial statements of the parent, Your Homes Newcastle Limited and its subsidiary undertaking, Leazes Homes Limited for the year ended 31 March 2011.

Intra group transactions are eliminated fully on consolidation.

Turnover

Turnover, which excludes VAT, primarily represents fee income received from Newcastle City Council for the management and maintenance of Newcastle City Council's housing stock. All turnover arises in the United Kingdom.

Taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with following exceptions:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable surpluses from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

at 31 March 2011

1. Principal accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset plus any costs incurred in bringing the asset to its working condition.

Depreciation is calculated to write off the cost or valuation of tangible fixed assets on a straight line basis over their useful lives as follows:

Land	not depreciated
Structure	100 years
Major Components	15 to 60 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Non routine repairs expenditure

Non routine repairs expenditure is capitalised to the extent it represents an improvement to the property, otherwise it is expensed in the year in which it is incurred.

Capital grants

Where developments have been financed wholly or partly by Social Housing Grant or other capital grants, the cost of those developments has been reduced by the amount of the grant receivable. Capital grants and donations are recognised in the financial statements on the basis of the event dates which must be reached prior to the grant becoming claimable. Where grant received is in excess of costs incurred the excess is transferred to creditors. On disposal of properties which have been financed wholly or partly by Social Housing Grant, the amount of grant not abated by the Housing Corporation is transferred to the recycled Capital Grant Fund and, if not recycled in accordance with Housing Corporation Circular F2 - 21/97, may become repayable.

Notes to the financial statements

at 31 March 2011

1. Principal accounting policies (continued)

Taxation

Taxation has been provided on the group's commercial activities only.

Pension costs

The company participates in the Local Government Pension Scheme, through membership of the Tyne and Wear Pension Fund. The scheme is a final salary pension scheme and retirement benefits to employees of the company are funded by contributions from all participating employers and employees in the scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable to the various participating organisations.

Costs are charged to the income and expenditure account over the period benefiting from the employees' service and disclosures are given as required by FRS17.

2. Analysis of turnover

Group and company

	2011 £'000	2010 £'000
Newcastle City Council Housing Revenue		
Account management fee	29,221	30,635
Rental income	99	32
Service Charge Income	2	1
Other income	878	670
	<u>30,200</u>	<u>31,338</u>

Notes to the financial statements

at 31 March 2011

2. Turnover, operating costs and operating surplus for the year (continued)

Group	<i>Turnover</i>	<i>Operating costs</i>	<i>Operating (deficit)/ surplus</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
2011			
Income and Expenditure from lettings	99	(121)	(22)
Service Charge Income	2	(2)	-
	101	(112)	(22)
Other Income and Expenditure:			
NCC HRA management fee	29,221	(29,178)	43
Other income	878	(878)	-
	30,200	(30,179)	21

Group	<i>Turnover</i>	<i>Operating costs</i>	<i>Operating (deficit)/ surplus</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
2010			
Income and Expenditure from lettings	32	(32)	-
Service Charge Income	1	(1)	-
	33	(33)	-
Other Income and Expenditure:			
NCC HRA management fee	30,635	(30,544)	91
Other income	670	(670)	-
	31,338	(31,247)	91

	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>
Lettings:		
Rents receivable	99	32
Service Charge Income	2	1
Voids and bad debts	-	-
	101	33

Notes to the financial statements

at 31 March 2011

2. Turnover, operating costs and operating surplus for the year (continued)

<i>Company</i>	<i>Turnover</i>	<i>Operating costs</i>	<i>Operating (deficit)/ surplus</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
2011			
Income and Expenditure from lettings	99	(110)	(11)
Service Charge Income	2	(2)	-
	101	(112)	(11)
Other Income and Expenditure:			
NCC HRA management fee	29,221	(29,178)	43
Other income	878	(878)	-
	30,200	(30,168)	32

<i>Company</i>	<i>Turnover</i>	<i>Operating costs</i>	<i>Operating (deficit)/ surplus</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
2010			
Income and Expenditure from lettings	32	(70)	(38)
Service Charge Income	1	(1)	-
	33	(71)	(38)
Other Income and Expenditure:			
NCC HRA management fee	30,635	(30,544)	91
Other income	670	(670)	-
	31,338	(31,285)	53

	2011	2010
	£'000	£'000
Lettings:		
Rents receivable	99	32
Service Charge Income	2	1
Voids and bad debts	-	-
	101	33

Notes to the financial statements

at 31 March 2011

3. Analysis of operating costs

Group	2011 £'000	2010 £'000
Employee costs	24,453	25,140
Premises	1,136	1,087
Transport	527	507
Supplies and services	4,063	4,513
	<u>30,179</u>	<u>31,247</u>
Company	2011 £'000	2010 £'000
Employee costs	24,453	24,940
Premises	1,136	1,087
Transport	527	507
Supplies and services	4,052	4,713
	<u>30,168</u>	<u>31,247</u>

There were 83 properties in management at 31 March 2011 (2010: 17), all of these are general needs properties.

Your Homes Newcastle Limited has a subsidiary Leazes Homes Limited which has charitable status.

Under the corporate gift aid tax treatment regime, the company donated 100% of its trading surplus to Leazes Homes Limited in respect of the year ended 31 March 2010. For the purposes of corporation tax the amount paid is treated as a charge on income, thus reducing the chargeable surplus to nil.

4(a) Interest receivable and other income

Interest receivable in the year was £39,104 (2010: £nil), this relates to in-year movements in notional cash balances, largely due to HCA grant received.

4(b) Interest payable and similar charges

Interest payable of £48,284 was incurred during the year (2010: £52,849). This largely relates to interest on loan agreements .

Notes to the financial statements

at 31 March 2011

5. Surplus on ordinary activities before taxation

The surplus on ordinary activities before taxation is stated after charging:

	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>
Audit fees	15	15
Depreciation of owned assets	52	9
	<u>67</u>	<u>24</u>

6. Employee information

The average number of persons employed during the year, expressed as equivalent of full time employees was:

	<i>2011</i>	<i>2010</i>
	<i>No.</i>	<i>No.</i>
Housing management	604	616
Administration and clerical	195	183
	<u>800</u>	<u>799</u>

Costs for these persons were:

	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>
Wages and salaries	20,047	20,868
Employer's National Insurance contributions	1,450	1,383
Employer's pension costs	2,956	2,889
	<u>24,453</u>	<u>25,140</u>

Notes to the financial statements

at 31 March 2011

7. Directors' emoluments

The remuneration paid to the members of the Board (who were directors of the group) was:

	2011 £'000	2010 £'000
Aggregate emoluments payable to directors (including pension contributions and benefits in kind)	<u>23</u>	<u>11</u>

8. Tax on surplus on ordinary activities

Group

(a) Tax on surplus on ordinary activities

The tax charge is made up as follows:

	2011 £'000	2010 £'000
<i>Current tax:</i>		
UK Corporation Tax	12	-
Total current tax (note 8(b))	<u>12</u>	<u>-</u>
Deferred tax	-	-
Tax on surplus on ordinary activities	<u>12</u>	<u>-</u>

(b) Factors affecting current tax charge

The tax assessed on the surplus on ordinary activities for the year is different from the standard rate of corporation tax in the UK of 21%. The differences are reconciled below:

	2011 £'000	2010 £'000
Surplus on ordinary activities before tax	12	38
Surplus on ordinary activities multiplied by standard rate of Corporation Tax of 21% (2010: 21%)	2	8
Expenses not deductible for tax purposes	6,025	6,161
Non-taxable income	<u>(6,015)</u>	<u>(6,169)</u>
Total current tax (8(a))	<u>12</u>	<u>-</u>

Notes to the financial statements

at 31 March 2011

8. Tax on surplus on ordinary activities (continued)

Company

(a) Tax on surplus on ordinary activities

The tax charge is made up as follows:

	2011 £'000	2010 £'000
<i>Current tax:</i>		
UK Corporation Tax	12	-
Total current tax (note 8(b))	<u>12</u>	<u>-</u>
Deferred tax	-	-
Tax on surplus on ordinary activities	<u>12</u>	<u>-</u>

(b) Factors affecting current tax charge

The tax assessed on the surplus on ordinary activities for the year is different from the standard rate of corporation tax in the UK of 21%. The differences are reconciled below:

	2011 £'000	2010 £'000
Surplus on ordinary activities before tax	23	-
Surplus on ordinary activities multiplied by standard rate of Corporation Tax of 21% (2010: 21%)	5	-
Expenses not deductible for tax purposes	6,022	6,161
Non-taxable income	<u>(6,015)</u>	<u>(6,161)</u>
Total current tax (8(a))	<u>12</u>	<u>-</u>

Notes to the financial statements

at 31 March 2011

9. Tangible fixed assets

Group and company

	<i>Land</i>	<i>Housing</i>	<i>Assets in the course of construction</i>	<i>Total</i>
Cost	£'000	£'000	£'000	£'000
As at 1 April 2010	755	1,010	932	2,697
Schemes completed	148	6,593	(932)	5,809
Additions	-	-	3,813	3,813
As at 31 March 2011	903	7,603	3,813	12,319
Capital Grants				
As at 1 April 2010	-	784	586	1,370
Schemes Completed	-	586	(586)	-
SHG	-	3,578	2,553	6,131
Other Public Grant	-	1,095	-	1,095
As at 31 March 2011	-	6,043	2,553	8,596
Accumulated depreciation				
As at 1 April 2010	-	16	-	16
Charge for the year	-	52	-	52
As at 31 March 2011	-	68	-	68
Net Book Value				
As at 31 March 2011	903	1,492	1,260	3,655
As at 1 April 2010	755	210	346	1,311

Notes to the financial statements

at 31 March 2011

10. Debtors

Group

	2011 £'000	2010 £'000
Amounts due from Newcastle City Council	4,922	7,289
Other debtors and prepayments	1,083	179
	<u>6,005</u>	<u>7,468</u>

Company

	2011 £'000	2010 £'000
Amounts due from Newcastle City Council	4,922	7,289
Other debtors and prepayments	1,093	179
	<u>6,015</u>	<u>7,468</u>

11. Creditors: amounts falling due in less than one year

Group

	2011 £'000	2010 £'000
Corporation Tax	10	-
VAT	1,354	1,113
Amounts due to Newcastle City Council	1,129	2,393
Accruals and deferred income	1,362	2,644
Grants received in advance	892	2,631
	<u>4,747</u>	<u>8,781</u>

Company

	2011 £'000	2010 £'000
Corporation Tax	10	-
VAT	1,354	1,113
Amounts due to Newcastle City Council	1,129	2,393
Accruals	1,362	2,644
Grants received in advance	892	2,631
	<u>4,747</u>	<u>8,781</u>

Notes to the financial statements

at 31 March 2011

12. Creditors: amounts falling due in more than one year

	2011	2010
	£'000	£'000
Loan from Newcastle City Council	4,914	-

The Loan from Newcastle City Council bears an interest rate of 4.7%, fixed for a 30 year period. The loan is secured against the housing assets and is repaid on an annuity basis every six months.

13. Constitution

Your Homes Newcastle Limited is a company limited by guarantee and does not have any share capital. There is only one "member" of the organisation. That "member" is Newcastle City Council and the company's Articles of Association state that no other person other than the Council Member shall be admitted to membership of the organisation.

14. Reconciliation of reserves and shareholders funds

Group

Revenue Reserves

	2011	2010
	£'000	£'000
At beginning of year	38	-
Result for year	-	38
At end of year	<u>38</u>	<u>38</u>

Company

Revenue Reserves

	2011	2010
	£'000	£'000
At beginning of year	-	-
Result for year	11	-
At end of year	<u>11</u>	<u>-</u>

Notes to the financial statements

at 31 March 2011

15. Notes to the cash flow statement

a) Group

i) Reconciliation of operating surplus to net cash flow from operating activities

	2011 £'000	2010 £'000
Operating Surplus	21	91
Depreciation	52	-
SHG release	(25)	-
Decrease/(Increase) in debtors	2,335	(5,309)
Increase/(Decrease) in creditors	(2,414)	3,951
Net cash flow from operating activities	<u>(31)</u>	<u>(1,267)</u>

ii) Reconciliation of net cash flow to movement in net funds

	2011 £'000	2010 £'000
Increase in cash in year	(1)	38
Change in net debt resulting from cash flows	(1)	38
New loans received	(4,914)	-
Net funds at start of year	40	2
Net (debt)/funds at end of year	<u>(4,875)</u>	<u>40</u>

c) Analysis of changes in net funds/(debt)

	At 31 March 2010 £'000	Cash flows £'000	At 31 March 2011 £'000
Cash	40	(1)	39
Loans	-	(4,914)	(4,914)
Net funds/(debt)	<u>40</u>	<u>(4,915)</u>	<u>(4,875)</u>

Notes to the financial statements

at 31 March 2011

15. Notes to the cash flow statement (continued)

b) Company

i) Reconciliation of operating surplus to net cash flow from operating activities

	2011 £'000	2010 £'000
Operating Surplus	32	91
Depreciation	52	-
SHG Release	(25)	-
Decrease/(Increase) in debtors	2,324	(5,309)
Increase/(Decrease) in creditors	(2,413)	3,951
Net cash flow from operating activities	<u>(30)</u>	<u>(1,267)</u>

ii) Reconciliation of net cash flow to movement in net funds

	2011 £'000	2010 £'000
Increase in cash in year	-	-
Change in net debt resulting from cash flows	-	-
New loans received	(4,914)	-
Net funds at start of year	2	2
Net (debt)/funds at end of year	<u>(4,912)</u>	<u>2</u>

c) Analysis of changes in net funds/(debt)

	At 31 March 2010 £'000	Cash flows £'000	At 31 March 2011 £'000
Cash	2	-	2
Loans	-	(4,914)	(4,914)
Net funds/(debt)	<u>2</u>	<u>(4,914)</u>	<u>(4,912)</u>

Notes to the financial statements

at 31 March 2011

16. Related party disclosures

Your Homes Newcastle Limited is a local authority controlled company of Newcastle City Council established with no share capital and limited by guarantee. The Council has delegated responsibility for overseeing the management and maintenance of its residential stock, and of Housing Revenue Account services provided to the City's housing tenants. £29.2m was earned from the Council in management fees in relation to these activities throughout the year (2010: £30.1m).

In addition, transactions totalling £10.5m took place with Newcastle City Council (2010: £4.7m). This related to interest charges, support services such as temporary staffing, general office supplies, legal services, human resources management, IT, exchequer services and other centrally administered services. The total of these transactions of £4.5m are included within operating costs. Transactions totalling £6m relating to loans and land grants from NCC appear in long term creditors.

With the exception of petty cash transactions, all cash book payments and receipts are made via Newcastle City Council's banking intermediaries with the net balance owing to or from the City Council being disclosed as a current asset or liability as appropriate.

Leazes Homes Limited is a charitable subsidiary wholly owned by Your Homes Newcastle Limited. In 2009-10 transactions totalling £38k took place between Your Homes Newcastle and Leazes Homes Limited. This was related to a gift aid payment made by the company. There was no gift aid payment or any other inter party transactions in 2010-11.

17. Pensions

The Group participates in the Tyne and Wear Pension Fund, which is a funded defined benefit scheme where contributions payable are held in a trust separately from the Group. The main results and assumptions of the most recent valuation of the Tyne and Wear Pension Fund are as follows:

Contributions to the scheme have been charged to the income and expenditure account on a cash basis. A qualified actuary has determined contribution rates on the basis of triennial valuations using the projected unit method. The actuaries determined that in order to meet the funding target, the contribution rate would be set at 17.3% for 2010/11 (2009/10: 17.3%).

Financial Reporting Standard No 17

Under the requirements of FRS 17, the Group is required to account for and disclose further information on its share of assets and liabilities of the Tyne and Wear Pension Fund at the end of the accounting period. The valuation at 31 March 2010 has been updated by an independent qualified actuary on an

Notes to the financial statements

at 31 March 2011

17. Pensions (continued)

FRS 17 basis as at 31 March 2011. As required by FRS 17 the defined benefit liabilities have been measured using the projected unit method.

This information is set out below:

Main financial assumptions

	31 March 2011 %	31 March 2010 %	31 March 2009 %
Discount Rate	5.4	5.5	6.5
RPI Inflation	3.7	3.9	3.6
CPI Inflation	2.8	N/A	N/A
Rate of increase to pensions in payment	2.8	3.9	3.6
Rate of increase to deferred pensions	2.8	3.9	3.6
Rate of general increase in salaries	5.2	5.4	5.1

Principal demographic assumptions

Post retirement mortality	31 March 2011	31 March 2010
<i>Males</i>		
Year of Birth base table	Standard SAPS Normal Health ALL Amounts	PNMA00 with allowance for MC improvement factors to 2007
Scaling to above base table rates	110%	145%
Improvements to base table rates	CMI_2009 with a long term rate of improvement of 1.25% p.a.	80% of Long Cohort (from 2007) subject to a minimum underpin to the improvement factors of 1.25% p.a..
Future Lifetime from age 65 (currently aged 65)	21.5	20.0
Future Lifetime from age 65 (currently aged 45)	23.3	22.2

Notes to the financial statements

at 31 March 2011

17. Pensions (continued)

<i>Post retirement mortality</i>	31 March 2011	31 March 2010
<i>Females</i>		
Year of Birth base table	<i>Standard SAPS Normal Health All Amounts</i>	<i>PNFA00 with allowance for MC improvement factors to 2007</i>
Scaling to above base table rates	110%	130%
Improvements to base table rates	CMI_2009 with a long term rate of improvement of 1.25% p.a.	60% of Long Cohort (from 2007) subject to a minimum underpin to the improvement factors of 1.25% p.a.
Future Lifetime from age 65 (currently aged 65)	23.7	22.9
Future Lifetime from age 65 (currently aged 45)	25.6	25.1

Value of Assets

	<i>2011 Long-term rate of expected return (% p.a.)</i>	<i>2011 Asset split at 31 March 2011 (%)</i>	<i>2010 Long-term rate of expected return (% p.a.)</i>	<i>2010 Asset split at 31 March 2010 (%)</i>
Equities	8.4	68.0	8.0	67.8
Property	7.9	8.1	8.5	7.4
Government Bonds	4.4	7.0	4.5	9.3
Corporate Bonds	5.1	11.7	5.5	11.4
Cash	1.5	1.2	0.7	1.3
Other	8.4	4.0	8.0	2.8
Total	7.6	100	7.3	100

Notes to the financial statements

at 31 March 2011

17. Pensions (continued)

Reconciliation of funded status to balance sheet

	<i>31 March 2011 £m</i>	<i>31 March 2010 £m</i>
Notional value of assets	73.68	63.61
Present value of liabilities	(80.12)	(82.23)
Net pension liability	<u>(6.44)</u>	<u>(18.62)</u>

Newcastle City Council has confirmed that it will assume any current and future funding surpluses or deficits relating to the Group. Accordingly, the scheme deficit has been restricted to nil and the pension cost is based on contributions payable.

Analysis of Income and Expenditure Account Charge

	<i>2011 £m</i>	<i>2010 £m</i>
Current Service Cost	3.40	2.51
Past service cost	-	0.06
Interest cost	4.23	3.77
Expected return on assets	(4.71)	(2.78)
Expense recognised	<u>2.92</u>	<u>3.56</u>

During the year, the Government announced that future statutory revaluations will be based on CPI, rather than RPI. The impact of this announcement on the Group's share of the deficit in the Tyne & Wear Scheme would be an actuarial gain of £8.82 million, this would be treated within the Statement of Total Recognised Gains and Losses, rather than the Income and Expenditure Account. However in light of the confirmation from Newcastle City Council above, there is no impact on the Statement of Total Recognised Gains and Losses or Income and Expenditure Account as the accounting entries reflect contributions payable only.

Notes to the financial statements

at 31 March 2011

17. Pensions (continued)

Changes to the present value of liabilities during the accounting period

	2011 £m	2010 £m
Opening present value of liabilities	82.23	56.86
Current service cost	3.40	2.51
Interest cost	4.23	3.77
Contributions by participants	1.10	1.04
Actuarial (gains) / losses on liabilities	(9.43)	19.38
Net benefits paid out	(1.41)	(1.39)
Past service cost	-	0.06
Closing present value of liabilities	80.12	82.23

Changes to the fair value of assets during the accounting period

	2011 £m	2010 £m
Opening fair value of assets	63.61	44.23
Expected return on assets	4.71	2.78
Actuarial gains on assets	2.72	14.06
Contributions by the employer	2.95	2.89
Contributions by the participants	1.10	1.04
Net benefits paid out	(1.41)	(1.39)
Closing fair value of assets	73.68	63.61

Actual return on assets

	2011 £m	2010 £m
Expected return on assets	4.71	2.78
Actuarial gain on assets	2.72	14.06
Net return	7.43	16.84

Notes to the financial statements

at 31 March 2011

17. Pensions (continued)

Analysis of amount that would be recognised in statement of total recognised gains and losses (STRGL)

	2011 £m	2010 £m
Total actuarial gains/(losses)	3.33	(5.32)
CPI impact	8.82	-
Total loss in STRGL	<u>12.15</u>	<u>(5.32)</u>

History of asset values, present value of liabilities and deficit / surplus

	2011 £m	2010 £m
Fair value of assets	73.68	63.61
Present value of liabilities	<u>(80.12)</u>	<u>(82.23)</u>
Deficit	<u>(6.44)</u>	<u>(18.62)</u>

History of experience gains and losses

	2011 £m	2010 £m
Experience gains on assets	2.72	14.06
Experience gains/(losses) on liabilities	9.43	(19.38)

18. Parent Undertaking

The company is a local authority controlled company within the meaning of Part V of the Local Government and Housing Act 1989, being a company under the control of Newcastle City Council. Copies of the financial statements for Your Homes Newcastle Limited can be obtained from the Company Secretary, Your Homes Newcastle Limited, YHN House, Benton Park Road, Newcastle upon Tyne NE7 7LX.

The Directors consider that Newcastle City Council is the ultimate controlling party.