

**The Gateshead Housing Company Limited**

Directors' report and financial  
statements

Registered number 04944719

Fifteen month period ended

31 March 2005

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## **Board and advisors**

### **Council Directors**

Kenneth Edward Childs  
John Walter Hamilton  
Joseph Aloysius Hattam  
Peter Mole  
Patrick John Rice (resigned 23 September 2004)  
Kathryn Ferdinand (appointed 24 October 2004)

### **Tenant Directors**

John Bernard Biggs  
John Joseph Burns (resigned 24 November 2004)  
Stanley Dawson  
Malcolm McKie  
James Willis  
Derek William Harris (appointed 25 February 2005)

### **Independent Directors**

Barbara Eldaine Dennis  
Valerie Ann Hodge  
Paula Nunn (resigned 15 February 2005)  
Brian John Stoneman  
Esther Ward (appointed 12 February 2004)

The council and tenant directors were appointed on 12 November 2003 except where noted above.

The independent directors were appointed on 1 January 2004 except where noted above.

### **Secretary, Solicitor and Registered Office**

Colin James Stockwell (Company secretary and solicitor)  
Suites 1,2 and 5  
Baltic Business Centre  
Saltmeadows Road  
Gateshead  
NE8 3DA

### **Auditors**

KPMG LLP  
Quayside House  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX

### **Internal Auditors**

Gateshead Council  
Civic Centre  
Regent Centre  
Gateshead  
Tyne & Wear  
NE8 1HH

### **Bankers**

Co-operative Bank plc  
53-57 Blandford Square  
Newcastle upon Tyne  
Tyne & Wear  
NE99 1AN

## **Report of the Board for the fifteen month period ended 31 March 2005**

The Board present their first annual report and the audited financial statements for the period ended 31 March 2005.

The company was incorporated on 27 October 2003 and commenced trading on 1 January 2004. For convenience the accounting period from the date of incorporation to 31 March 2005 is referred to in these accounts as the fifteen month period ended 31 March 2005.

### **Principal activities**

The principal activity of the company is the day to day management and maintenance of the majority of the housing stock of Gateshead Council.

### **Review of Business**

The company has had a successful year as a new organisation. The first part of the period was very much focused on setting up the company and working towards the two stars necessary to attract the ALMO Decent Homes funding required to drive forward the Housing Investment Programme.

While the inspection held in August of 2004 did not result in an award of two stars, the company did achieve one star with promising prospects for improvement. An Action Plan was developed, based on the findings of the inspectors and work has been focused on achieving the necessary service improvements in working towards a re-inspection in September 2005.

The financial result for the period was a surplus of £24,000.

### **Policy and practice and payment of creditors**

As a controlled company of a local authority, the company adheres to BVPI8 which requires the payment of undisputed creditor invoices within 30 days of receipt of the invoice. Where disputes arise we attempt to resolve them promptly and amicably to ensure delays in payment are kept to a minimum.

### **Future Developments**

The company's Business Plan, 'Shaping the Future' sets out for the years 2005 to 2008 the development aims of the company.

In the short term the objective is to improve services to achieve a minimum two star rating from the inspection in 2005. As part of the drive for improvements the company will agree with tenants the future shape of the service provided to them, including the office network and hours of operation. The company will also be developing a comprehensive database in order to ensure that services are developed to meet the diverse needs of customers and be accessible to all.

Longer term the objective is, through continuous review and improvement of services, to become an excellent organisation.

By attracting the necessary funding the company aims to bring all Council housing for which it has responsibility up to the Gateshead Standard by the end of 2010.

The company is mindful of the limitations of funding available to it and will continue to work in partnership with its owner, Gateshead Council, to effectively manage resources within these limitations in accordance with the terms of the Management Agreement between the company and the Council, dated 1 January 2004.

## **Report of the Board for the fifteen month period ended 31 March 2005 (Continued)**

### **The Board and Executive Officers**

Under guidance for the setting up of Arms Length Management Organisations, issued by the Office of the Deputy Prime Minister ("ODPM"), the company's Board of non-executive directors has equal representation of Tenant, Council and Independent members. Council Directors are appointed and removed directly by the Council, whilst Tenant Directors are appointed through election by tenants and leaseholders living in Gateshead. Independent Directors are selected by the Board. Tenant and Independent Directors are subject to rotational retirement rules contained in the company's Articles of Association.

The operational day to day running of the company is delegated to paid Strategic Employees by the Board, through the company's Scheme of Delegation and in the first instance, to the company's Chief Executive. None of the Senior Management Team are Board members.

### **Corporate Governance**

The company signs up to the principles of the Combined Code in so far as they are applicable to an organisation of its size and structure. As well as having robust codes of conduct for Board members, the company has a clear Risk Strategy in place which underlies its key decisions.

Two Area Boards have been established, each comprising three Councillors, three tenants and three independent representatives. They have area-based responsibilities together with delegated powers in relation to environmental and security matters.

In addition, the company has a number of formal Board Committees. These are:

- Communications and Tenant Involvement
- Management of Performance and Resources
- Personnel
- Quality and Audit
- Standards.

The committees have clear terms of reference detailing their functions, together with decisions that should be referred to the Board for approval and those that have been delegated. All the company's corporate governance arrangements are set out in a Governance Handbook issued to all Board members and maintained by the Company Secretary and Solicitor.

### **Statement of Board on Internal Financial Controls**

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

- the reliability of financial information used within the company or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets against unauthorised use or disposal.

It is the Board's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements including ensuring that:

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of the company's assets;

## **Report of the Board for the fifteen month period ended 31 March 2005 (Continued)**

- experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the Board and managers to monitor the key business risks and financial objectives and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures by the Board following scrutiny by the relevant Board committees;
- the Board reviews reports for management, from internal auditors, from the external auditors and from its own Quality and Audit Committee to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the company. The Internal Auditors make regular reports to the Board through the Quality and Audit Committee.
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

### **Fair employment policies for disabled persons**

The company, as part of its Equal Opportunities Policy;

- welcomes job applications from people with disabilities
- does not discriminate unlawfully when it decides who employ
- advertises widely to ensure it receives as many applications as possible, especially from disadvantaged groups
- reviews and monitors its recruitment and selection procedures to ensure it does not discriminate against people with disabilities
- encourages all employees to reach their full potential
- wherever possible, provides a workplace that is accessible to people with disabilities
- where possible, retains in suitable employment those employees who become disabled
- when required, ensures additional provision in the form of access, or transport costs, is available for people with disabilities to enable them to fully participate in interviews and training.

### **Employee involvement**

The company:

- shares ideas and information with its employees
- maintains a genuine exchange of views between managers and employees or their representatives
- negotiates with employees or their representatives on any proposed changes to terms and conditions of employment
- has an Employee Panel, with representation from representatives of the workforce, to ensure that employees are informed about the company's economic situation and are informed and consulted about decisions likely to lead to substantial changes in work organisation
- has an Employee Forum, with representation from representatives of the workforce to
  - deal with consultation issues such as terms and conditions, employment policies and other employment issues specific to employees
  - develop the company's employment policies.

## **Report of the Board for the fifteen month period ended 31 March 2005 (Continued)**

An appraisal process is used for all employees, linked to individual employees' needs and performance against agreed objectives and targets, comprising two meetings each year for individuals and their line manager to appraise and review performance, to help employees to

- get feedback on how they are doing and recognition for their achievements
- understand what is expected of them
- understand how what they do fits in with what the company is trying to achieve
- talk about the issues facing them over the next 12 months
- agree what training and development they need to do their job well.

### **Auditors**

KPMG LLP were appointed the first auditors of the Company

A resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

The report of the Board was approved on 14 July 2005 and signed on its behalf by:

**K Childs**  
*Chair*

**C Stockwell**  
*Company Secretary*

## **Statement of Board responsibilities**

Company law requires the Board to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of its Income and Expenditure for the period. In preparing the financial statements the Board is required to:

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



**KPMG LLP**

Quayside House  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX  
United Kingdom

**Report of the independent auditors to the members of The Gateshead Housing Company Limited**

We have audited the financial statements on pages 8 to 19

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

The Board are responsible for preparing the Report of the Board and, as described on page 6, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Board is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

**Basis of audit opinion**

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

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2005 and of its surplus for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG LLP**  
*Chartered Accountants  
Registered Auditor*

14 July 2005

**Income and expenditure account**  
*for the fifteen month period ended 31 March 2005*

	<i>Note</i>	<b>15 month period ended 31 March 2005 £000</b>
<b>Turnover</b>	2	<b>33,604</b>
Operating costs	2	<b>(33,595)</b>
		<hr/>
<b>Operating surplus</b>		<b>9</b>
Interest receivable and other income		<b>19</b>
		<hr/>
<b>Surplus on ordinary activities before taxation</b>	3	<b>28</b>
Taxation on surplus from ordinary activities	6	<b>(4)</b>
		<hr/>
<b>Surplus on ordinary activities after taxation</b>		<b>24</b>
		<hr/>
<b>Surplus for the period</b>		<b>24</b>
Revenue reserves brought forward		<b>-</b>
		<hr/>
<b>Revenue reserves carried forward</b>	11	<b>24</b>
		<hr/> <hr/>

All amounts relate to continuing activities.

The notes on pages 11 to 19 form part of these financial statements.

There have been no other recognised gains or losses during the period, other than those shown in the Income and expenditure account.

**Balance sheet**  
*as at 31 March 2005*

	<i>Note</i>	<b>2005</b> <b>£000</b>
<b>Current assets</b>		
Debtors	7	1,454
Cash at bank and in hand		9,245
		<hr/>
<b>Creditors: amounts falling due within one year</b>	8	<b>10,699</b> <b>(10,478)</b>
		<hr/>
<b>Net current assets</b>		<b>221</b>
<b>Provisions for liabilities and charges</b>	9	<b>(197)</b>
		<hr/>
<b>Net assets</b>		<b>24</b>
		<hr/> <hr/>
<b>Capital and reserves</b>		
Revenue reserves	11	<b>24</b>
		<hr/> <hr/>

These financial statements were approved by the Board on 14 July 2005 and were signed on its behalf by:

**K Childs**  
*Chair*

The notes on pages 11 to 19 form part of these financial statements.

**Cash flow statement**  
*for the fifteen month period ended 31 March 2005*

	<i>Note</i>	<b>15 month period ended 31 March 2005 £000</b>
<b>Net cash inflow from operating activities</b>	<i>16a</i>	<b>9,226</b>
<b>Returns on investments and servicing of finance</b>		
Interest received		<b>19</b>
<b>Increase in cash</b>	<i>16b</i>	<b>9,245</b>

The notes on pages 11 to 19 form part of these financial statements.

## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

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

#### ***Basis of preparation***

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

#### ***Turnover***

Turnover represents primarily management fees received from Gateshead Council for the management and maintenance of Gateshead Council's housing stock and is stated net of value added tax.

Income is recognised on an accruals basis.

#### ***Taxation***

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### ***Pension costs***

The Company participates in the Tyne and Wear Pension Fund. The scheme is a final salary Local Government Pension Scheme and retirement benefits to employees of the Company are funded by contributions from all participating employers and employees in the scheme. These payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable to the various participating organisations. The amount charged to the profit and loss account in respect of the scheme is based on actuarial estimates and is calculated to spread the cost of pensions over employees' working lives with the company.

#### ***Operating leases***

Rentals under operating leases are charged to the profit and loss account in equal annual amounts over the lease term.

**Notes (continued)**

**2 Analysis of turnover, operating costs and operating surplus**

	<b>15 month period ended 31 March 2005 £000</b>
<b>Turnover</b>	
Management fee	32,567
External funding	245
Capital fees	786
Other	6
	<hr/>
	<b>33,604</b>
	<hr/> <hr/>
<b>Operating costs</b>	
Management of housing stock	12,379
Repairs and maintenance of housing stock	20,430
Revenue expenditure supporting capital programme	786
	<hr/>
	<b>33,595</b>
	<hr/> <hr/>
<b>Operating surplus</b>	<b>9</b>
	<hr/> <hr/>

**3 Surplus on ordinary activities before taxation**

	<b>15 month period ended 31 March 2005 £000</b>
<i>Surplus on ordinary activities before taxation is stated after charging:</i>	
Auditors' remuneration :	
- in their capacity as auditors	14
Operating lease charges:	
- plant and machinery	-
- other	48
	<hr/> <hr/>

**4 Employee information**

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

	<b>15 month period ended 31 March 2005 Number</b>
Housing management	186
Administrative and clerical	64
	<hr/>
	<b>250</b>
	<hr/> <hr/>

**Notes** (continued)

**4 Employee information** (continued)

Staff costs for the above persons were:

	<b>15 month period ended 31 March 2005 £000</b>
Wages and salaries	6,315
Social security costs	451
Other pension costs	1,011
	<hr/>
	7,777
	<hr/> <hr/>

**5 Directors' emoluments**

The directors do not receive payment or any benefits in kind for their roles, although they are able to reclaim their expenses incurred in attending meetings. The aggregate amount of expenses paid to Board members in the period was £94.

**6 Taxation**

Whilst the taxable status of companies such as The Gateshead Housing Company Limited has yet to be agreed, corporation tax has been provided at the current UK standard rates.

Analysis of charge in period

	<b>15 month period ended 31 March 2005 £000</b>
<i>UK corporation tax</i>	
Current tax on income for the period	4
	<hr/> <hr/>

The current tax charge for the period is lower than the standard rate of corporation tax in the UK 19%, the differences are explained below:

	<b>15 month period ended 31 March 2005 £000</b>
<i>Current tax reconciliation</i>	
Surplus on ordinary activities before tax	28
	<hr/>
Current tax at 19%	5
Effects of:	
Small companies reduction in tax rate	(1)
	<hr/>
Total current tax charge (see above)	4
	<hr/> <hr/>

No provision is required for deferred taxation.

**Notes** (continued)

**7 Debtors**

	2005 £000
Amounts receivable within one year:	
Gateshead Council	1,328
Prepayments	126
	<hr/>
	1,454
	<hr/> <hr/>

**8 Creditors: amounts falling due within one year**

	2005 £000
Gateshead Council	1,389
Trade creditors	74
Other taxation and social security	490
Accruals and deferred income	8,521
Corporation tax	4
	<hr/>
	10,478
	<hr/> <hr/>

**9 Provisions for liabilities and charges**

	2005 £000
Amounts provided during the year	197
	<hr/> <hr/>

Provisions relate to amounts held to cover insurance claims, which fall below the current excess limit on the company's insurance policy.

**10 Share capital**

The company does not have any share capital as it is limited by guarantee of £1 per member. Membership at 31 March 2005 was 1.

**Notes** (continued)

**11 Reserves**

	<b>Revenue Reserves £000</b>
Surplus for period	24
At end of period	<u>24</u>

**12 Operating lease rentals**

Annual commitments under non-cancellable operating leases are as follows:

	<b>31 March 2005 Land and buildings £000</b>
Leases which expire:	
Within two to five years	<u>68</u>

**13 Related party transactions**

The company's main source of income is management fees and charges from Gateshead Council, its ultimate parent undertaking. Income from Gateshead Council amounted to £32,567,000 in the period. The amount outstanding at the period end was £1,328,000.

The company purchases goods and services from Gateshead Council as part of its operating activities. No profit is made on these transactions. The balance outstanding at the period end, and due to be paid over to Gateshead Council was £1,389,000.

**14 Ultimate parent undertaking**

The company is a subsidiary undertaking of Gateshead Council. The consolidated accounts of the group are available to the public and may be obtained from Gateshead Council, Civic Centre, Regent Street, Gateshead, NE8 1HH.

**15 Contingent liability**

Discussions have been held with HM Revenue & Customs (HMRC) to discuss the proposal to treat ALMOs as mutual bodies for corporation tax purposes.

HMRC are not currently able to agree that ALMOs are mutual. As such the directors have prepared the accounts on the assumption that mutual status is not granted and the company will therefore be liable to tax.

Should mutual status not be granted by the authorities, then the terms of transaction with the guarantor council will be required to be restated for tax purposes as if upon an arm's length basis of provision, thus increasing taxable profits. The mark up applied to the transactions would need to be comparable with similar services provided in the housing sector by unrelated suppliers. It is not possible at the moment to determine what the appropriate level of mark up would be, therefore a provision for tax on this mark up cannot be made with any certainty.

**Notes** (continued)

**16 Notes to the cash flow statement**

a) Reconciliation of operating surplus to net cash inflow from operating activities

	<b>2005</b>
	<b>£000</b>
Operating surplus	9
Increase in debtors	(1,454)
Increase in creditors and provisions	10,671
	<hr/>
Net cash inflow from operating activities	<b>9,226</b>
	<hr/> <hr/>

b) Reconciliation of net cash inflow to movement in net debt

	<b>2005</b>
	<b>£000</b>
Increase in cash in the period	9,245
Net funds at start of period	-
	<hr/>
Net funds at end of period	<b>9,245</b>
	<hr/> <hr/>

c) Analysis of changes in net debt

	<b>Cash flows</b>	<b>At 31 March</b>
	<b>£000</b>	<b>2005</b>
		<b>£000</b>
Cash at bank and in hand	9,245	9,245
	<hr/>	<hr/>

**17 Pensions**

The Company participates in the Tyne and Wear Pension Fund, a Local Government Pension Scheme ('LGPS'), which is a funded defined benefit scheme. The main results and assumptions of the most recent valuation of the LGPS are as follows :

Valuation date	31 March 2004
Valuation method	Projected unit
Market value of assets	£2,356,000,000
Funding level for accrued benefits	64%
Investment return per annum (equities and property)	6.45%
Investment return per annum (bonds)	5.2%
Salary scale increases per annum	4.4%
Pension increases per annum	2.9%

The Company paid contributions of £1,011,000 representing 220% of members contributions plus an additional £220,000 per annum for the accounting period as recommended by the actuary. Surpluses and deficits are spread over employees' future service lives, and the pensions charge recorded by the Company during the accounting period was equal to the contributions payable. Gateshead Council has indicated that it will fund any future employer's contribution rate increases that arise as a result of a shortfall in investment income.

**Notes** (continued)

**17 Pensions** (continued)

**Financial Reporting Standard No 17**

Whilst Gateshead Council has agreed to fund future contribution increases as detailed above, FRS 17 still requires the disclosure of certain information regarding the company's share of the pension scheme deficit. Under the transitional requirements of FRS 17, the Company is required to disclose further information on its share of assets and liabilities of the LGPS on a market value basis at the end of the accounting period.

The valuation at 31 March 2004 has been updated by an independent qualified actuary on an FRS 17 basis as at 31 March 2005. As required by FRS 17 the defined benefit liabilities have been measured using the projected unit method and both the assets and liabilities include the value of those pensions in payment, which are secured with assured annuities.

Pension obligations were transferred to the company on 1 January 2005 when the company commenced trading. Comparative figures have been given for information.

The major assumptions used in this valuation were:

	<b>31 March 2005 %</b>	<b>31 March 2004 %</b>
Discount rate for scheme liabilities	5.3	6.4
Discount rate for pension costs over following year	5.3	5.4
Salary increase rate	4.4	4.4
Pension increase rate	2.9	2.9
Rate of inflation	2.9	2.9

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice.

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain were:

	<b>Long term rate of return %</b>	<b>Value at 31 March 2005 £000</b>
Equities	7.7	6,574
Government Bonds	4.7	1,511
Corporate Bonds	5.3	1,030
Property	6.7	794
Other	4.8	211
		<hr/>
Present value of scheme liabilities		10,120 (13,720)
		<hr/>
Deficit in the scheme – Pension liability		(3,600)
Related deferred tax asset		514
		<hr/>
Net pension liability		<b>(3,086)</b>
		<hr/> <hr/>

**Notes** (continued)

**17 Pensions** (continued)

Under the transitional arrangements of FRS 17, no provision has been made by the company for its share of the deficit in the scheme. If provision was made, the following entries would be made:

<b>Balance sheet presentation</b>	<b>2005 £000</b>
Net assets excluding FRS 17 pension liability	24
Net pension liability	(3,086)
	<hr/>
<b>Net liabilities including FRS 17 pension liability</b>	<b>(3,062)</b>
	<hr/> <hr/>
 <b>Reserves note</b>	 <b>2005 £000</b>
Income and expenditure account excluding FRS 17 pension liability	24
Pension reserve	(3,086)
	<hr/>
<b>Income &amp; expenditure account including FRS 17 pension liability</b>	<b>(3,062)</b>
	<hr/> <hr/>

The following amounts would have been included within operating profit under FRS 17:

	<b>15 month period ended 31 March 2005 £000</b>
Current service cost	1,000
	<hr/> <hr/>

The following amounts would have been included as net finance income under FRS 17:

	<b>15 month period ended 31 March 2005 £000</b>
Expected return on pension scheme assets	710
Interest on pension scheme liabilities	(750)
	<hr/>
Net return	(40)
	<hr/> <hr/>

**Notes** (continued)

**17 Pensions** (continued)

The following amounts would have been recognised within the statement of recognised gains and losses ("STRGL") under FRS 17:

	<b>15 month period ended 31 March 2005 £000</b>
Actual return less expected return on pension scheme assets	320
Experience gains and losses arising on the scheme liabilities	610
Changes in assumptions underlying the present value of the scheme liabilities	(2,740)
	<hr/>
Actuarial loss recognised in the STRGL	<b>(1,810)</b>
	<hr/> <hr/>

The pension liability under FRS 17 would have moved as follows during the period to 31 March 2005:

	<b>2005 £000</b>
Net deficit on transfer of obligations at 1 January 2004	(1,790)
Current service cost	(1,000)
Contributions	1,040
Other finance income	(40)
Actuarial loss	(1,810)
	<hr/>
Deficit in scheme at end of the period	<b>(3,600)</b>
	<hr/> <hr/>

**History of experience gains and losses**

	<b>15 month period ended 31 March 2005</b>	
	<b>£000</b>	<b>%</b>
Actual return less expected return on scheme assets	320	
Percentage of period end scheme assets		3.2
Experience gains on scheme liabilities	610	
Percentage of period end scheme assets		4.4
Changes in assumptions underlying the present value of scheme liabilities	(2,740)	
Percentage of present value of period end scheme liabilities		20.0
	<hr/>	<hr/>
Actuarial gain loss recognised in STRGL	<b>(1,810)</b>	
Percentage of present value of period end scheme liabilities		<b>(13.2)</b>
	<hr/> <hr/>	<hr/> <hr/>