



changing lives
reducing crime

Nacro Community Enterprises Ltd

Financial Statements
year ended
31 March 2012

Company number:	1052098
Tenant Services Authority registration number:	H2030
Charity number:	264658

Contents

Board members and professional advisers for the year ended 31 March 2012	2
Report of the Board	3-10
Independent auditor's report to the members	11-12
Income and expenditure account	13
Balance sheet	14
Cash flow statement	15
Notes to the financial statements	16-30

Board members

The members of the Board during the year are listed below:

K Pollard [^] *Chair*

G Duncan [§] *Treasurer*

A Aderogba

M Bartlett [^] *(Resigned 31 July 2012)*

B Brown [^] *(Resigned 15 September 2012)*

J King

L McHugh ^{^#§} *(Appointed Vice Chair 9 June 2011)*

D Sandiford [#]

P Eastwood *(Appointed 9 June 2011)*

[^] Denotes members of the Performance Committee

[#] Denotes trustee of the Parent company, Nacro

[§] Denotes member of the Group Finance & Resources Committee and Audit & Risk Review Committee

Chief Executive

K Lockyer *(Resigned 14 September 2012)*

Interim Chief Executive

P Phillips *(Appointed 20 September 2012)*

Bankers

National Westminster Bank plc

Cavell House

P O Box 113

2A Charing Cross Road

London WC2H 0PD

Auditors

BDO LLP

2 City Place

Beehive Ring Road

Gatwick

West Sussex RH6 0PA

Solicitors

Gateley Waring

One Eleven Edmund St

Birmingham

B3 2HJ

Secretary and Registered Office

P Murphy

Park Place, 10-12 Lawn Lane

London

SW8 1UD

Company number

1052098

Charity number

264658

Tenant Services Authority registration number

H2030

Nacro Community Enterprises Limited Report of the Board 31 March 2012

Financial statements

The Board is pleased to present the financial statements for the year ended 31 March 2012.

Principal activities and objects

The principal activity of Nacro Community Enterprises Limited (Nacro Housing) is the care and resettlement of offenders and vulnerable people, many with multiple problems who are at risk of offending. This, it achieves through the procurement and management of mainly short stay housing and housing related support and resettlement services.

Further information on Nacro Housing's activities is contained in the Group annual report which can be obtained from the Communications Department, Park Place, 10-12 Lawn Lane, London, SW8 1UD.

Review of the year and future developments

The deficit on ordinary activities for the year was £346k (2011: surplus of £340k) which included a share of the costs of restructure under Vision 2015 which affected the whole charity. The income from social housing lettings was up by 2.1% partly due to an increase in rental charges. This activity showed an operating surplus as a result of lower services expenditure, particularly in terms of centralised costs following a restructure but also due to a lower maintenance cost linked to a reduction in the number of properties being managed. Given the uncertain economic climate, the Board has adopted a treasury policy which holds cash on short term deposits.

Financial and non financial performance is monitored throughout the year. Specifically the Performance Committee considers reports which include interalia voids, arrears, move on and maintenance jobs.

The Board has adopted a changed accounting policy in respect of component accounting for housing property assets. However, due to the immateriality of the difference in approach, a full adoption of component accounting will be delayed until the next financial year. Details of movements in fixed assets are given in notes 9 and 10 to the financial statements.

The public sector cutbacks continue to impact on Nacro Housing's grant income, mainly Supporting People grant. This has resulted in reduced funding and decommissioning of services. Nacro Housing has responded positively to this challenge by remodelling services and staffing structures to retain viable services. Additionally a move towards funded some services solely through rental income as also provided successful and this is likely to be continued in the coming year.

We are continuing with our efforts on financial sustainability and our Vision 2015 Change Programme with a view to improving our bid/win ratio, achieving the best outcomes, demonstrating evidence of our effectiveness, and establishing strong strategic alliances and delivery partnerships with other charities, the public sector and the private sector.

All of our plans are designed to ensure that we engage with commissioners seeking to reduce crime and change lives in local communities, and are an organisation where the brightest thinkers and most skilled practitioners in the field want to work. We aim to be thought leaders in our field, shaping the agenda based on the evidence and experience of what works on the ground.

Nacro Community Enterprises Limited Report of the Board 31 March 2012

Legal and administrative information

Nacro Community Enterprises Limited is a company limited by guarantee, a registered provider of social housing and a registered charity. The governing document is the Memorandum and Articles of Association.

The governing body is the Board, which meets at least four times a year and has an away day. The Board reviews and monitors performance, it plans for the future and determines and approves strategy and business plans.

In addition to this, the Nacro Housing trustees participate in Group committees, specifically the Finance & Resources Committee, the Performance Committee and the Audit & Risk Review Committee. In addition the Chair and the Treasurer are in attendance at Nacro Council meetings and the Nacro Chair is invited to attend Nacro housing meetings. This ensures that housing related matters are represented at Group level and that Group strategy is appropriately aligned.

Nacro Community Enterprises Limited Report of the Board 31 March 2012

The members of the Board during the year are detailed on page 2 together with membership of the various committees. A summary of attendance at formal committee meetings (showing the maximum applicable) is shown below

	Board	Performance
G Duncan	5/5	
A Aderogba	5/5	
M Bartlett	4/5	2/3
B Brown	3/5	
J King	2/5	
L McHugh	3/5	2/3
K Pollard	5/5	3/3
D Sandiford	3/5	3/3
P Eastwood	4/5	

Nacro trustees in attendance

M Litobarski	2/5
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Remuneration was paid to Board members totalling £35,000 (2011: £35,000) was paid as follows:

M Hindson (Former Chair)	2,382
K Pollard (Current Chair)	5,500
G Duncan (Treasurer)	5,000
J King (Committee Chair)	4,500
4 other members	12,000

The two members of the Board who are also Nacro Council members did not receive any remuneration from either organisation.

The Board appoints a Chief Executive who, with the Nacro leadership team is responsible for the day-to-day work of the company. The leadership team meets monthly and reports to the Nacro Housing Board and its sub committees.

Board members' responsibilities

The Board members are responsible for preparing the report of the Board and the financial statements in accordance with applicable law and regulations.

Company law and social housing legislation require the Board members to prepare financial statements for each financial year. Under that law the Board members have elected to prepare the financial statements in accordance with UK 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 association and of the surplus or deficit of the association for that period.

In preparing these financial statements, the Board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;

Nacro Community Enterprises Limited Report of the Board 31 March 2012

- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social landlords (2008) 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 Board members are responsible for keeping adequate accounting records that are sufficient to show and explain the association's transactions and disclose with reasonable accuracy at any time the financial position of the association and to enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006. They are also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social landlords (2010 update).

Financial statements are published on the parent company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the parent company's website is the responsibility of the Board members. The Board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Nacro Community Enterprises Limited Report of the Board 31 March 2012

Service User Council

A Service User Council meets quarterly comprising two service users from each operational area. Board members and members of the senior management team are in attendance at the meeting which is generally held on the day before the Board meeting. It receives reports about tenant movements, property maintenance, support, service user training and involvement, together with feedback from local area representatives. Both the Chair and the Vice chair of the Service User Council, themselves both service users, attend the Nacro Housing Board to ensure that a service user's perspective is considered when all board reports are discussed.

Reserves policy

There is an annual review of the reserves policy in the context of the business environment and the operational base of Nacro Housing.

Nacro Housing has free reserves in its own right of £3.2m which equates to 3 months of its operating costs. These reserves are not available for use by the parent company, Nacro, and are shown as restricted funds in the Group accounts.

The Board welcomes a level of reserves equivalent to 3 months of operational costs which are supported by liquidity within the company. Recognising the difficult market environment at the present time for both Nacro Housing and its parent the Board seeks to maintain this level of reserves during the next financial year and to review the situation at the next year end.

Public benefit

The Board has considered its duties in respect of meeting public benefit requirements and are satisfied that there are identifiable benefits to a section of the public and these are not unreasonably restricted. Specifically during the year 1,322 people were provided with accommodation and stayed for an average of 11 months. A further 1,441 (2011: 1,618) received floating support. 66% of all housing clients moved on successfully into their own home and 75% of floating support clients were successful in establishing and maintaining independent living. These are in furtherance of Nacro Housing's charitable objective to care and resettle offenders and vulnerable people at risk of offending. In working with these individuals there are non quantifiable benefits to a broader section of the public.

Equality and diversity

Nacro Housing embraces the diverse nature of its staff and service users. It aims to ensure that this is reflected in all its practices, policies and services. The commitment to equality involves much more than equality of opportunity and eradicating discrimination – it means that everyone in Nacro Housing is actively committed to encouraging and promoting the richness brought to the organisation by the diverse nature of our staff and those using our services. The Group's Equality and Diversity Policy and Single Equality Scheme sets out the requirements of the equality policy and a commitment to this approach is required of all Nacro staff, trustees and everyone using our services.

Where existing employees become disabled, it is Nacro Housing's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development wherever appropriate.

Nacro Community Enterprises Limited Report of the Board 31 March 2012

Employee involvement

Nacro Housing has provided a range of opportunities for staff to understand and engage with the organisation at all levels during this period. The leadership team relies on feedback from staff and has engaged directly with staff through visits, emails, meetings and presentations on a regular basis.

Engaging staff in the Vision 2015 Change Programme is critical to the programme's success and, as the programme develops, staff have been engaged through events, regular updates, local team presentations and encouraged to feed in their suggestions. Throughout this programme, the expertise, experience and ideas of staff have formed the foundations of developing new ways of working across the organisation through a series of work packages. An organisation-wide intranet was launched in September 2011.

Nacro Housing continues to provide information to staff on key policies and procedures as they join the organisation. This is done through our terms and conditions as well as staff induction which gives staff a better understanding of Group aims and activities, of the organisation's responsibilities to staff and their responsibilities to the organisation. It contains references to other sources of material and contacts for all key services. There is a monthly chief executive's bulletin and regular messages from the chief executive highlighting staff successes and long service, as well as providing information on achievements and developments across the organisation.

Internal controls

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Company's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls, which are embedded within the normal management and governance process and includes staff at all levels. This approach includes the regular evaluation of the nature and extent of risks to which the Company is exposed.

Nacro Community Enterprises Limited Report of the Board 31 March 2012

Internal controls assurance.

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

- *Identification and evaluation of key risks*

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Company's activities. This process is co-ordinated through a regular reporting framework by the senior management team and the Audit and Risk Review Committee. The Committee regularly considers reports on significant risks facing the Company and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

- *Monitoring and corrective action*

The regular review of control issues and the Audit Plan by the Audit and Risk Review Committee provides assurance to the senior management team and the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.

- *Control environment and control procedures*

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including new investment projects. The Board disseminates its requirements to all employees through the Company's policies with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which all employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection.

- *The Housing Regulatory Code*

The Board has responsibility for ensuring that the Company complies with its obligations under the regulatory code. The former regulator, the Tenant Services Authority (TSA) now the Homes and Communities Agency focuses on the robustness of the Company's finance and risk strategies, the effectiveness of its corporate governance and the delivery of its housing strategies.

- *Information and financial reporting systems*

Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes. All reports to the Board are required to take risk factors into account.

The internal control framework and risk management process are subject to regular review by the internal Audit and Risk Review team who are responsible for providing independent assurance to the Boards. The Performance Committee considers internal control at its meetings during the year. The Audit and Risk Review Committee ensures that the Risk Management Plan is up to date and is a live document. It reviews all significant reports, which could affect the risks facing the Company.

The Board has received the annual review of the effectiveness of the system of internal control from the Audit and Risk Review Committee and has taken account of any changes needed to maintain the effectiveness of the risk management and control process.

Nacro Community Enterprises Limited Report of the Board 31 March 2012

Fraud reporting systems

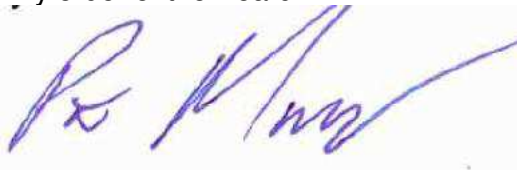
Fraud response procedures and counter fraud policy statements are reviewed and approved by the Board as part of a comprehensive review of internal control systems. The procedures establish the respective roles and responsibilities for the prevention and detection of fraud through a fraud response plan.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Company. This process has been in place throughout the year under review, up to the date signing of the annual report, and is regularly reviewed by the Board.

Disclosure of information to the auditors

All of the directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

By order of the Board



Patrick Murphy

Secretary

Date: 27 September 2012

Independent auditor's report to the members of Nacro Community Enterprises Ltd

We have audited the financial statements of Nacro Community Enterprises Limited for the year ended 31 March 2012 which comprise the income and expenditure account, the balance sheet, the cash flow statement 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 association's members, as a body, in accordance with the Housing and Regeneration Act and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the association'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 association and the association'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

As explained more fully in the statement of board member responsibilities, the Board members 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 requirements require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

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 2012 and of its surplus 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, the Housing and regeneration Act and the Accounting Requirements for Registered Social Landlords General Determination 2006.

Independent auditor's report to the members of Nacro Community Enterprises Ltd

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Board 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 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 Board member and or directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

A handwritten signature in black ink, appearing to read 'Don Bawtree', with a small 'inf' written to its right.

Don Bawtree (senior statutory auditor)
*For and on behalf of **BDO LLP**, statutory auditor*
Gatwick, West Sussex
United Kingdom
Date: 27 September 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Nacro Community Enterprises Ltd consolidated income and expenditure account for the year ended 31 March 2012

		2012	2011
	Note	£000	£000
TURNOVER	2	20,519	23,812
Operating costs	2	(20,883)	(23,447)
OPERATING SURPLUS / (DEFICIT)	2	(364)	365
Surplus/(deficit) on disposal of fixed assets	4	-	(32)
Interest receivable		29	19
Interest payable and similar charges	6	(11)	(12)
SURPLUS / (DEFICIT) ON ORDINARY ACTIVITIES FOR THE YEAR	7,16	(346)	340

All of the above results derive from continuing activities and there were no acquisitions in the period.

There are no recognised gains or losses other than those reported in the income and expenditure account.

The notes on pages 17 to 32 form part of these financial statements.

Signed on behalf of the Trustees:



K. POLLARD
Chair



G. DUNCAN
Treasurer

Date: 27 September 2012

Nacro Community Enterprises Ltd balance sheet as at 31 March 2012

Company number 105209

		2012		2011	
TANGIBLE FIXED ASSETS	Note	£000	£000	£000	£000
Housing properties					
At cost	8		10,069		9,970
Less: Social Housing Grant	8		(8,127)		(8,128)
Less: Other grants	8		(80)		(80)
Less: Depreciation	8		(220)		(191)
			1,642		1,571
Other fixed assets	9		650		705
			2,292		2,276
CURRENT ASSETS					
Debtors	10	777		689	
Cash at bank and in hand		5,334		6,363	
		6,111		7,052	
CREDITORS: amounts falling due within one year					
Provision for liabilities and charges	11	(1,896)		(2,086)	
	13	(1,000)		(1,389)	
			3,215		3,577
NET CURRENT ASSETS			3,215		3,577
TOTAL ASSETS LESS CURRENT LIABILITIES			5,507		5,853
CREDITORS: amounts falling due after more than one year					
	12		15		15
CAPITAL AND RESERVES					
Revenue reserves	16		5,492		5,838
			5,507		5,853

These financial statements were approved and authorised for issue by the Board and signed on its behalf by:



K. POLLARD
Chair



G. DUNCAN
Treasurer

Date of approval: 27 September 2012

The notes on pages 17 to 32 form part of these financial statements

Nacro Community Enterprises Ltd cash flow statement for the year ended 31 March 2012

	Note	2012 £000	£000	2011 £000	£000
NET CASH INFLOW FROM OPERATING ACTIVITIES	17(a)		(952)		1,836
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		29		19	
Interest paid	6	(1)		(2)	
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			28		17
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Capital expenditure on housing properties	8	(100)		(21)	
Purchase of other fixed assets	9	(6)		(72)	
Capital grants received	8,9	2		-	
NET CASH OUTFLOW FROM INVESTING ACTIVITIES			(104)		(93)
NET CASH INFLOW BEFORE FINANCING			(1,028)		1,760
FINANCING					
Loan principal repayments	17(b)		(1)		(2)
INCREASE/(DECREASE) IN CASH IN THE YEAR	17(b)		(1,029)		1,758

The notes on pages 17 to 32 form part of these financial statements.

1 ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards and comply with the Accounting Requirements for Registered Social Landlords General Determination 2006 and the Statement of Recommended Practice ('SORP') Accounting by Registered Social Landlords Updated 2010.

Tangible fixed assets and depreciation

Housing properties are stated at cost less Social Housing Grant (SHG), other capital grants of a similar nature, and charitable donations. The cost of properties includes land and buildings, the costs of acquiring the property, direct development costs, and interest charged on any development loans incurred during the period of development. Only the direct overhead cost associated with new developments or improvements is capitalised.

No depreciation is charged on freehold land. Depreciation is charged so as to write down the net book value of housing properties to their residual values on a straight-line basis over their useful economic lives.

The depreciable amount is arrived at on the basis of the original cost, less SHG and other grants and charitable funding, less residual value. The latter being the actual or estimated open market value of the land at the date of purchase. The maximum useful lives of freehold properties are as follows;

Supported housing	100 years
General Needs housing	100 years

Leasehold properties are depreciated over the lifetime of the lease or their estimated useful life if shorter.

Housing properties are subject to annual impairment reviews, in accordance with Financial Reporting Standard No. 11 and the SORP 2010 update. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment fixed assets are written down to the recoverable amount. Any such write down would be charged against the operating surplus unless it was a reversal of a past revaluation surplus. In this case the charge would be taken to a Statement of Total Recognised Surpluses and Deficits.

Where individual components of a property are replaced the costs are capitalised and the cost of the replaced component is written off. These costs are depreciated over the expected economic useful lives as follows;

Main fabric of the building	80 years
Roofs	50 years
Windows	40 years
Kitchens	20 years
Bathrooms	30 years
Gas boilers	15 years
Electrics	30 years
Heating	35 years

Nacro Community Enterprises Ltd notes to the financial statements 31 March 2012

Depreciation is charged from the date of acquisition and up to the date of disposal.

Management costs directly attributable to an acquisition are added to the cost of the asset.

Housing properties in the course of construction are stated at cost and are transferred into housing properties when available for letting.

Other tangible fixed assets are stated at cost less accumulated depreciation which is charged over the expected economic life of the assets as follows;

Office equipment	4 years
Hostel fixtures and fittings	4 years
Leasehold improvements	6 years or lifetime of lease

Freehold Office is shown at valuation.

Social Housing Grant (SHG)

Where developments have been financed wholly or partly by SHG, the cost of those developments has been reduced by the amount of the grant received. SHG is repayable unless formally abated or waived. Provision is only made in the balance sheet for repayment of SHG where it is likely that properties will be sold in the foreseeable future. SHG is recognised in the same period as the related expenditure, and grants not yet received or received in advance of cost are treated as a current asset or liability as appropriate.

In following the disclosure requirements of the Accounting Requirements for Registered Social Landlords General Determination 2006 and the Statement of Recommended Practice and showing SHG as a deduction from cost, the company is not following the requirements of Schedule 4 of the Companies Act 2006. Normally the Act would require the grants to be treated as deferred income, which would be released to income and expenditure over the useful economic lives of the properties.

The treatment adopted in these financial statements is considered to be necessary in order to show a true and fair view and to comply with the statutory requirements for the financial statements of Registered Providers of Social Housing.

Housing is held for the long term use of tenants and it is considered impracticable and meaningless to quantify the effect of this departure.

SHG relating to costs, which are not capitalised, are credited to the income and expenditure account in the same period as the costs to which it relates.

Operating leases

Rentals in respect of operating leases are charged to the income and expenditure account as incurred.

Pensions

The company participates in a group wide pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to

Nacro Community Enterprises Ltd notes to the financial statements 31 March 2012

the scheme in respect of the accounting period. The company also participates in a stakeholder pension scheme, the contributions are charged to the income and expenditure account as incurred.

Provisions

Provisions are recognised when Nacro Housing has a legal or constructive obligation that can be reliably estimated, and for which there is an expectation that payment will be made.

Turnover

Turnover represents rental income, service charge income receivable, revenue grants from Local Authorities and miscellaneous income. All income is recognised on a receivable basis.

Accounting for Supporting People

Block gross contracts are interim contracts used by local authorities for providers who deliver short-term services i.e. those which aim to deliver independent living within two years, or which aim to resolve specific needs within two years, or offer a time-limited programme of support under two years intended duration. This income is invoiced annually in advance based on contract price and is receivable from Administrative Authorities by instalments in advance.

Income receivable and costs incurred from block gross contracts are recognised on a receivable basis and are included within 'Other social housing activities' and are described as 'Supporting people contract income'.

VAT

Irrecoverable VAT is included with the items of expense to which it relates.

2 TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	2012			2011		
	Turnover	Operating costs	Operating surplus/ (deficit)	Turnover	Operating costs	Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Income and expenditure from social housing lettings (note 3)	8,968	(7,619)	1,349	8,784	(9,057)	(273)
Other social housing activities(note 23)						
Supporting People contract income	11,551	(13,264)	(1,713)	14,866	(14,212)	654
Community activities	-	-	-	162	(178)	(16)
	20,519	(20,883)	(364)	23,812	(23,447)	365

Nacro Community Enterprises Ltd notes to the financial statements 31 March 2012

3 INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	General Needs £000	Supported Housing £000	Total 2012 £000	Total 2011 £000
Turnover from social housing lettings				
Rents receivable net of identifiable service charges	45	4,933	4,978	4,685
Service charges received and losses from voids	37	3,300	3,337	3,159
Net rents receivable	82	8,233	8,315	7,844
Revenue grants from local authorities & Other Agencies	-	1,130	1,130	940
Rent losses from voids	(5)	(472)	(477)	(480)
Turnover from social housing lettings	77	8,891	8,968	8,784
Expenditure on social housing lettings				
Services	6	990	996	2,583
Management	18	2,985	3,003	2,545
Routine maintenance	7	710	717	1,036
Planned maintenance	7	98	105	67
Rent losses from bad debts	1	294	295	232
Rents payable and property costs	-	2,435	2,435	2,566
Depreciation of Housing properties	3	65	68	28
Operating costs on social housing lettings	42	7,577	7,619	9,057
Operating surplus/(deficit) on social housing lettings	35	1,314	1,349	(273)
			2012	2011
Number of units	No.	No.	No.	No.
Owned units at 31 st March	12	236	248	248
Units under management	-	826	826	915
Total units at 31 st March	12	1,062	1,074	1,163

4 SURPLUS ON DISPOSAL OF FIXED ASSETS

2012 £000	2011 £000
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Nacro Community Enterprises Ltd notes to the financial statements 31 March 2012

Sales proceeds	-	-
Cost of sales	-	(32)
Deficit on sale	-	(32)

5 DIRECTORS' EMOLUMENTS AND EXPENSES

The directors are defined as the members of the Board and the senior management team.

	2012 £000	2011 £000
Directors' emoluments (excluding pension contributions)	96	71
Directors' pension contributions	3	1
Emoluments of the Chief Executive (excluding pension contributions) as the highest paid director	58	33
Pension contributions	2	1
	60	34

The Chief Executive is an ordinary member of the stakeholder pension. Contributions paid into the scheme on his behalf total £1,750 (2011:£681). No enhanced terms apply and the company does not contribute to any other pension arrangements of the Chief Executive.

Staff costs are as follows:	2012 £000	2011 £000
Wages and salaries	8,625	10,161
Social security costs	766	926
Other pension costs (note 18)	457	474
Temporary/agency staff	686	939
	10,534	12,500

The average number of employees in the year, expressed as full time equivalents, was	Number	Number
	364	434

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2012 £000	2011 £000
Housing loan interest	1	2
Bank charges	10	10
	11	12

Nacro Community Enterprises Ltd notes to the financial statements 31 March 2012

7 SURPLUS ON ORDINARY ACTIVITIES

		2012 £000	2011 £000
Is stated after charging:			
Auditors' remuneration	- For audit work	30	24
	- Non-audit services	-	-
Depreciation	- Housing properties	29	27
	- Other fixed assets	59	70
Revaluation	- Freehold office	-	135
Operating lease rentals	- Property	<u>1,566</u>	<u>1,142</u>

8 TANGIBLE FIXED ASSETS – Housing properties

	General Needs £'000	Supported Housing £'000	Combined Housing Properties £'000
Cost			
At 1 April 2011	403	9,566	9,969
Additions – works to existing properties	19	81	100
At 31 March 2012	<u>422</u>	<u>9,647</u>	<u>10,069</u>
Social Housing Grant			
At 1 April 2011	195	7,932	8,127
Received during the year	-	-	-
At 31 March 2012	<u>195</u>	<u>7,932</u>	<u>8,127</u>

Nacro Community Enterprises Ltd notes to the financial statements 31 March 2012

Other Grants Received

At 1 April 2011	-	80	80
At 31 March 2012	-	80	80

Depreciation

At 1 April 2011	3	188	191
Charge for the year	3	26	29
Disposals	-	-	-
At 31 March 2012	6	214	220

Net Book Value

At 31 March 2012	221	1,421	1,642
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At 31 March 2011	205	1,366	1,571
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All housing properties are freehold. SHG received in advance of costs is carried forward as a current liability.

At 31 March 2012 capital expenditure that has been authorised by the Board but not yet contracted for is £19k (2011: £60k). Capital expenditure that has been contracted for but not been provided for in the financial statements is nil (2011: Nil).

	2012	2011
	£000	£000
Works to existing owned properties can be analysed as follows:		
Capitalised	101	21
Expensed	76	67
	177	88

Nacro Community Enterprises Ltd notes to the financial statements 31 March 2012

9 TANGIBLE FIXED ASSETS – Other fixed assets

	Freehold office improvements £000	Leasehold office improvements £000	Furniture, fittings, office and workshop equipment £000	Total £000
Cost or valuation				
At 1 April 2011	570	54	1,069	1,693
Additions	-	-	6	6
At 31 March 2012	570	54	1,075	1,699
Other grants received				
At 1 April 2011	-	-	65	65
Grant received	-	-	2	2
At 31 March 2012	-	-	67	67
Depreciation				
At 1 April 2011	-	27	896	923
Charge for year	-	9	50	59
At 31 March 2012	-	36	946	982
Net Book Value				
At 31 March 2012	570	18	62	650
At 31 March 2011	570	27	108	705

The freehold office premises were revalued in October 2010 by Bells, Chartered Surveyors, on an existing use basis. As a result a reduction in value was recognised in the Income and Expenditure account in the prior year.

	£'000
Historical cost	705
Recognised reduction in value	(135)
Market value as at March 2012	570

Nacro Community Enterprises Ltd notes to the financial statements 31 March 2012

10 DEBTORS

	2012 £000	2011 Restated £000
Current arrears of rents receivable	503	438
Less: provision for bad and doubtful debts	(205)	(163)
	<u>298</u>	<u>275</u>
Former tenant arrears of rent receivable	398	311
Less: provision for bad and doubtful debts	(398)	(311)
Less: Credit balance on account	(212)	(179)
	<u>(212)</u>	<u>(179)</u>
Total current and former net rent arrears	<u>86</u>	<u>96</u>
Other debtors:		
Grants receivable	451	464
Other debtors	68	25
Prepayments	172	104
	<u>777</u>	<u>689</u>

11 CREDITORS: Amounts falling due within one year

	2012 £000	2011 Restated £000
Trade creditors	301	321
Accruals	539	390
Other creditors	187	372
Other taxation and social security	202	245
Amounts due to parent	274	221
Deferred income	378	536
Payroll	14	-
Housing loans (note 13)	1	1
	<u>1,896</u>	<u>2,086</u>

Other creditors include £60k from Essex Drug and Alcohol Action Team (2011: £60k) which is restricted in its use.

12 CREDITORS: Amounts falling due after more than one year

	2012 £000	2011 £000
Housing loans (note 15)	<u>15</u>	<u>15</u>

Nacro Community Enterprises Ltd notes to the financial statements 31 March 2012

13 PROVISIONS

	Grant Clawback £'000	Dilapidations £'000	Redundancy £'000	Total £'000
At 1 April 2011 (restated)	868	344	177	1,389
Charges to Income & Expenditure	123	(130)	(177)	(184)
Utilised in the year	(203)	(2)	-	(205)
At 31 March 2012	<u>788</u>	<u>212</u>	:	<u>1,000</u>
At 31 March 2012 amounts expected to be incurred:				
-Within one year	788	112	-	900
-Beyond one year	-	100	-	100
	<u>788</u>	<u>212</u>	:	<u>1,000</u>

The provision for grant clawback relates to the amounts of contract income that has been received for which performance did not meet contracted expectations, and therefore may be liable to a clawback claim in the future.

The dilapidations provision is to cover the contracted dilapidation costs on leasehold property which are due to expire in the following financial years at the date of expiry of those contracts.

14 LOANS

Loans are repayable by instalments at varying rates of interest as follows:	2012 £000	2011 £000
In one year or less	1	1
Between one and two years	1	1
Between two and five years	5	6
In five years or more	8	8
	<u>15</u>	<u>16</u>

15 RECONCILIATION OF MOVEMENT IN RESERVES

Revenue Reserves	2012 £000	2011 £000
At 1 April 2011	5,838	5,498
Surplus / (deficit) for the year	(346)	340
At 31 March 2012	<u>5,492</u>	<u>5,838</u>

16 NOTES ON THE CASH FLOW STATEMENT

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

	2012 £000	2011 £000
Operating surplus/(deficit)	(364)	365
Bank charges (note 6)	(10)	(10)
Depreciation	88	97
Write down on valuation	-	88
Change in debtors	(87)	615
Change in creditors	(190)	665
Change in provisions	(389)	16
Net cash inflow/(outflow) from operating activities	<u>(952)</u>	<u>1,836</u>

b) Reconciliation of net cash flow to movement in cash balances

	2012 £000	2011 £000
Increase in cash in the year	(1,029)	1,758
Cash outflow from change in debt	<u>-</u>	<u>2</u>
Change in cash resulting from cash flows	(1,029)	1,760
Cash balances at 1 April	<u>6,363</u>	<u>4,603</u>
Cash balances at 31 March	<u>5,334</u>	<u>6,363</u>

Nacro Community Enterprises Ltd notes to the financial statements 31 March 2012

c) Analysis of changes in cash balances

	At 1 April 2011 £000	Cash flow £000	At 31 March 2012 £000
Cash at bank and in hand	6,363	(1,029)	5,334
Debt due after one year	(15)	1	(14)
Debt due within one year	(1)	-	(1)
	6,347	(1,028)	5,319

17 PENSION COSTS

Nacro Housing is a member of the Nacro Staff Benefits Plan, a pension scheme providing benefits based on final pensionable salary. The plan, which is now closed, is a group scheme and Nacro Community Enterprises Limited is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis. Therefore, as permitted by FRS17 'Retirement Benefits' the scheme has been accounted for as if it was a defined contribution scheme. The liabilities are shown in the financial statements of the parent company.

The Company also operates a stakeholder pension scheme. The employer's contributions are 3% of pensionable salary.

The Company's cost of contributions made in the year was £46k (2011: £65k). This includes £393k (2011: £410k) towards the liabilities of the Nacro Staff Benefits Plan.

18 OPERATING LEASES

The annual commitments under non-cancellable operating leases were as follows:

	Land and buildings	
	2012	2011
	£000	£000
Leases expiring:		
Within one year	523	1,158
Between two and five years	348	237
After five years	-	-
	871	1,395

19 CONSTITUTION

Nacro Community Enterprises Limited is a company registered under the Companies Act 1985 limited by guarantee and not having a share capital. It is also a Registered Provider of Social Housing registered under the Housing & Regeneration Act 2008 and a registered charity.

20 PARENT UNDERTAKING

The parent undertaking of the group, for which group accounts are drawn up and of which the company is a member, is Nacro, a company limited by guarantee and incorporated in England. Nacro is a registered charity but not a Registered Provider of Social Housing. Copies of Nacro's financial statements can be obtained from The Company Secretary, Nacro, Park Place, 10-12 Lawn Lane, London, SW8 1UD.

21 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with its parent undertaking on the grounds that at least 90% of the voting rights in the Company are controlled within that group and the company is included in consolidated accounts. Copies of the consolidated accounts of Nacro are available from this charity's registered office address (see note 21).

22 GRANTS RECEIVED AND RECEIVABLE

	2012	2011
	£000	£000
Housing activities funded by supporting people		
Hackney Council SP	193	183
Camden Council SP	10	110
Greenwich Council SP	460	667
Hammersmith & Fulham SP	-	(9)
Lambeth Council SP	290	715
Leicestershire County Council SP	146	-
Southwark Council SP	252	252
Tower Hamlets Council SP	163	190
Waltham Forest SP	126	126
Newham Council SP	51	47
Wandsworth Council SP	327	335
Westminster Council SP	173	173
Bexley Heath Council SP	-	149
West Berkshire District Council	237	221
Nottingham City Council SP	697	1,792
Nottingham County Council SP	180	155
Lincolnshire County Council SP	881	1,128
Nottingham Community HA	278	370
Safer Communities	-	73
Stoke City Council SP	18	20
Staffordshire County Council SP	141	171
Derby City Council SP	298	304
Derbyshire County Council SP	256	206
Birmingham City Council SP	419	418
Coventry City Council SP	91	85
Walsall Metropolitan Borough Council SP	32	41
Barnsley MBC SP	274	273
Manchester City Council SP	1,035	1,142
Stockport MBC SP	368	338
Tameside SP	343	330
Liverpool City Council SP	551	815
Chester City Council SP	271	271
Blackpool MBC SP	129	152
St Helens MBC SP	29	29
Essex County Council SP	1,565	1,814
Southend Council SP	133	243
National Assembly for Wales SPRG	1,008	944
Denbighshire County Council SPRG	80	147
Wirral MBC SP	336	326
Wigan MBC SP	42	7
Provision for clawback	(123)	(177)
Total Housing Activities Funded by Supporting People (note 2)	11,760	14,576

23 GRANTS RECEIVED AND RECEIVABLE (continued)

	2012	2011
	£000	£000
Housing activities funded by other grants		

Nacro Community Enterprises Ltd notes to the financial statements 31 March 2012

London Boroughs of Tower Hamlets	37	37
Bexley Heath Council	-	10
West Berkshire District Council	14	8
CRISIS UK	86	-
University of Lincoln	8	-
Nottingham Community HA	22	9
Safer Communities	110	-
North East Essex Health Authority	-	294
Rochford District Council	-	-
Essex DAAT	110	110
Southend DAAT	-	5
Crime Disorder Reduction Partnership	-	85
Denbighshire County Council	21	19
Conway County Council	-	15
Tameside MBC	-	63
National Assembly for Wales – S180	208	205
Cheshire Constabulary	-	56
Essex County Council MH	290	290
Gwynedd CC	20	-
Other	(4)	24
	<hr/>	<hr/>
Housing activities funded by other grants (note 3)	917	1,230
	<hr/>	<hr/>

	2012	2011
	£000	£000
Community activities funded by other grants		
Surestart	-	144
South Cheshire Health Authority	-	37
Schools Income	-	(19)
	<hr/>	<hr/>
Total community activities funded by other grants (note 2)	-	162
	<hr/>	<hr/>
Total grant income	12,681	15,967