

NACRO COMMUNITY ENTERPRISES LIMITED

Financial Statements

**Year ended
31 March 2013**

Company Number:	1052098
Homes and Communities Agency Number:	H2030
Charity number:	264658

NACRO COMMUNITY ENTERPRISES LIMITED

FOR THE YEAR ENDED 31 MARCH 2013

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NACRO COMMUNITY ENTERPRISES LIMITED

FOR THE YEAR ENDED 31 MARCH 2013

Board members

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

K Pollard [^] *Chair*

G Duncan ^{*§} *Treasurer* (resigned 14th December 2012)

A Aderogba ^{*}

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

B Brown ^{*} (*Resigned 15th September 2012*)

J King

L McHugh ^{*^#§} *Vice Chair*

D Sandiford ^{^#}

P Eastwood (*Resigned 21 January 2013*)

*Denotes members of the Audit and Risk Committee

[^]Denotes members of the Performance Committee

[#]Denotes trustee of the Parent company, Nacro

[§]Denotes member of the Group Finance & Resources Committee

Chief Executive

K Lockyer (*Resigned 14th September 2012*)

P Phillips (*Appointed 20th September 2012*)

Bankers

National Westminster Bank plc

Cavell House

P O Box 113

2A Charing Cross Road

London WC2H 0PD

Auditor

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 (*Resigned 6th February 2013*)

P McDowell (*Appointed 7th February 2013, Resigned 4th July 2013*)

B Aspland (*Appointed 4th July 2013*)

Park Place, 10-12 Lawn Lane

London

SW8 1UD

Company number

1052098

Charity number

264658

Homes and Communities Agency number

H2030

FINANCIAL STATEMENTS

The Board is pleased to present the financial statements for the year ended 31 March 2013.

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 surplus on ordinary activities for the year was £798k (2012: deficit of £346k), the 2012 deficit, included a share of the costs of restructure under Vision 2015 which affected the whole Group. The income from social housing lettings was up by 3.7% due in the main to the annual increase in rental charges. This activity showed a reduction in operating surplus from £1,349k in 2012 to £1,139k in 2013, as a result of increased services, management and maintenance expenditure. Given the uncertain economic climate, the Board has adopted a prudent treasury policy which holds cash on short term deposits. The cash balance increased by 9% to £5,815k during the year.

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

The public sector cutbacks continue to impact on Nacro Housing's grant income, mainly the 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 funding some services with a reduced level of support solely through rental income has also proved successful and this is continuing in the coming year.

We are continuing to place emphasis on financial sustainability 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 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 that we 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.

VALUE FOR MONEY

The Business Strategy 2013 - 2016 includes the key objectives of delivering excellent services to customers, achieving operational excellence by making our structures and processes as efficient as possible and delivering a healthy annual surplus.

We approach value for money as a way of achieving more – for both our current and future customers. To do this we need to make sure the organisation is as efficient as possible, take advantage of opportunities to maximise income and so to increase the annual surplus.

We can then do more by re-investing this surplus in homes and services, providing enhanced services to more customers. This is particularly challenging in the current economic climate with the reduction in grant funding, impact of Welfare Reform, cuts in public spending and concerns over the stability and capacity of suppliers and partner agencies. Nacro will continue to work in partnership with its customers and commissioners in improving efficiency and ensuring focus on our priorities.

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 company also complies with the National Housing Federation Code of Governance.

The governing body is the Board, which meets at least four times a year and has an annual 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 Board Members participate in Group committees, specifically the Audit & Risk Committee, the Finance & Resources Committee, and the Performance 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 Board 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 2013

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	FRC	ARC	Performance
G Duncan	3/4	3/6	3/5	
A Aderogba	4/4			
M Bartlett	0/4			0/4
B Brown	1/4			
J King	4/4			
L McHugh	4/4	4/6	4/5	4/4
K Pollard	4/4			4/4
D Sandiford	4/4			
<i>In Attendance</i>		4/6	4/5	
P Eastwood	2/4			

Nacro trustees in attendance

M Litobarski 4/4

Remuneration was paid to Board members totalling £29k (2012: £35k) was paid as follows:

K Pollard (Chair)	10,105
G Duncan (Treasurer)	5,852
5 other members	12,937

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 Group. The Leadership Team meets monthly and reports to the Nacro Housing Board.

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:

**REPORT OF THE BOARD
31 MARCH 2013**

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social landlords (2010) 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 Direction for Private Registered Providers of Social Housing 2012. 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 on-going integrity of the financial statements contained therein.

SERVICE USER COUNCIL

A Service User Council meets quarterly comprising two service users from each operational area. Board members and members of the Leadership Team are invited to attend the meeting which is generally prior to 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, are invited to 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 £6.3m which equates to 4 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 2,182 people were provided with accommodation and stayed for an average of 11 months. A further 1,984 (2012: 1,441) received floating support. 67.0% of all housing clients moved on successfully into their own home and 67.5% 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.

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 was critical to the programme's success and, as the programme developed, staff were 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 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, this brought together the services provided across the organisation and delivered a vehicle for communication and the sharing of best practice to ensure our services are joined up and staff feel engaged.

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.

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 on-going process of management review in each area of the Company's activities. This process is co-ordinated through a regular reporting framework by the Leadership Team and the Audit and Risk 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 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 the prevention and detection of fraud.

- *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 (HCA) 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 Board. The Audit and Risk Committee ensures that the Risk

**REPORT OF THE BOARD
31 MARCH 2013**

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 Committee and has taken account of any changes needed to maintain the effectiveness of the risk management and control process.

Fraud reporting systems

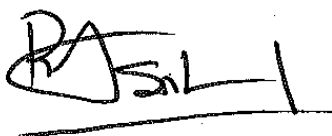
Fraud response procedures and counter fraud policy statements are reviewed and approved by the Board as part of a comprehensive review of internal control systems. The procedures establish the respective roles and responsibilities for the prevention and detection of fraud through a fraud response plan.

The Board confirms that there is an on-going 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 AUDITOR

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 auditor for the purposes of their audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the auditor is unaware.

By order of the Board

A handwritten signature in black ink, appearing to read 'Barry Aspland', with a horizontal line underneath.

Barry Aspland

Secretary

Date: 26th September 2013

INDEPENDENT AUDITOR REPORT TO THE MEMBERS OF NACRO COMMUNITY ENTERPRISES LIMITED

INDEPENDENT AUDITOR REPORT TO THE MEMBERS OF NACRO COMMUNITY ENTERPRISES LIMITED

We have audited the financial statements of Nacro Community Enterprises Limited for the year ended 31 March 2013 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 charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charity'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 charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of board members' and auditor

As explained more fully in the Board Members' Responsibilities Statement (set out on page 5), the Board Members' (who are also the directors of the company for the purposes of company law) 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 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2013 and of its incoming resources and application of resources, including its income and expenditure, 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.

Opinion on other matters prescribed by the Companies Act 2006

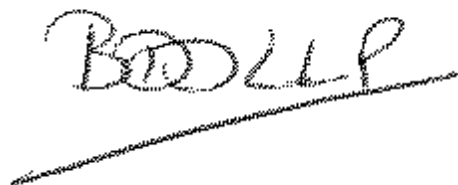
INDEPENDENT AUDITOR REPORT TO THE MEMBERS OF NACRO COMMUNITY ENTERPRISES LIMITED

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or certain disclosures of Board members and 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 'BDO LLP', with a long horizontal line drawn underneath it.

Don Bawtree (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick, West Sussex
United Kingdom

Date : 30 September 2013

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

NACRO COMMUNITY ENTERPRISES LIMITED

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2013**

		2013	2012
	Note	£000	£000
TURNOVER	2	20,059	20,519
Operating costs	2	(19,273)	(20,883)
OPERATING SURPLUS / (DEFICIT)	2	786	(364)
Surplus/(deficit) on disposal of fixed assets	4	(2)	-
Interest receivable		27	29
Interest payable and similar charges	6	(13)	(11)
SURPLUS / (DEFICIT) ON ORDINARY ACTIVITIES FOR THE YEAR	15	798	(346)

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.

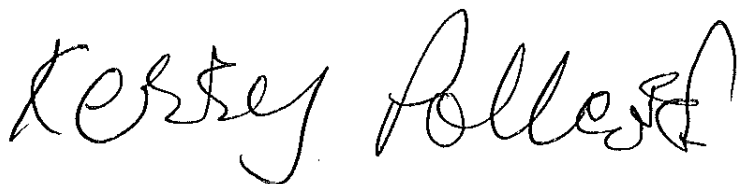
The notes on pages 16 to 31 form part of these financial statements.

NACRO COMMUNITY ENTERPRISES LIMITED**BALANCE SHEET
AS AT 31 MARCH 2013**

Company number 1052098

		2013		2012	
TANGIBLE FIXED ASSETS	Note	£000	£000	£000	£000
Housing properties					
At cost	8		10,128		10,069
Less: Social Housing Grant	8		(8,127)		(8,127)
Less: Other grants	8		(80)		(80)
Less: Depreciation	8		(268)		(220)
			1,653		1,642
Other fixed assets	9		652		650
			2,305		2,292
CURRENT ASSETS					
Debtors	10	1,046		777	
Cash at bank and in hand		5,815		5,334	
		6,861		6,111	
CREDITORS: amounts falling due within one year					
	11	(1,720)		(1,896)	
Provision for liabilities and charges	13	(1,143)		(1,000)	
NET CURRENT ASSETS			3,998		3,215
TOTAL ASSETS LESS CURRENT LIABILITIES			6,303		5,507
CREDITORS: amounts falling due after more than one year					
	12		13		15
CAPITAL AND RESERVES					
Revenue reserves	15		6,290		5,492
			6,303		5,507

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



K. POLLARD
Chair

Date of approval: 26th September 2013

The notes on pages 16 to 31 form part of these financial statements

NACRO COMMUNITY ENTERPRISES LIMITED

**CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2013**

	Note	2013 £000	£000	2012 £000	£000
NET CASH INFLOW FROM OPERATING ACTIVITIES	16(a)		577		(952)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		27		29	
Interest paid	6	(1)		(1)	
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			26		28
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Capital expenditure on housing properties	8	(59)		(100)	
Purchase of other fixed assets	9	(59)		(6)	
Surplus/(Deficit) on sale of fixed assets	4	(2)		-	
Capital grants received	8,9	-		2	
NET CASH OUTFLOW FROM INVESTING ACTIVITIES			(120)		(104)
NET CASH INFLOW BEFORE FINANCING			483		(1,028)
FINANCING					
Loan principal repayments			(2)		(1)
INCREASE/(DECREASE) IN CASH IN THE YEAR	16(b)		481		(1,029)

The notes on pages 16 to 31 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 Direction for Private Registered Providers of Social Housing 2012 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:

NACRO COMMUNITY ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013

Main fabric of the building	80 years
Roofs	50 years
Windows	40 years
Kitchens	30 years
Bathrooms	40 years
Gas boilers	16 years
Electrics	16 years
Heating	35 years

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

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 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.

NACRO COMMUNITY ENTERPRISES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2013**

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

	2013			2012		
	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)	9,470	(8,331)	1,139	8,968	(7,619)	1,349
Supporting People contract income (note 22)	10,589	(10,942)	(353)	11,551	(13,264)	(1,713)
	<u>20,059</u>	<u>(19,273)</u>	<u>786</u>	<u>20,519</u>	<u>(20,883)</u>	<u>(364)</u>

NACRO COMMUNITY ENTERPRISES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2013**

3 INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	General Needs £000	Supported Housing £000	Total 2013 £000	Total 2012 £000
Turnover from Social Housing lettings				
Rents receivable net of identifiable service charges	33	5,155	5,188	4,978
Service charges received and losses from voids	31	3,629	3,660	3,337
Net rents receivable	64	8,784	8,848	8,315
Revenue grants from local authorities & Other Agencies	-	1,103	1,103	1,130
Rent losses from voids	(2)	(479)	(481)	(477)
Turnover from Social Housing lettings	62	9,408	9,470	8,968
Expenditure on Social Housing lettings				
Services	5	1,145	1,150	996
Management	15	3,435	3,450	3,003
Routine maintenance	7	880	887	717
Planned maintenance	-	155	155	105
Rent losses from bad debts	2	164	166	295
Rents payable and property costs	-	2,476	2,476	2,435
Depreciation of Housing properties	2	45	47	68
Operating costs on social housing lettings	31	8,300	8,331	7,619
Operating surplus/(deficit) on social housing lettings	31	1,108	1,139	1,349
			<u>2013</u>	<u>2012</u>
Number of Units	<u>No.</u>	<u>No.</u>	<u>No.</u>	<u>No.</u>
Owned units at 31 st March	7	222	229	248
Units under management	-	798	798	826
Total Units at 31st March	7	1,020	1,027	1,074

NACRO COMMUNITY ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2013

4 SURPLUS ON DISPOSAL OF FIXED ASSETS

	2013 £000	2012 £000
Sales proceeds	1	-
Cost of sales	(3)	-
Deficit on sale	(2)	-

5 DIRECTORS' EMOLUMENTS AND EXPENSES

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

	2013 £000	2012 £000
Directors' emoluments (excluding pension contributions)	105	96
Directors' pension contributions	2	3
Emoluments of the Chief Executive (excluding pension contributions) as the highest paid director	76	58
Pension contributions	2	2
	78	60

The Chief Executive is an ordinary member of the stakeholder pension. Contributions paid into the scheme on his behalf total £2,400 (2012: £1,750). No enhanced terms apply and the company does not contribute to any other pension arrangements of the Chief Executive.

Staff costs are as follows:	2013 £000	2012 £000
Wages and salaries	8,176	8,625
Social security costs	706	766
Other pension costs (note 17)	48	457
Temporary/agency staff	264	686
	9,194	10,534

	Number	Number
The average number of employees in the year, expressed as full time equivalents, based on a standard working week of 40 hours, was	328	364

NACRO COMMUNITY ENTERPRISES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2013**

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2013	2012
	£000	£000
Housing loan interest	1	1
Bank charges	12	10
	13	11

7 SURPLUS ON ORDINARY ACTIVITIES

	2013	2012
	£000	£000
Is stated after charging:		
Auditors' remuneration		
- For audit work	26	30
- Non-audit services	-	-
Depreciation		
- Housing properties	48	29
- Other fixed assets	57	59
Operating lease rentals		
- Property	1,588	1,566

8 TANGIBLE FIXED ASSETS – Housing properties

NACRO COMMUNITY ENTERPRISES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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	General Needs £'000	Supported Housing £'000	Combined Housing Properties £'000
Cost			
At 1 April 2012	422	9,647	10,069
Additions – works to existing properties	-	59	59
At 31 March 2013	422	9,706	10,128
Social Housing Grant			
At 1 April 2012	195	7,932	8,127
Received during the year	-	-	-
At 31 March 2013	195	7,932	8,127
Other Grants Received			
At 1 April 2012	-	80	80
At 31 March 2013	-	80	80
Depreciation			
At 1 April 2012	6	214	220
Charge for the year	2	46	48
At 31 March 2013	8	260	268
Net Book Value			
At 31 March 2013	219	1,434	1,653
At 31 March 2012	221	1,421	1,642

All housing properties are freehold. SHG received in advance of costs is carried forward as a current liability.

	2013 £000	2012 £000
Works to existing owned properties can be analysed as follows:		
Capitalised	59	101
Expensed	-	76
	59	177

NACRO COMMUNITY ENTERPRISES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2013**

9 TANGIBLE FIXED ASSETS – Other fixed assets

	Freehold office £000	Leasehold office improvements £000	Furniture, fittings, office and workshop equipment £000	Total £000
Cost or valuation				
At 1 April 2012	570	54	1,075	1,699
Additions	48	-	11	59
At 31 March 2013	618	54	1,086	1,758
Other grants received				
At 1 April 2012	-	-	67	67
Grant received	-	-	-	-
At 31 March 2013	-	-	67	67
Depreciation				
At 1 April 2012	-	36	946	982
Charge for year	8	9	40	57
At 31 March 2013	8	45	986	1,039
Net Book Value				
At 31 March 2013	610	9	33	652
At 31 March 2012	570	18	62	650

10 DEBTORS

	2013	2012
	£000	£000
Current arrears of rents receivable	544	503
Less: provision for bad and doubtful debts	(209)	(205)
	335	298
Former tenant arrears of rent receivable	272	398
Less: provision for bad and doubtful debts	(272)	(398)
Less: Credit balance on account	(152)	(212)
	(152)	(212)
Total current and former net rent arrears	183	86
Other debtors:		
Grants receivable	737	451
Other debtors	61	68
Prepayments	65	172
	1,046	777

NACRO COMMUNITY ENTERPRISES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2013**

11 CREDITORS: Amounts falling due within one year

	2013	2012
	£000	£000
Trade creditors	842	301
Accruals	209	539
Other creditors	169	187
Other taxation and social security	171	202
Amounts due to parent	83	274
Deferred income	235	378
Payroll	10	14
Housing loans (note 15)	1	1
	<u>1,720</u>	<u>1,896</u>

12 CREDITORS: Amounts falling due after more than one year

	2013	2012
	£000	£000
Housing loans (note 14)	<u>13</u>	<u>15</u>

NACRO COMMUNITY ENTERPRISES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2013**

13 PROVISIONS

	Planned Maintenance £'000	Grant Clawback £'000	Dilapidations £'000	Redundancy £'000	Total £'000
At 1 April 2012	-	788	212	-	1,000
Charges to Income & Expenditure	80	-	184	69	330
Utilised in the year	-	(3)	(149)	(38)	(187)
At 31 March 2013	<u>80</u>	<u>785</u>	<u>247</u>	<u>31</u>	<u>1,143</u>

**At 31 March 2013
amounts expected
to be incurred:**

-Within one year	80	785	52	31	948
-Beyond one year	-	-	195	-	195
	<u>80</u>	<u>785</u>	<u>247</u>	<u>31</u>	<u>1,143</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.

The planned maintenance provision is an amount set aside for major repairs to properties that were planned to be completed in year but work has been delayed.

14 LOANS

Loans are repayable by instalments at varying rates of interest as follows:

	2013 £000	2012 £000
In one year or less	1	1
Between one and two years	1	1
Between two and five years	4	5
In five years or more	7	8
	<u>13</u>	<u>15</u>

NACRO COMMUNITY ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2013

15 RECONCILIATION OF MOVEMENT IN RESERVES

Revenue Reserves	2013 £000	2012 £000
At 1 April 2012	5,492	5,838
Surplus / (deficit) for the year	798	(346)
At 31 March 2013	<u>6,290</u>	<u>5,492</u>

16 NOTES ON THE CASH FLOW STATEMENT

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

	2013 £000	2012 £000
Operating surplus/(deficit)	786	(364)
Bank charges (note 6)	(12)	(10)
Depreciation	105	88
Write down on valuation	-	-
Change in debtors	(269)	(87)
Change in creditors	(176)	(190)
Change in provisions	143	(389)
Net cash inflow/(outflow) from operating activities	<u>577</u>	<u>(952)</u>

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

	2013 £000	2012 £000
Change in cash resulting from cash flows	481	(1,029)
Cash balances at 1 April	<u>5,334</u>	<u>6,363</u>
Cash balances at 31 March	<u>5,815</u>	<u>5,334</u>

c) Analysis of changes in cash balances

	At 1 April 2012 £000	Cash flow £000	At 31 March 2013 £000
Cash at bank and in hand	5,334	481	5,815
Debt due after one year	(14)	2	(12)
Debt due within one year	(1)	-	(1)
	<u>5,319</u>	<u>483</u>	<u>5,802</u>

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 £48k (2012: £46k).

18 OPERATING LEASES

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

	Land and buildings	
	2013 £000	2012 £000
Leases expiring:		
Within one year	884	523
Between two and five years	114	348
	<u>998</u>	<u>871</u>

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

During the year there has been one transaction between regulated and non regulated members of the group. The transaction is NCE's proportion of the central management overhead cost of the Group which amounts to £2.4m.

NACRO COMMUNITY ENTERPRISES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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22 GRANTS RECEIVED AND RECEIVABLE

	2013	2012
Housing Activities Funded by Supporting People	£000	£000
Hackney Council SP	193	193
Camden Council SP	-	10
Greenwich Council SP	441	460
Lambeth Council SP	290	290
Leicestershire County Council SP	160	146
Southwark Council SP	121	252
Tower Hamlets Council SP	163	163
Waltham Forest SP	174	126
Newham Council SP	47	51
Wandsworth Council SP	308	327
Westminster Council SP	173	173
West Berkshire District Council	243	237
Nottingham City Council SP	452	697
London Probation Trust	2	-
Nottingham County Council SP	151	180
Lincolnshire County Council SP	697	881
Nottingham Community HA	515	278
Stoke City Council SP	18	18
Staffordshire County Council SP	127	141
Derby City Council SP	298	298
Derbyshire County Council SP	108	256
Birmingham City Council SP	323	419
Coventry City Council SP	92	91
Walsall Metropolitan Borough Council SP	-	32
Wolverhampton City Council	70	-
Barnsley MBC SP	133	274
Manchester City Council SP	797	1,035
Stockport MBC SP	375	368
Tameside SP	281	343
Liverpool City Council SP	599	551
Chester City Council SP	-	271
Blackpool MBC SP	122	129
St Helens MBC SP	27	29
Essex County Council SP	1,459	1,565
Southend Council SP	-	133
National Assembly for Wales SPRG	-	1,088
Denbighshire County Council SPRG	535	80
Wirral MBC SP	336	336
Wigan MBC SP	39	42
Anglesey County Council	170	
Carmarthenshire County Council	45	
Cheshire Council	257	
Conwy County Borough Council	165	
Flintshire County Council	54	
Gwynedd County Council	137	
Wrexham Borough Council	40	
Other	19	-

NACRO COMMUNITY ENTERPRISES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2013**

Provision for clawback	-	(123)
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Total Housing Activities Funded by Supporting People (note 2)	<u>10,756</u>	<u>11,840</u>
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23 GRANTS RECEIVED AND RECEIVABLE (continued)

Housing Activities Funded by Other Grants	2013 £000	2012 £000
London Boroughs of Tower Hamlets	37	37
West Berkshire District Council	13	14
CRISIS UK	161	86
University of Lincoln	-	8
Nottingham Community HA	39	22
Safer Communities	-	110
Essex DAAT	110	110
Denbighshire County Council	11	21
Conway County Council	87	-
National Assembly for Wales – S180	114	208
Essex County Council MH	291	290
Gwynedd CC	20	20
Southend Council	102	
Nottingham Women’s Centre	16	
Staffordshire and West Midlands	24	
Places for People	29	
Lottery	27	
Other	22	(4)
Housing Activities Funded by Other Grants (note 3)	<u>1,103</u>	<u>922</u>
Total Grant Income	<u>11,859</u>	<u>12,762</u>