

Group Financial Statements

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Board Members, Executive Directors, Advisors and Bankers

Board

Chairman

E Baliszewski

Vice Chairmen

D Wheeler

Other Members

B Atfield (Retired May 2003)

A Bucknell (From July 2003)

R Bunker

R Case

A Clapp

J Czul (Retired Sept 2003)

W Fishlock

P Goldstone (From July 2003)

G Hogger

P McAuliffe

C Reid (Retired June 2003)

J Rooke (From July 2003)

P Sears (Retired May 2003)

I Smith

S Walker

I Williams

Executive Directors

Chief Executive

D Ashmore

Executive Director – Finance & Resources

T Jackson

Executive Director – Operations

A Cornelius (From March 2004)

Director of Housing Services

S Abbott (Left November 2003)

Director of Property Services

T Wilson (Left November 2003)

Registered office

Methuen Park, Chippenham Wiltshire SN14 OGU

Auditors

RSM Robson Rhodes LLP, Chartered Accountants
Hanover House Queen Charlotte Street Bristol BS1 4EX

Principal solicitors

Bevan Ashford, 35 Colston Avenue Bristol BS1 4TT

Anthony Collins, St Philips Gate 5 Waterloo Street
Birmingham B2 5PG

Principal bankers

National Westminster Bank PLC, 30 High Street
Chippenham Wiltshire SN15 3HB

Report of the Management Board

The Management Board has pleasure in presenting the annual report and group audited financial statements for the year ended 31 March 2004. The financial statements are prepared on a group basis thus reflecting activities of the subsidiary companies as well as Westlea Housing Association.

Principal Activities

Westlea Housing Association is a not-for-profit organisation administered by a voluntary Management Board. The group managed 6,048 units of accommodation (of which 6,030 were owned by the group) as at 31 March 2004, with a current value of £147 million, and 203 staff employed. Any surpluses made by the subsidiaries are retained within the group.

Operating and Financial Review

The review follows on pages 6.

Employees

The quality of the group's staff is essential to the success of the organisation. The Group has Investors in People accreditation, and aims to be an employer of choice in the area in which it works.

The Group currently employs 203 staff (188 full time equivalent) in the following departments:

Chief Executive's office	2
Housing Services	90
Property Services	83
Finance & Resources	28
	203

The Group looks to recruit and retain the best available staff. In 2004 we recruited 34 new people, of these 25 were to replace staff leaving the organisation. The new posts were in grounds maintenance, supported housing and property services. At 31 March 2004, 76% of staff had been with the organisation at least two years. The equivalent figure for 31 March 2003 was 77%.

The executive management team is made up of the Chief Executive and two Directors, and is supported by a Group of 8 Senior Managers from all departments. The Managers meet together regularly as a Group to consider achievements against the Corporate Strategy and to discuss matters of common interest. Various project groups are formed from time to time to achieve specific goals, including to review proposals for new business.

The Group is committed to working towards equal opportunities for all its employees.

Two of Westlea's Directors, Tim Wilson and Steve Abbott left on 30 November 2003 after 33 years combined service with Westlea and before that with North Wiltshire District Council. Ann Cornelius was appointed as Executive Director, Operations on 29 March 2004.

Health and Safety

The Board is very much aware of its responsibilities on all matters relating to health and safety. The Group has adopted detailed health and safety policies and provides staff training and education on health and safety matters, as well as having a full time post of Safety Advisor.

Statement of the Responsibilities of the Management Board for the Annual Report & Financial Statements

The Industrial and Provident Societies Acts and the registered social housing legislation require the Board to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and of the Association and of the surplus for the period. In preparing those financial statements the Board has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards and the 1999 Statement of Recommended Practice, updated in 2002: "Accounting by Registered Social Landlords"; and
- prepared the financial statements on a going concern basis.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 – 1978, paragraph 17 of Schedule 1 to the Housing Act 1996 and the accounting requirements for registered social landlords General Determination 2000. It is also responsible for maintaining an adequate system of internal control and safeguarding the assets of the Group and of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Management Board *continued*

Housing Association Governance

The Association complies with the principal recommendations of the Code of Governance published by the National Housing Federation. The fundamental arrangements for ensuring a high standard of governance are outlined below.

The Management Board (the Board) comprises 15 non-executive members. It is responsible for generally managing the affairs of the Group and for setting the policy and strategies.

The Board meets monthly (with the exception of August and December) and has two Committees, whose responsibilities are:

Audit – to review the financial reporting process and all external and internal audit matters.

Remuneration – to review the salaries and conditions of service of the Chief Executive and Directors, as well as for carrying out the annual pay review for all staff.

Internal Controls Assurance

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This applies for all companies and subsidiaries within the Group.

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 Association'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. This approach includes the regular evaluation of the nature and extent of risks to which the Association is exposed and is consistent with Turnbull principles as incorporated in the Housing Corporation's circular R2-25/01: 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 Association's activities. The executive team regularly considers reports on significant risks facing the Association and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

- **Monitoring and corrective action**

A process of control self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to 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 treasury strategy and new investment projects. The Board has adopted the code of governance Competence and Accountability 2000. This sets out the Association'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 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.

- **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 review key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

The internal control framework and the risk management process are subject to regular review by Internal Audit who are responsible for providing independent assurance to the Board via its Audit Committee. The Audit Committee considers internal control at each of its meetings during the year.

The Board has received the Chief Executive's annual report, has conducted its annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of the risk management and control process.

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

Report of the Management Board *continued*

Remuneration Policy – Executive Directors

The Group, as a publicly accountable organisation, strives to demonstrate openness and transparency in the conduct of its business. In particular, there is disclosure in note 11 to the accounts of the details of the remuneration of the Executive Directors.

Auditors

The Audit service for the year end 31 March 2005 is being tendered and a resolution to appoint auditors to the Company will be proposed at the Annual General Meeting on 2 September 2004.

The report of the Board was approved on 22 July 2004.

Signed on behalf of the Management Board.

E Baliszewski
Chairman
22 July 2004

Operating and Financial Review

Financial Strategy

As Westlea Housing Group is a 'not-for-profit' organisation, all surpluses made are reinvested in the business. In common with most stock transfers Westlea made deficits in the years after transfer as repairs and improvements to housing stock were carried out. Westlea is now generating surpluses and should continue to do so for the foreseeable future. Westlea plans to invest further in new properties, to engage in community initiatives, and to build financial strength to manage risks and adverse changes in the economic climate. Westlea will continue to aim to maintain its properties efficiently and charge rents which are value for money and within the parameters set by the regulator. Westlea is considering proposals to convert to charitable status, which will have a positive impact on its financial performance in future years.

Overall Performance for the Year

Last year Westlea Housing Group made a significant surplus. This year turnover increased by £730,000 to £20.7m. The Group made a pre-tax surplus for the year of £708,000. However, as this is the first year Westlea has been in a taxable surplus position, after tax the surplus was £366,000. This is after accelerating nearly £1m of works to stock from the future maintenance programme, incurring staff restructuring costs, and fixed debt loan breakage costs of £180,000. Despite those additional costs the results surpassed budget expectations. Overall this has meant that Westlea has succeeded in clearing deficits accumulated since transfer and revenue reserves now stand at £1.8m.

Borrowing and Treasury Management

During the year Westlea drew down no new debt to leave total debt outstanding at the year end at £79.3m. The overall average rate of interest was 5.4% at the year end. Falls in interest rates, and treasury management activities have meant that interest payable of £4.6m was lower than last year.

Investing Activities

Expenditure on the development and purchase of new properties amounted to £3.9m. Of this £3.4m was funded by grant, the rest by debt. 25 properties were acquired or completed in the year, with a further 65 properties on site at 31 March 2004.

Rent Policy

Westlea continued to comply with expectations of the regulators in setting and increasing rents, with increases limited to RPI + 1/2% plus £2 for social housing tenants.

Balance Sheet

The value of the properties increased by £15m in the year, to £147m at 31 March 2004. Westlea sold 44 properties through 'right to buy', 'right to acquire' and shared ownership during 2003/04.

Because of the increase in the value of properties and the surplus for the year the Group's funds increased from £55.6m to £73.2m.

Pension Costs

This year for the second year disclosures are required under Financial Reporting Standard 17 and these are set out in note 10. The aim of the disclosure is to provide further information on potential surpluses and deficits faced by Westlea funding its pension obligations. Separate information is not available for the Social Housing Pension Scheme, however the notes to the accounts disclose a potential liability of £3.7m compared with £2.7m last year facing Westlea in respect of the Wiltshire County Council Pension Fund. This amount has not been provided for in the accounts as it is not required under FRS 17. This deterioration reflects both an adverse impact of a change in the discount factor used to assess the value of the fund this year, and a favourable improvement in the value of the assets held.

Depreciation and Impairment

The stock condition survey examines the condition of the housing assets and recommends a future programme of repairs and improvements. No impairment was identified in 2004. A charge has had to be made in the accounts for depreciation of the housing stock of £1,048,000. Both land and housing properties were valued at the existing use basis by professional valuers and the policy is to charge depreciation at 1.25% of the value of the stock.

Going Concern

Given the long-term nature of the business plan and the funding facility in place, and the detailed investigations before and since transfer, the Management Board is fully satisfied that the Group will have adequate resources to continue in operational existence for the foreseeable future. The going concern basis has therefore been adopted in the financial statements.



T Jackson
Director of Finance & Resources
22 July 2004

Independent Auditors' Report to the Members of Westlea Housing Association Limited

We have audited the financial statements on pages 8 to 31 which have been prepared on the basis of the accounting policies set out on pages 13 to 15.

This report is made solely to the Group's and Association's members, as a body, in accordance with regulations made under Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Group's and 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 Group and Association and the Group's and 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

The Board is responsible for preparing the Board report and, as described on pages 3-5, the Board is responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 1978, the Housing Act 1996 and the Accounting Requirements for registered social landlords General Determination 2000. We also report to you if, in our opinion, the Board report is not consistent with the financial statements, if the Group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Association is not disclosed.

We read the information contained in the Board report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the Board report.

Basis of Opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Group and of the Association at 31 March 2004 and of the Group's and the Association's surplus for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 1978, the Housing Act 1996 and the Accounting Requirements for registered social landlords General Determination 2000.



RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
Bristol, England
22 July 2004

Group Income and Expenditure Account for the year ended 31 March 2004

		2004	2003
	Notes	£'000	£'000
Turnover: continuing activities	3	20,770	20,041
Administrative costs		(923)	(701)
Direct property management costs		(14,708)	(13,478)
Operating costs		(15,631)	(14,179)
Operating surplus: continuing activities	3,7	5,139	5,862
Surplus on sale of housing properties	5	59	59
Interest receivable and other income	8	106	18
Interest payable and similar charges	9	(4,596)	(4,674)
Surplus on ordinary activities before taxation		708	1,265
Tax on surplus on activities	12	(342)	-
Surplus for the financial year	22	366	1,265
Transfer from revaluation reserve	22	769	890
		1,135	2,155
Revenue reserve at 1 April		623	(1,532)
Revenue reserve at 31 March	22	1,758	623

Group statement of total recognised surpluses and deficits for the year ended 31 March 2004

	2004	2003
	£'000	£'000
Surplus for the financial year	366	1,265
Unrealised surplus on property revaluation	17,231	10,202
Total recognised surpluses for the year	17,597	11,467

Group statement of historical costs surpluses and deficits for the year ended 31 March 2004

	2004	2003
	£'000	£'000
Reported surplus on ordinary activities before taxation	708	1,265
Realisation of property revaluation gains	422	576
Excess of actual depreciation charge over historical cost depreciation	347	314
Historical cost surplus on ordinary activities before taxation	1,477	2,155
Taxation	(342)	-
Historical cost retained surplus	1,135	2,155

Association Income and Expenditure Account for the year ended 31 March 2004

		2004	2003
	Notes	£'000	£'000
Turnover: continuing activities	3	20,349	19,630
Administrative costs		(923)	(701)
Direct property management costs		(14,398)	(13,118)
Operating costs		(15,321)	(13,819)
Operating surplus: continuing activities	3,7	5,028	5,811
Surplus on sale of housing properties	5	59	59
Impairment of fixed asset investment	15	(250)	-
Interest receivable and other income	8	217	167
Interest payable and similar charges	9	(4,596)	(4,674)
Surplus on ordinary activities before taxation		458	1,363
Tax on surplus on ordinary activities	12	(327)	-
Surplus for the financial year	22	131	1,363
Transfer from revaluation reserve	22	769	890
		900	2,253
Revenue reserve at 1 April		754	(1,499)
Revenue reserve at 31 March	22	1,654	754

Association statement of total recognised surpluses and deficits for the year ended 31 March 2004

	2004	2003
	£'000	£'000
Surplus for the financial year	131	1,363
Unrealised surplus on property revaluation	17,231	10,202
Total recognised surpluses	17,362	11,565

Association statement of historical costs surpluses and deficits for the year ended 31 March 2004

	2004	2003
	£'000	£'000
Reported surplus on ordinary activities before taxation	458	1,363
Realisation of property revaluation gains	422	576
Excess of actual depreciation charge over historical cost depreciation	347	314
Historical cost surplus on ordinary activities before taxation	1,227	2,253
Taxation	(327)	-
Historical cost retained surplus	900	2,253

Group Balance Sheet at 31 March 2004

	Notes	2004 £'000	2003 £'000
Tangible fixed assets			
Housing properties	13	147,549	132,062
Other tangible fixed assets	14	3,246	3,385
		150,795	135,447
Current assets			
Stock	16	75	73
Debtors	17	1,306	1,613
Investments	18	7,350	2,350
Cash at bank and in hand		1	238
		8,732	4,274
Current liabilities			
Creditors: amounts falling due within one year	19	(7,058)	(4,849)
Net current assets/(liabilities)		1,674	(575)
Total assets less current liabilities		152,469	134,872
Creditors: amounts falling due after more than one year	20	79,300	79,300
Capital and reserves			
Non-equity share capital	21	–	–
Revaluation reserve	22	71,411	54,949
Revenue reserve	22	1,758	623
Group's funds	23	73,169	55,572
		152,469	134,872

The financial statements were approved by the Board on 22 July 2004 and signed on its behalf by:

E Baliszewski
Chairman of the Board

D Ashmore
Company Secretary

P McAuliffe
Chairman Audit Committee

Association Balance Sheet at 31 March 2004

	Notes	2004 £'000	2003 £'000
Tangible fixed assets			
Housing properties	13	144,986	129,443
Other tangible fixed assets	14	3,221	3,341
		148,207	132,784
Investments in subsidiaries			
	15	447	697
		148,654	133,481
Current assets			
Stock	16	75	73
Debtors	17	3,319	3,698
Investments	18	7,350	2,350
Cash at bank and in hand		1	238
		10,745	6,359
Current Liabilities			
Creditors: amounts falling due within one year	19	(7,034)	(4,837)
Net current assets		3,711	1,522
Total assets less current liabilities		152,365	135,003
Creditors: amounts falling due after more than one year	20	79,300	79,300
Capital and reserves			
Non-equity share capital	21	–	–
Revaluation reserve	22	71,411	54,949
Revenue reserve	22	1,654	754
Association's funds	23	73,065	55,703
		152,365	135,003

The financial statements were approved by the Board on 22 July 2004 and signed on its behalf by:

E Baliszewski
Chairman of the Board

D Ashmore
Company Secretary

P McAuliffe
Chairman Audit Committee

Group Cash Flow Statement for the year ended 31 March 2004

	Notes	2004 £'000	2003 £'000
Net cash inflow from operating activities	25	7,395	8,803
Returns on investments and servicing of finance			
Interest received		74	14
Interest paid		(4,588)	(4,816)
		(4,514)	(4,802)
Capital expenditure			
Purchase and construction of housing properties		(3,907)	(5,936)
Social housing grant – received	28	3,372	2,260
Purchase of other fixed assets		(183)	(247)
Sales of properties – proceeds		4,667	3,433
Sale of properties – costs		(2,111)	(2,037)
Sales of other fixed assets – proceeds		1	5
		1,839	(2,522)
Management of liquid resources		(5,000)	(2,350)
Loan received	27	-	2,500
(Decrease)/increase in cash	26	(280)	1,629

Notes to the Financial Statements 31 March 2004

1 Legal status

The Association is registered under the Industrial and Provident Societies Act 1965 and is a registered social landlord.

2 Accounting policies

Basis of Accounting

The financial statements of the Group are prepared under the historical cost convention, as adjusted for the revaluation of housing properties, in accordance with applicable accounting standards and the Statement of Recommended Practice for Accounting by Registered Social Landlords (SORP) as updated in 2002 and comply with the Accounting Requirements for registered social landlords General Determination 2000. The Board is satisfied that the current accounting policies are the most appropriate for the Group and the Association.

Basis of Consolidation

The Group accounts consolidate the accounts of the Association and all its subsidiaries at 31 March using acquisition accounting.

Turnover

Turnover comprises:

- rental income from tenants and leaseholders receivable in the year
- revenue grants

Interest Payable

Interest payable is charged to the income and expenditure account in the year.

Deferred taxation

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of the differences between the treatment of certain items for accounting and taxation purposes.

In accordance with FRS 19 deferred tax is not provided for:

- revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date;
- gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over;
- fair value adjustment gains to fixed assets and stock to uplift prices to those ruling when an acquisition is made.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Where law or accounting standards require gains and losses to be recognised in the statement of total gains and losses, the related taxation is also taken directly to the statement of total recognised gains and losses in due course.

Notes to the Financial Statements

31 March 2004

Notes to the Financial Statements

31 March 2004

2 Accounting policies *continued*

Pensions

The Group participates in the following schemes:-

a) Wiltshire County Council Pension Fund

The Group participates in the Local Government Pension Scheme which is administered by Wiltshire County Council on behalf of employees of all local authorities in Wiltshire and certain other admitted bodies, including the Association. It is a funded scheme. The assets of the Pension Fund are invested separately from those of the County Council.

Employees pay a fixed percentage of their pay into the Fund and the employing organisations contribute at a level determined by the Fund's actuary, this being sufficient to ensure the Fund can meet its existing and future liabilities. Actuarial valuations are carried out every three years.

SSAP 24, "Accounting for Pension Costs", requires that the accounts include the cost of providing for pensions on a systematic and rational basis over the period during which the Group benefits from the employees' service. Pension costs incurred by the Group are disclosed by way of a note to the Accounts.

b) National Housing Federation Social Housing Pension Scheme

Contributions are based on pension costs across the various participating associations taken as a whole. The assets of the scheme are invested and managed independently of the finances of the Group. Pension costs are assessed in accordance with the advice of an independent qualified actuary. Costs include the regular cost of providing benefits which it is intended should remain a substantially level percentage of current and expected future earnings of the employees covered. Variations from the regular pensions cost are spread evenly through the income and expenditure over the average remaining service lives of current employees.

FRS 17 "Retirement Benefits" need not be applied in full until the 2006 accounts, so pension costs have been accounted for under SSAP 24. Some additional disclosures are given by FRS 17 (note 10).

Housing properties

Housing properties are principally properties available for rent and are stated at valuation. The cost of shared ownership properties is stated net of first tranche sale proceeds.

Expenditure capitalised includes the cost of acquiring land and buildings, direct development costs and expenditure incurred in respect of improvements that comprise the modernisation and extension of existing properties.

Improvements are works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business.

Donated land

Land donated by local authorities and others is added to cost at the market value of the land at the time of the donation.

Other grants

These include grants from local authorities and other organisations. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

2 Accounting policies *continued*

Depreciation of housing properties

Freehold land is not depreciated. When the value of housing properties shown in the accounts exceeds the market value of the land at the date of the valuation, depreciation is charged to write down the depreciable amount, on a straight-line basis, over the estimated useful life of the properties to the business. The rate adopted is 1.25% per annum.

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business if shorter.

Impairment

Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down would be charged to operating costs unless it was a reversal of a past revaluation surplus in which case it would be taken to the statement of total recognised surpluses and deficits.

Other tangible fixed assets

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold office buildings	75 years
Furniture, fixtures and fittings	5-10 years
Computers and office equipment	3-5 years
Motor vehicles	5-7 years

Leased assets

Rentals payable under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

Investments

Investments are valued at market value which equates to cost.

Liquid resources

Current assets investments are deposits with terms of more than seven days

Revaluation reserve

The difference between the valuation of housing properties and the historic carrying value (net of capital grants and depreciation) is credited to the revaluation reserve.

Notes to the Financial Statements

31 March 2004

Notes to the Financial Statements

31 March 2004

3 Turnover, operating costs, costs of sales and operating surplus

	2004			2003		
	Turnover £'000	Operating cost £'000	Operating surplus £'000	Turnover £'000	Operating cost £'000	Operating surplus £'000
Group continuing activities						
Income and expenditure from lettings						
Housing accommodation	17,987	13,215	4,772	17,757	12,514	5,243
Sheltered housing accommodation	875	808	67	873	683	190
Supported housing accommodation	167	167	-	215	86	129
Shared ownership accommodation	26	16	10	27	15	12
Garages	540	95	445	534	123	411
	<u>19,595</u>	<u>14,301</u>	<u>5,294</u>	<u>19,406</u>	<u>13,421</u>	<u>5,985</u>
Other income and expenditure						
Architects and surveyors services	55	85	(30)	56	95	(39)
Management services	211	193	18	221	201	20
Supporting People contracts	546	493	53	-	-	-
Other	363	559	(196)	358	462	(104)
	<u>1,175</u>	<u>1,330</u>	<u>(155)</u>	<u>635</u>	<u>758</u>	<u>(123)</u>
	<u>20,770</u>	<u>15,631</u>	<u>5,139</u>	<u>20,041</u>	<u>14,179</u>	<u>5,862</u>
Operating surplus analysed						
Lettings			5,294			5,985
Other			(155)			(123)
			<u>5,139</u>			<u>5,862</u>

Association continuing activities

Income and expenditure from lettings

Housing accommodation	17,576	12,905	4,671	17,347	12,155	5,192
Sheltered housing accommodation	875	808	67	873	683	190
Supported housing accommodation	167	167	-	215	86	129
Shared ownership accommodation	26	16	10	27	15	12
Garages	540	95	445	534	123	411
	<u>19,184</u>	<u>13,991</u>	<u>5,193</u>	<u>18,996</u>	<u>13,062</u>	<u>5,934</u>

Other income and expenditure

Architects and surveyors services	55	85	(30)	56	95	(39)
Management services	208	193	15	219	201	18
Supporting People contracts	546	493	53	-	-	-
Other	356	559	(203)	359	461	(102)
	<u>1,165</u>	<u>1,330</u>	<u>(165)</u>	<u>634</u>	<u>757</u>	<u>(123)</u>
	<u>20,349</u>	<u>15,321</u>	<u>5,028</u>	<u>19,630</u>	<u>13,819</u>	<u>5,811</u>

Operating surplus analysed

Lettings			5,193			5,934
Other			(165)			(123)
			<u>5,028</u>			<u>5,811</u>

4 Turnover, costs of sales, operating costs and operating surplus

Particulars of income and expenditure from lettings

						2004	2003
	General Housing £'000	Sheltered Housing £'000	Supported Housing £'000	Shared Ownership £'000	Garages £'000	£'000	£'000
Group							
Turnover from lettings							
Rent receivable net of identifiable service charges	18,171	796	90	26	561	19,644	19,373
Service charges receivable*	98	103	92	-	-	293	407
Gross rental income	<u>18,269</u>	<u>899</u>	<u>182</u>	<u>26</u>	<u>561</u>	<u>19,937</u>	<u>19,780</u>
Voids	(282)	(24)	(15)	-	(21)	(342)	(374)
Net rental income	<u>17,987</u>	<u>875</u>	<u>167</u>	<u>26</u>	<u>540</u>	<u>19,595</u>	<u>19,406</u>
Expenditure on lettings							
Services	662	103	92	2	-	859	1,086
Management	3,791	213	29	10	-	4,043	3,934
Routine maintenance	3,551	200	28	-	95	3,874	3,926
Major repairs expenditure	4,107	230	9	-	-	4,346	3,232
Bad debts	123	7	1	-	-	131	272
Depreciation of housing properties	981	55	8	4	-	1,048	971
Total expenditure on lettings	<u>13,215</u>	<u>808</u>	<u>167</u>	<u>16</u>	<u>95</u>	<u>14,301</u>	<u>13,421</u>
Operating surplus on lettings	<u>4,772</u>	<u>67</u>	<u>-</u>	<u>10</u>	<u>445</u>	<u>5,294</u>	<u>5,985</u>
Association							
Turnover from lettings							
Rent receivable net of identifiable service charges	17,696	796	90	26	561	19,169	18,909
Service charges receivable*	98	103	92	-	-	293	407
Gross rental income	<u>17,794</u>	<u>899</u>	<u>182</u>	<u>26</u>	<u>561</u>	<u>19,462</u>	<u>19,316</u>
Voids	(217)	(24)	(15)	-	(21)	(278)	(320)
Net rental income	<u>17,576</u>	<u>875</u>	<u>167</u>	<u>26</u>	<u>540</u>	<u>19,184</u>	<u>18,996</u>
Expenditure on lettings							
Services	662	103	92	2	-	859	1,086
Management	3,600	213	29	10	-	3,852	3,672
Routine maintenance	3,489	200	28	-	95	3,812	3,886
Major repairs expenditure	4,107	230	9	-	-	4,346	3,232
Bad debts	123	7	1	-	-	131	272
Depreciation of housing properties	924	55	8	4	-	991	914
Total expenditure on lettings	<u>12,905</u>	<u>808</u>	<u>167</u>	<u>16</u>	<u>95</u>	<u>13,991</u>	<u>13,062</u>
Operating surplus on lettings	<u>4,671</u>	<u>67</u>	<u>-</u>	<u>10</u>	<u>445</u>	<u>5,193</u>	<u>5,934</u>

* Service charge income on housing accommodation was split as £55,552 eligible for housing benefit (2003: £35,722) and £42,397 as non-eligible (2003: £92,702).

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5 Surplus on sale of housing properties

	2004	2003
	£'000	£'000
Group and Association		
Proceeds	4,657	3,188
Other income	10	248
Council clawback	(1,600)	(1,970)
Cost of sales, at cost	(2,076)	(761)
Cost of sales, at revalued amount	(421)	(576)
Other costs	(511)	(70)
	59	59

6 Accommodation in management

The number of units of accommodation in management at the end of the year for each class of accommodation is as follows:

	2004	2003
	Number	Number
Group and Association		
Housing accommodation	5,531	5,533
Accommodation managed on behalf of Baldwin Street Ltd	131	131
Sheltered housing accommodation	311	311
Supported housing accommodation	43	43
Shared ownership accommodation	14	15
Accommodation managed on behalf of other organisations	18	22
	6,048	6,055

7 Operating surplus

This is arrived at after charging/(crediting):

	Group		Association	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Depreciation of other tangible assets	324	351	305	325
Depreciation of housing properties	1,048	971	991	914
(Surplus) on sale of other tangible fixed assets	(2)	(1)	(2)	(1)
Operating lease rentals - motor vehicles	26	23	26	23
Auditor's remuneration				
- for audit services	19	21	18	20
- for non-audit services	14	3	14	3

8 Interest receivable and other income

	Group		Association	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Interest receivable and other income	106	18	217	167

9 Interest payable and similar charges

	2004	2003
	£'000	£'000
Group and Association		
Interest payable on loans and bank overdrafts	4,596	4,674

10 Employees

	2004	2003
	Number	Number
Group and Association		
Average monthly number of employees (full time equivalents)*		
Administration	29	28
Development	4	5
Housing	155	154
	188	187

*Based on 35 hours/week

	2004	2003
	£'000	£'000
Staff costs:		
Wages and salaries	4,504	4,329
Social security costs	321	281
Other pension costs	553	561
	5,378	5,171

Pension Disclosures – FRS17 Transitional Provisions, Year Ended 31 March 2004

a) Wiltshire County Council Pension Fund

The Association participates in the Wiltshire County Council Pension Fund, a multi-employer scheme with more than one participating employer.

The Wiltshire County Council Pension Fund is a defined benefit scheme, part of the local government Superannuation Regulation 1986 (as amended) and the calculations have been made by an independent qualified actuary. Triennial actuarial valuations have been made by qualified actuary using the projected unit method. The most recent formal actuarial valuation was completed as at 31 March 2004. The market value of the scheme assets at that date was £713m.

The income and expenditure charge for pension costs, the accounting policies and the disclosures are given on the basis of Financial Reporting Standard 17. The additional disclosures that follow are in preparation for FRS 17 being fully adopted.

Supplementary Pension Disclosures Under FRS17 Assumptions

The major assumptions used by the actuary in assessing the scheme liabilities on a FRS 17 basis were:

	31 March 2004	31 March 2003
	% Per Annum	% Per Annum
Salary increases	4.4	4.0
Pension increases	2.9	2.5
Discount rate	5.5	6.1
Price increases	2.9	2.5

Contributions

The contributions to the Wiltshire County Council Pension Fund by the Association for the year ended 31 March 2004 are shown below:

	2004	2003
	£'000	£'000
Employer contributions	414	469*

*Inclusive of added years added to retiring Chief Executive
The employers' contribution rate has been fixed at 22% of pensionable pay.

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10 Employees *continued*

FRS 17 Income and Expenditure Account Information

Analysis of the amount charged to operating profit

	2004	2003
	£'000	£'000
Current service costs	265	261
Curtailment and settlements	–	4
Total operating charge	265	265

Analysis of the amount credited to other finance income

	2004	2003
	£'000	£'000
Expected return on pension scheme assets	447	532
Interest on pension scheme liabilities	(619)	(599)
Net return	(172)	(67)

	2004	2003
	£'000	£'000
Total charge before tax to income and expenditure account	437	332
Tax at 30%	(131)	(100)
Net charge after tax to income and expenditure account	306	232

Balance sheet information as required by FRS 17

The fair value of each main class of assets held by the Wiltshire County Council Pension Fund as at 31 March 2004 and the expected rates of return for the ensuing year are set out in the following table:

	Fund value 31 March 2004	Expected return 31 March 2004	Fund value 31 March 2003	Expected return 31 March 2003
	£m	%	£m	%
Equities	501	7.7	364	8.0
Bonds	128	5.1	125	4.8
Property	52	6.5	42	6.0
Cash	32	4.0	13	4.0
Total	713		544	

There is no provision for unitising the assets of a fund under the Local Government Pension Scheme. The above assets as a whole are allocated to participating bodies on a consistent and reasonable basis.

	2004	2003
	£'000	£'000
Fair value of the above assets related to the Group	7,900	6,272
Present value of scheme liabilities	(13,218)	(10,104)
Deficiency related to the Group	(5,318)	(3,832)
Deferred taxation at 30%	1,595	1,150
Deficiency after taxation	(3,723)	(2,682)

10 Employees *continued*

FRS 17 Analysis – Movement in surplus/deficit during the year

	2004	2003
	£'000	£'000
Group share of scheme assets/liabilities at beginning of year	(3,832)	(2,561)
Movement in year:-		
Current Service Costs	(265)	(261)
Contributions	414	407
Impact on Settlement and Curtailment	–	(4)
Net return on Assets	(172)	(67)
Actuarial Loss	(1,463)	(1,346)
Group share of scheme assets/liabilities at end of year	(5,318)	(3,832)

History of Experienced Gains and Losses Recognised in Statement of Total Recognised Surpluses and Deficits

	2004	2003
	£'000	£'000
Difference between the expected and actual return on share of scheme assets:		
Amount (£'000)	984	(2,247)
Percentage of Share Scheme Assets	12.4%	(35.8%)

Experienced gains and losses on share of scheme liabilities:

Amount (£'000)	(58)	901
Percentage of present value of share of scheme liabilities	(0.4%)	8.9%
Total amount recognised in statement of total recognised Gains and Losses Amount	(1,463)	(1,346)
Percentage of present value of share of the scheme liabilities	(11.1%)	(13.3%)

Revenue Reserve

	2004	2003
	£'000	£'000
FRS 17 Pension Liability (net of deferred tax)	(3,723)	(2,682)

b) Social Housing Pension Scheme

Westlea Housing Association Limited participates in the Social Housing Pension Scheme (SHPS). SHPS is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The last formal valuation of the Scheme was performed as at 30 September 2002 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at that date was £650 million.

Westlea Housing Association Limited paid contributions at the rate of 10.6% (£102,851) during the accounting period. Member contributions vary between 2.0% and 5.0% (£44,017) depending on their age.

It is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers.

Due to the nature of the Scheme, the profit and loss account charge for the period under both SSAP 24 and FRS 17 represents the employer contribution payable.

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31 March 2004

10 Employees *continued*

Financial Assumptions

The financial assumptions underlying the valuation were as follows:

	% pa
• Rate of return on future contributions	6.6
• Rate of return on accumulated asset	7.2
• Rate of salary increases	4.5
• Rate of pension increases	2.5
• Rate of price inflation	2.5

The accumulated assets of the Scheme were assumed to earn the same return as if they had been invested in a portfolio comprising 100% UK equities for non-pensioner liabilities and 25% UK equities / 75% gilts for pensioner liabilities.

The valuation revealed a shortfall of assets compared with the value of liabilities of some £117 million (equivalent to a past service funding level of 85%). The long-term joint contribution rate required from employers and members to meet the cost of future benefit accrual was assessed as 15.0% of pensionable salaries.

Following consideration of the results of the actuarial valuation it has been agreed that, with effect from 1 April 2004:

- The standard employer contribution rate will be increased from 10.6% to 11.7% of pensionable salaries.
- Member contributions will also be increased by 1.1% from 2.0-5.0% to 3.1-6.1% of pensionable salaries depending on age.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate). This rate will increase from 15.0% to 17.3% of pensionable salaries with effect from 1 April 2004.

Employers that have closed the Scheme to new members are required to pay an additional employer contribution loading of 3.0% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the SHPS Scheme.

New employers that joined the Scheme after 30 September 2002 without any past service liability will pay an employer contribution rate of 9.4% of pensionable salaries with effect from 1 April 2004. This rate will apply until 1 April 2007, after which it will change to the standard employer contribution rate per the actuarial valuation due to take place as at 30 September 2005.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit by 31 March 2017.

The next valuation will be as at September 2005.

11 Board Members and Executive Directors

Group and Association

No fees were paid to the Board Members during the year. Expenses during the year to Board Members amounted to £7,761 (2003: £4,664).

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £91,088 (2003: £51,333 part year Sep 02 – Mar 03). The Chief Executive is an ordinary member of the Pensions Trust. No enhanced terms or conditions apply and the Association does not make any special contributions.

The emoluments of the Executive Directors were:

	Salary £'000	Benefits in kind £'000	Pension £'000	2004 Total £'000	2003 Total £'000
Chief Executive					
D Ashmore	83	8	9	100	*56
Director of Finance & Resources					
T Jackson	62	6	14	82	**32
Director of Housing Services					
S Abbott (to 30 November 2003)	45	5	10	60	85
Director of Property Services					
T Wilson (to 30 November 2003)	45	5	10	60	85
	235	24	43	302	258

*Part year only (Sep 02 – Mar 03)

**Part year only (Nov 02 – Mar 03)

On 30 November 2003 the Directors of Property Services and Housing Services left the employment of the Association. The Directors received a total of £151,866 for severance payment in respect of loss of office and £64,163 as contribution to pension in respect of loss of office. These sums are within the levels permitted by the Housing Corporation's guidance on Schedule 1 of the Housing Act 1996.

As of 29th March 2004 a Director of Operations has been appointed, however this will be reported upon in the 2004/05 emoluments.

12 Tax on surplus on ordinary activities

	Group		Association	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Current tax reconciliation				
Surplus on ordinary activities before tax	708	1,265	708	1,363
Theoretical tax charge at 30%	212	379	212	409
Expenses not deductible for tax purposes	327	350	311	331
Decrease in losses carried forward	(104)	(566)	(79)	(577)
Accelerated capital allowances	3	2	3	2
Short term timing differences	(70)	(147)	(70)	(147)
Deficit on sale of housing properties	(18)	(18)	(18)	(18)
Group relief received without charge	–	–	(32)	–
Difference in tax rates	(8)	–	–	–
	342	–	327	–

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12 Tax on surplus on ordinary activities *continued*

	Group		Association	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Unprovided deferred tax				
Taxation on revaluation surplus relating to leasehold property	21,326	16,720	21,326	16,485
Accelerated capital allowances	(70)	(78)	(70)	(78)
Short term timing differences	(116)	-	(116)	-
Future losses available	(14)	(294)	-	(254)
	21,126	16,348	21,140	16,153

Factors that may affect tax charges

No provision has been made for deferred tax as stated above as it is not intended to dispose of the housing stock, and therefore a material tax charge is not expected to crystallise.

13 Tangible fixed assets – properties

	Housing properties held for lettings	Lettings leasehold	Housing properties under construction	Shared ownership properties held for letting	Total
	£'000	£'000	£'000	£'000	£'000
Group					
Cost or valuation					
At 1 April 2003	133,230	3,380	6,476	618	143,704
Additions and major repairs capitalised	319	-	3,884	-	4,203
Schemes completed	6,739	-	(6,749)	10	-
Disposals	(947)	-	(1,949)	(32)	(2,928)
Valuation adjustment	16,208	-	-	45	16,253
Transferred to Creditors	-	-	(1,662)	-	(1,662)
At 31 March 2004	155,549	3,380	-	641	159,570
Depreciation					
At 1 April 2003	-	112	-	-	112
Charged in year	973	71	-	4	1,048
Valuation adjustment	(973)	-	-	(4)	(977)
At 31 March 2004	-	183	-	-	183
Social Housing and other grants					
At 1 April 2003	8,944	-	2,427	158	11,529
Additions	(80)	-	3,087	-	3,007
Schemes completed	2,816	-	(2,816)	-	-
Transferred to Creditors	-	-	(2,698)	-	(2,698)
At 31 March 2004	11,680	-	-	158	11,838
Net book value					
At 31 March 2004	143,869	3,197	-	483	147,549
At 31 March 2003	124,285	3,268	4,049	460	132,062

13 Tangible fixed assets – properties *continued*

	Housing properties held for lettings	Lettings leasehold	Housing properties under construction	Shared ownership properties held for letting	Total
	£'000	£'000	£'000	£'000	£'000
Association					
Cost or valuation					
At 1 April 2003	133,230	671	6,476	618	140,995
Additions and major repairs capitalised	319	-	3,884	-	4,203
Schemes completed	6,739	-	(6,749)	10	-
Disposals	(947)	-	(1,949)	(32)	(2,928)
Valuation adjustment	16,208	-	-	45	16,253
Transferred to Creditors	-	-	(1,662)	-	(1,662)
At 31 March 2004	155,549	671	-	641	156,861
Depreciation					
At 1 April 2003	-	22	-	-	22
Charged in year	973	15	-	4	992
Valuation adjustment	(973)	-	-	(4)	(977)
At 31 March 2004	-	37	-	-	37
Social Housing and other grants					
At 1 April 2003	8,944	-	2,427	158	11,529
Additions	(80)	-	3,087	-	3,007
Schemes completed	2,816	-	(2,816)	-	-
Transferred to Creditors	-	-	(2,698)	-	(2,698)
At 31 March 2004	11,680	-	-	158	11,838
Net book value					
At 31 March 2004	143,869	634	-	483	144,986
At 31 March 2003	124,285	649	4,049	460	129,443

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13 Tangible fixed assets – properties *continued*

Housing properties held for letting and the three care homes owned by the Association were professionally valued as at 31 March 2004 by DTZ Peda Consulting Surveyors, an external valuer, on the basis of Existing Use Value - Social Housing (EUV-SH) with special assumptions at £146m (2003: £125m).

These assumptions allow for convergence of rents for protected tenants with rents for new assured tenants in 2006 and assume that annual rent increases are restricted to RPI plus 0.5% into the long term. The valuation without the special assumptions is £162m.

In addition, the Association owns twenty-seven market-renting properties, which have been included in the valuation at their open market value of £1.867m. (2003: £1.867m).

The valuation was undertaken in accordance with the RICS Appraisal and Valuation Manual.

Future growth in capital and rental values may not occur and values can fall as well as rise.

All properties

	Group		Association	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Housing properties and offices comprise of:				
Freehold land and buildings	147,041	131,518	147,041	131,518
Long leasehold land and buildings	3,197	3,268	634	649

14 Tangible fixed assets – other

	Freehold offices £'000	Furniture fixtures and fittings £'000	Computers £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Group						
Cost						
At 1 April 2003	2,906	395	1,285	182	473	5,241
Additions/Adjustments	–	15	104	10	57	186
Disposals	–	–	(15)	–	(14)	(29)
At 31 March 2004	2,906	410	1,374	192	516	5,398
Depreciation						
At 1 April 2003	(182)	(284)	(1,019)	(96)	(275)	(1,856)
Charged in year	(35)	(43)	(162)	(14)	(70)	(324)
Disposals	–	–	15	–	13	28
At 31 March 2004	(217)	(327)	(1,166)	(110)	(332)	(2,152)
Net book value						
At 31 March 2004	2,689	83	208	82	184	3,246
At 31 March 2003	2,724	111	266	86	198	3,385

Association

Cost						
At 1 April 2003	2,906	314	1,285	182	473	5,160
Additions	–	15	104	10	57	186
Disposals	–	–	(15)	–	(14)	(29)
At 31 March 2004	2,906	329	1,374	192	516	5,317
Depreciation						
At 1 April 2003	(182)	(247)	(1,019)	(96)	(275)	(1,819)
Charged in year	(35)	(24)	(162)	(14)	(70)	(305)
Disposals	–	–	15	–	13	28
At 31 March 2004	(217)	(271)	(1,166)	(110)	(332)	(2,096)
Net book value						
At 31 March 2004	2,689	58	208	82	184	3,221
At 31 March 2003	2,724	67	266	86	198	3,341

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Notes to the Financial Statement

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15 Fixed Asset Investment

Association	2004	2003
	£'000	£'000
Shares in Group undertakings	697	697
Less provision for impairment	250	–
	<u>447</u>	<u>697</u>

The Association owns the issued share capital of the following companies incorporated and registered in England:

Company	Type of Share	Number of Shares
Baldwin Street Properties Ltd	Ordinary of £1	2,000
FLW Ltd	Ordinary of £1	100

The following board members and executive officers are directors of the companies noted:-

Baldwin Street Properties Ltd	FLW Ltd
E Baliszewski	P McAuliffe
R Bunker	R Bunker
	T Jackson

16 Stock

This represents stock held by the Works Section.

17 Debtors

	Group		Association	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Due within one year				
Arrears of rent/service charges	982	1,004	982	1,004
Debtor (rent holding account)	133	117	133	117
Less: Provision for bad and doubtful debts	(505)	(471)	(505)	(471)
	610	650	610	650
Capital grants receivable	122	488	122	488
Development agency debtor	6	4	6	4
Other debtors	595	551	595	517
Less provision for bad debts	(118)	(148)	(118)	(148)
Prepayment and accrued income	91	68	53	68
Due from Group companies	–	–	2,051	2,119
	<u>1,306</u>	<u>1,613</u>	<u>3,319</u>	<u>3,698</u>

18 Current Asset Investments

Group and Association	2004	2003
	£'000	£'000
Cash deposits	7,350	2,350

19 Creditors: Amounts falling due within one year

	Group		Association	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Trade creditors	3,491	1,839	3,482	1,839
Rent and service charges received in advance	314	256	314	256
Corporation Tax	342	–	327	–
Other taxation and social security	585	114	585	114
Bank overdraft	43	–	43	–
Other creditors	2,283	2,640	2,283	2,628
	<u>7,058</u>	<u>4,849</u>	<u>7,034</u>	<u>4,837</u>

Payments to creditors

The Group and Association comply with their policy to pay purchase invoices within twenty-eight days of receipt or earlier unless otherwise agreed with the supplier.

20 Creditors: Amounts falling due after more than one year

Group and Association

	2004	2003
	£'000	£'000
Due after more than one year		
Bank loans (repayable after 5 years)	79,300	79,300

83% of debt was fixed with interest rates ranging from 4.62% to 6.65%
17% of debt was floating with interest rates ranging from 4.69% to 4.95%

21 Non-equity share capital

Association

	2004	2003
	£	£
Shares of £1 each issued and fully paid		
At 1 April 2003	55	50
Shares issued during the year	–	5
At 31 March 2004	<u>55</u>	<u>55</u>

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up.

22 Reserves

	Revaluation reserve	Revenue reserve	Total
	£'000	£'000	£'000
Group			
At 1 April 2003	54,949	623	55,572
Surplus for the financial period	–	366	366
Revaluation surplus	17,231	–	17,231
Transfers	(769)	769	–
At 31 March 2004	<u>71,411</u>	<u>1,758</u>	<u>73,169</u>

Notes to the Financial Statements

31 March 2004

Notes to the Financial Statements

31 March 2004

22 Reserves *continued*

	Revaluation reserve £'000	Revenue reserve £'000	Total £'000
Association			
At 1 April 2003	54,949	754	55,703
Surplus for the financial period	-	131	131
Revaluation surplus	17,231	-	17,231
Transfers	(769)	769	-
At 31 March 2004	71,411	1,654	73,065

Revaluation reserve

An amount equal to the difference between depreciation for the period calculated on the basis of historical cost of properties, net of Social Housing Grant, and actual depreciation charged has been transferred from the revaluation reserve to the revenue reserve.

23 Reconciliation of movement in funds

	Group		Association	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Opening Association funds	55,572	44,105	55,703	44,138
Surplus for the financial period	366	1,265	131	1,363
Revaluation surplus	17,231	10,202	17,231	10,202
Closing Association funds	73,169	55,572	73,065	55,703

24 Financial Commitments

Group and Association

Capital expenditure commitments are as follows:

	2004 £'000	2003 £'000
Expenditure contracted for but not provided in the accounts	4,331	2,164
Expenditure authorised by the board, but not contracted	8,502	1,772
	12,833	3,936

Operating leases

The payments which the Group and Association are committed to make in the next year under operating leases are as follows:

	2004 £'000	2003 £'000
Vehicle leases expiry:		
Within one year	3	1
One to five years	26	13
	29	14

25 Reconciliation of operating surplus to net cash inflow from operating activities

	2004 £'000	2003 £'000
Group		
Operating surplus	5,139	5,862
Depreciation of tangible fixed assets	1,372	1,322
(Surplus)/deficit on sale of other tangible fixed assets	(2)	1
	6,509	7,185
Working capital movements		
Stock (increase)	(3)	(6)
Debtors decrease	334	1,017
Creditors increase	555	607
Net cash inflow from operating activities	7,395	8,803

26 Reconciliation of net cash flow to movement in net debt

	2004 £'000	2003 £'000
Group		
(Decrease) / increase in cash	(280)	1,629
Cash flow from increase in liquid resources	5,000	2,350
Cash input from (increase) in debt	-	(2,500)
Decrease in net debt from cashflows	4,720	1,479
Net debt at 1 April	(76,712)	(78,191)
Net debt at 31 March	(71,992)	(76,712)

27 Analysis of net debt

	1 April 2003 £'000	Cash Flow £'000	31 March 2004 £'000
Group			
Bank Overdraft	-	(43)	(43)
Cash at bank and in hand	238	(237)	1
Changes in cash	238	(280)	42
Current asset investments	2,350	5,000	7,350
Loans	(79,300)	-	(79,300)
Changes in debt	(79,300)	-	(79,300)
Changes in net debt	(76,712)	4,720	(71,992)

28 Analysis of movement in capital grants

	2004 £'000
Group and Association	
At 1 April 2003	11,042
Cash received	3,372
At 31 March 2004	14,414

29 Related Parties

There are five tenant members of the Board: D Wheeler, I Smith, R Case, A Clapp and I Williams. Their tenancies are on normal commercial terms and the tenant board members are not able to use their position to their advantage.