



Westlea Housing
Association

Group Financial Statements 2004/2005



iN business for neighbourhoods

Contents

Board Members, Executive Directors, Advisors and Bankers	3
Report of the Management Board	4
Operating and Financial Review	7
Independent Auditors' Report	9
Group Income and Expenditure Account	10
Group Statement of Total Recognised Surpluses and Deficits	10
Association Income and Expenditure Account	11
Association Statement of Total Recognised Surpluses and Deficits	11
Group Balance Sheet	12
Association Balance Sheet	13
Group Cash Flow Statement	14
Notes to the Financial Statements	15

Board Members, Executive Directors, Advisors and Bankers

Board

Chairman

E Baliszewski

Vice Chairman

D Wheeler

Other members

D Allen (from July 2004 – Sept 2004)
D Bligh (from Sept 2004)
A Bucknell
R Bunker (Retired Sept 2004)
R Case
A Clapp
H. Dixon (From July 2004 – Sept 2004)
W Fishlock
P Goldstone (Resigned June 2004)
G Hogger (Retired Sept 2004)
J Holden (From Sept 2004)
P McAuliffe
J Rooke (Resigned June 2004)
I Smith
S Walker
I Williams

Executive Directors

Chief Executive

D Ashmore

Executive Director – Finance & Resources

T Jackson

Executive Director – Operations

A Cornelius

Registered office

Methuen Park, Chippenham, Wiltshire, SN14 0GU

Auditors

RSM Robson Rhodes LLP, Chartered Accountants, 10 Queen Square, Bristol, BS1 4NT

Principal solicitors

Bevan Brittan, 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

Registered as a charitable social landlord as from 26 November 2004 under the Industrial and Provident Societies Acts No. 28095R. Registered by the Housing Corporation No. LH4083

Report of the Management Board

The Management Board has pleasure in presenting the group audited financial statements for the year ended 31 March 2005. 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 6,187 units of accommodation (of which 6,168 were owned by the group) as at 31 March 2005. The properties have a current value of £156 million. The group employed 225 staff. Any surpluses made by the subsidiaries are retained within the group.

Operating and Financial Review

The review follows on pages 7–8.

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 225 staff (193 full time equivalent) in the following departments:

Chief Executive's office	8
Operations	184
Finance & Resources	33
	<u>225</u>

The Group looks to recruit and retain the best available staff. In 2004/2005 we recruited 57 new people, of these 23 were new posts. At 31 March 2005, 73% of staff had been with the organisation at least two years. The equivalent figure for 31 March 2004 was 76%.

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 key operational and strategic issues. 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.

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 and 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 1965–2002, 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.

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 bi-monthly and has three 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.

Nominations – to make recommendations to the Board on applications for Board and Shareholder membership.

Report of the Management Board *continued*

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 in 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 identifying and evaluating risk in each area of the Association's activities. The executive team regularly considers reports and holds discussions 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

During the year the Management Team re-evaluated all the major risks associated with the business activities. Controls for these risks were re-considered and additional controls identified. The Internal Auditor carried out regular reviews of the risk management framework and control environment during the year and reported his findings to the Board via the Audit Committee. The Audit Committee met on a regular basis throughout the year and considered control issues at each meeting. During the year the Group commissioned a number of reviews by external consultants of key areas of our activities and these were reported to Board where relevant.

• 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, and disseminated to all employees, 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. A number of these policies were reviewed in the year. These included in particular the rules and the standing orders and delegated authorities including terms of reference of the Board and sub committees. The key responsibilities for Board and staff are set out in the group's risk management framework and standing orders. Both of these policies were reviewed and updated during the year. The group also established during the year a clear process for the regular review of all its policies.

• Information and financial reporting systems

Financial reporting procedures include preparing and monitoring 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. The Board has reviewed key risks on an annual basis, and from November 2004 reviewed key risks on a quarterly basis.

• Summary of sources of assurance

The Board gained assurance from a number of sources during the year. These included:

- reports provided by the Internal Auditor.
- reviews carried out by external consultants into a number of key areas of activity including development and service provision.
- reports provided by the Housing Corporation, in particular the Annual Viability Review and Housing Corporation Assessment.
- external audit and in particular the external auditor's management letter.
- accreditation under Investors in People.

• Summary of the process by which the Board assessed the effectiveness of internal control

In summary the Board reviews the effectiveness of the internal control systems in the following way:

- during the year the Audit Committee agrees a programme of internal audit, and receives reports in line with this programme. The Audit Committee minutes are reviewed by the Board at the next available opportunity.
- the Board and Audit Committee receives other reports relevant to the controls system during the course of the year.
- following the year end the Audit Committee receives an overall control environment report from the Internal Auditor, and assessment of compliance with circular R2-25/01 Internal Controls Assurance from the Chief Executive and Executive Director of Finance and Resources, and the auditors' management letter and representation from the auditors following the interim and final audits.
- the Audit Committee recommends adoption of the statement on internal controls assurance to the Board following a review of the above.

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.

In the Board's opinion the system of control is effective and appropriate to the needs of the business.

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.

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 full disclosure in note 11 to the accounts of the details of the remuneration of the Executive Directors.

Auditors

The independent external auditors, RSM Robson Rhodes LLP, are willing to continue in office. A resolution to re-appoint them will be proposed at the AGM.

AGM

The annual general meeting will be held on 26 September 2005.

The report of the Board was approved on 28 July 2005.

Signed on behalf of the Management Board.

E BALISZEWSKI

Chairman
28 July 2005

This year to anticipate new accounting requirements Westlea is taking the opportunity to present a more detailed operating and financial review with the financial statements. In doing so Westlea aims to present a balanced view of the results for the period, and the financial strategies and issues affecting future performance.

Overall performance for the year

The group made a pre-tax surplus of £755,000 during the year, compared with £708,000 in the year to 31 March 2004.

The net worth of the group (total reserves) increased by £8.2m in the year to £81.4m at 31 March 2005.

Significant events during the year were:

- the sale of Baldwin Street Ltd which owned 131 student properties in Bristol at a loss of £319,000 in the year to the group.
- impairment of a scheme with a reduction in value of £195,000.
- Westlea HA's conversion to charitable status in November 2004, and the establishment of a new subsidiary, Westlea Property Services Ltd (WPS) to undertake commercial activities.
- a major restructuring of staff to deliver more holistic services to our customers.

The above actions will strengthen the group's performance in the future, particularly through transfer of market rent properties to WPS and a better focus on core activities.

The continuing deficits on the pension funds are a concern, which is being addressed. The Wiltshire Pension Fund was closed to new joiners in January 2005, and the Social Housing Pension Fund is due to close to new joiners (with minor exceptions) on 30 September 2005.

Business analysis

Key business plan objectives

The group aims to be the

- landlord of choice
- partner of choice
- employer of choice

It aims to expand its work in these areas:

- customer care and service delivery
- community development and quality of life initiatives
- the provision of new homes and services

From a financial perspective this includes a focus on working more efficiently to re-invest in frontline services and the provision of more homes. The group produces its first Annual Efficiency Statement in July 2005 which identifies a number of areas where greater efficiency has been and can continue to be achieved.

The nature of the business

Westlea works in North Wiltshire and the surrounding areas, particularly West Wiltshire and Swindon.

The stock is predominantly general needs and sheltered accommodation. During the year the group sold Baldwin Street Ltd which owned 131 units of student accommodation in Bristol. The sale was partly to improve the financial performance of the group and partly to re-focus our activities away from Bristol.

Demand for properties in the main is high; and property prices in our areas of operation leave the vast majority of our tenants unable to afford to buy. Over 90% of our housing already meets the decent homes standard.

We have set up an asset grading system to identify "at risk" properties more effectively. We are aware that demand is falling for a limited number of our sheltered properties. A housing strategy for the elderly is being developed to tackle this.

Government and regulatory changes

Significant recent changes include:

- the move by the Housing Corporation to deliver its grant through fewer development partners. Westlea has joined the Sovereign development consortium in response to this.
- a regulatory requirement that registered social landlords deliver quantified efficiency savings, and set their plans out in an Annual Efficiency Statement. Westlea completes its first statement in July 2005. Westlea will look for efficiencies in particular in housing management and maintenance (where new team structures have been introduced) and in procurement. Efficiency savings have already been made by conversion to charitable status, and by a significant reduction in the numbers of Directors and Senior Managers in the organisation which have helped us redirect funds to front line services.
- a proposal to introduce "Social Homebuy" whereby Registered Social Landlords offer tenants the opportunity to buy their own home. Officers are undertaking analysis of the potential impact of this.

Key indicators

Westlea has introduced a new approach to performance management, including an outcome focused business plan with clear targets and indicators of success summarised in a balanced scorecard reported regularly to Board and senior management.

Operating and Financial Review *continued*

Operating Review

The group continued to perform well during the year. Key factors in the operating performance were:

- rents – Westlea continued to comply with the regulator's expectations on rents. Increases were limited in the year to RPI+1/2% +£2, and many weekly rents were increased at a rate below this. This has allowed Westlea to converge to 'target' rents earlier than anticipated.
- turnover of the group has grown by 2.4% to £21.3m, whilst operating costs have risen by less than 1%. Staff cost increases with the exception of pensions have been contained to 4.6%, (approximately to general earnings inflation) despite a tight employment market in our area of operation and a small increase in staff numbers. The Board decided in January 2005 to close both defined benefit pension schemes to new joiners and replace them with a defined contribution scheme. In the shorter term this may lead to cost increases but in the longer term to reduced costs and risk.
- during the year the group sold 27 properties through right to buy, fewer than in previous years, and 40 new properties came into management.

The group has actively pursued growing its development pipeline and aims to build 500 properties by 2010.

Charitable status and group changes

Westlea HA converted to charitable status in November 2004. Conversion has a very limited impact on Westlea's activities, but significantly minimises tax expenses in the future. Part of the process of conversion included moving commercial activities into a new commercial subsidiary, Westlea Property Services Ltd. This company aims to provide commercial activities and services complementary to the aims of Westlea.

Office accommodation changes

Westlea began relocation of staff from two area offices in March 2005, with all Westlea staff now being located at the Methuen Park offices. This reduces costs over the longer term, and will allow a more focused customer service to be delivered.

Growth in value of the business

Overall the group's net worth increased by £8.24m to £81.4m in 2005. This is a result of increased revenue reserves of £1.1m, and a growth in the revaluation reserves of £7.1m. As at 31 March 2005 our housing stock was worth £156m. The increase of the valuation reflects the demand for the property and the continued investment in it.

Financial Review

This section sets out how the group is financed, and in particular how borrowings are managed.

As at 31 March 2005 Westlea group has borrowed £77.3m, down from £79.3m in the previous year. Of this £77.3m 83% of debt was fixed at rates of between 4.41% to 6.65%, with the rest variable rate debt at a rate of 5.37% at year end. Westlea's overall facility is £110m. Interest costs were £4.5m in the year, down by £97,000 compared with the previous year, despite very little change in the amounts borrowed in the period, £2m debt being repaid on 31 March 2005. In March 2005 Westlea signed a revised loan agreement which reduced the margins on some of the debt, creates a revolving facility of £10m, and which allows repayment of the debt to be postponed by 1 year annually.

Westlea aims to fix at least 65% of its debt, with maturities spread over the medium term.

We anticipate that the remainder of the facility will be drawn down over the next 3 to 5 years to fund our growing development programme. Officers are exploring our borrowing capacity and aim to increase our facilities within the next 2 years.



T Jackson
Executive Director of Finance & Resources
28 July 2005

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

We have audited the financial statements on pages 10 to 35 which have been prepared on the basis of the accounting policies set out on pages 15 to 17.

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 4 to 6, 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 2002, 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 Group's and 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 2005 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 2002, the Housing Act 1996 (as amended by the Housing Act 2004) and the Accounting Requirements for registered social landlords General Determination 2000.



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

Group Income and Expenditure Account for the year ended 31 March 2005

	Note	Continuing Operations 2005 £'000	Discontinued Operations 2005 £'000	2005 £'000	2004 £'000
Turnover	3	20,879	387	21,266	20,770
Administrative costs		(982)	-	(982)	(923)
Direct Property Management Costs		(14,486)	(382)	(14,868)	(14,708)
Operating costs	3	(15,468)	(382)	(15,850)	(15,631)
Operating surplus	3,7	5,411	5	5,416	5,139
Profit on sale of housing properties	5	125	-	125	59
Loss on sale of fixed asset investment	15	-	(319)	(319)	-
Impairment	13	(195)	-	(195)	-
Interest receivable and other income	8	227	-	227	106
Interest payable and similar charges	9	(4,499)	-	(4,499)	(4,596)
Surplus on ordinary activities before taxation		1,069	(314)	755	708
Tax on surplus on ordinary activities	12			(505)	(342)
Surplus for the financial year	22			250	366
Transfer from revaluation reserve	22			894	769
				1,144	1,135
Revenue reserve at 1 April				1,758	623
Revenue reserve at 31 March	22			2,902	1,758

Group statement of total recognised surpluses and deficits for the year ended 31 March 2005

	2005 £'000	2004 £'000
Surplus for the financial year	250	366
Unrealised surplus on property revaluation	7,986	17,231
Total recognised surpluses for the year	8,236	17,597

Group statement of historical costs surpluses and deficits for the year ended 31 March 2005

	2005 £'000	2004 £'000
Reported surplus on ordinary activities before taxation	755	708
Realisation of property revaluation gains	361	422
Excess of actual depreciation charge over historical cost depreciation	533	347
Historical cost surplus on ordinary activities before taxation	1,649	1,477
Taxation	(505)	(342)
Historical cost retained surplus	1,144	1,135

Association Income and Expenditure Account for the year ended 31 March 2005

	Note	2005 £'000	2004 £'000
Turnover: continuing activities	3	20,845	20,349
Administrative costs		(1,018)	(923)
Direct property management costs		(14,421)	(14,398)
Operating costs	3	(15,439)	(15,321)
Operating surplus: continuing activities	3,7	5,406	5,028
Surplus on sale of housing properties	5	570	59
Loss on sale of fixed asset investment	15	(318)	(250)
Impairment	13	(195)	-
Interest receivable and other income	8	319	217
Interest payable and similar charges	9	(4,499)	(4,596)
Surplus on ordinary activities before taxation		1,283	458
Tax on surplus on ordinary activities	12	(500)	(327)
Surplus for the financial year	22	783	131
Transfer from revaluation reserve	22	1,204	769
		1,987	900
Revenue reserve at 1 April		1,654	754
Revenue reserve at 31 March	22	3,641	1,654

Association statement of total recognised surpluses and deficits for the year ended 31 March 2005

	2005 £'000	2004 £'000
Surplus for the financial year	783	131
Unrealised surplus on property revaluation	7,542	17,231
Total recognised surpluses	8,325	17,362

Association statement of historical cost surpluses and deficits for the year ended 31 March 2005

	2005 £'000	2004 £'000
Reported surplus on ordinary activities before taxation	1,283	458
Realisation of property revaluation gains	671	422
Excess of actual depreciation charge over historical cost depreciation	533	347
Historical cost surplus on ordinary activities before taxation	2,487	1,227
Taxation	(500)	(327)
Historical cost surplus on ordinary activities after taxation	1,987	900

Group Balance Sheet at 31 March 2005

	Note	2005 £'000	2004 £'000
Tangible fixed assets			
Housing properties	13	155,902	147,549
Other tangible fixed assets	14	3,159	3,246
		159,061	150,795
Current assets			
Stock	16	585	75
Debtors	17	1,909	1,306
Investments	18	3,192	7,350
Cash at bank and in hand		3	1
		5,689	8,732
Current liabilities			
Creditors: amounts falling due within one year	19	(6,045)	(7,058)
Net current (liabilities)/assets		(356)	1,674
Total assets less current liabilities		158,705	152,469
Creditors: amounts falling due after more than one year	20	77,300	79,300
Capital and reserves			
Non-equity share capital	21	-	-
Revaluation reserve	22	78,503	71,411
Revenue reserve	22	2,902	1,758
Group's funds	23	81,405	73,169
		158,705	152,469

The financial statements were approved by the Board on 28 July 2005 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 2005

	Note	2005 £'000	2004 £'000
Tangible fixed assets			
Housing properties	13	153,589	144,986
Other tangible fixed assets	14	3,159	3,221
		156,748	148,207
Investments in subsidiaries	15	3,315	447
		160,063	148,654
Current assets			
Stock	16	82	75
Debtors	17	1,992	3,319
Investments	18	2,507	7,350
Cash at bank and in hand		1	1
		4,582	10,745
Current liabilities			
Creditors: amounts falling due within one year	19	(5,955)	(7,034)
Net current (liabilities)/assets		(1,373)	3,711
Total assets less current liabilities		158,690	152,365
Creditors: amounts falling due after more than one year	20	77,300	79,300
Capital and reserves			
Non-equity share capital	21	-	-
Revaluation reserve	22	77,749	71,411
Revenue reserve	22	3,641	1,654
Association's funds	23	81,390	73,065
		158,690	152,365

The financial statements were approved by the Board on 28 July 2005 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 2005

	Note	2005 £'000	2004 £'000
Net cash inflow from operating activities	25	5,344	7,395
Returns on investments and servicing of finance			
Interest received		254	74
Interest paid		(4,530)	(4,588)
		(4,276)	(4,514)
Taxation paid		(713)	-
Capital expenditure			
Purchase and construction of housing properties		(6,807)	(3,907)
Social housing grant – received	28	944	3,372
Purchase of other fixed assets		(186)	(183)
Sale of properties proceeds		2,235	4,667
Sale of properties costs		(1,331)	(2,111)
Sales of other fixed assets – proceeds		3	1
		(5,142)	1,839
Acquisitions and disposals			
Sale of company proceeds		2,216	-
Sale of company costs		(69)	-
Management of liquid resources		4,158	(5,000)
Loan (repaid)	27	(2,000)	-
Decrease in cash	26	(482)	(280)

Subsidiary undertakings sold in the year contributed £5,000 to the group net operating cashflows.

Notes to the Financial Statements

31 March 2005

1 Legal status

The Association is registered under the Industrial and Provident Societies Act 1965 and is a registered social landlord. The Association converted to charitable status on 26 November 2004.

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 2005

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.

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).

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.

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.

Notes to the Financial Statements

31 March 2005

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 2005

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

	2005			2004		
	Turnover £'000	Operating cost £'000	Operating surplus £'000	Turnover £'000	Operating cost £'000	Operating surplus £'000
Group						
Income and expenditure from lettings						
Continuing activities						
Housing accommodation	18,150	13,217	4,933	17,987	13,215	4,772
Sheltered housing accommodation	886	795	91	875	808	67
Supported housing accommodation	156	156	-	167	167	-
Shared ownership accommodation	23	10	13	26	16	10
Garages	554	94	460	540	95	445
Discontinued activities	387	382	5	-	-	-
	20,156	14,654	5,502	19,595	14,301	5,294
Other income and expenditure						
Continuing activities						
Architects and surveyors services	29	20	9	55	85	(30)
Management services	230	186	44	211	193	18
Supporting People Contracts	617	454	163	546	493	53
Other	234	536	(302)	363	559	(196)
	1,110	1,196	(86)	1,175	1,330	(155)
	21,266	15,850	5,416	20,770	15,631	5,139
Operating surplus analysed:						
Lettings			5,502			5,294
Other			(86)			(155)
			5,416			5,139
Association Continuing activities						
Income and expenditure from lettings						
Housing accommodation	18,110	13,166	4,944	17,576	12,905	4,671
Sheltered housing accommodation	886	795	91	875	808	67
Supported housing accommodation	156	156	-	167	167	-
Shared ownership accommodation	23	10	13	26	16	10
Garages	553	94	459	540	95	445
	19,728	14,221	5,507	19,184	13,991	5,193
Other income and expenditure						
Architects and surveyors services	25	32	(7)	55	85	(30)
Management services	239	195	44	208	193	15
Supporting People Contracts	617	454	163	546	493	53
Other	236	537	(301)	356	559	(203)
	1,117	1,218	(101)	1,165	1,330	(165)
	20,845	15,439	5,406	20,349	15,321	5,028
Operating surplus analysed:						
Lettings			5,507			5,193
Other			(101)			(165)
			5,406			5,028

Notes to the Financial Statements

31 March 2005

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

Particulars of income and expenditure from lettings

	General Housing £'000	Sheltered Housing £'000	Supported Housing £'000	Shared Ownership £'000	Garages £'000	Discontinued Activities £'000	2005	2004
							£'000	£'000
Group								
Turnover from lettings								
Rent receivable net of identifiable service charges	18,245	816	83	23	579	458	20,204	19,644
Service charges receivable*	99	98	90	-	-	-	287	293
Gross rental income	18,344	914	173	23	579	458	20,491	19,937
Voids	(194)	(28)	(17)	-	(25)	(71)	(335)	(342)
Net rental income	18,150	886	156	23	554	387	20,156	19,595
Expenditure on lettings								
Services	718	98	90	-	-	-	906	859
Management	3,762	210	30	8	-	245	4,255	4,043
Routine maintenance	3,494	195	27	-	94	64	3,874	3,874
Major repairs expenditure	3,981	222	-	-	-	-	4,203	4,346
Bad debts	174	10	1	-	-	1	186	131
Depreciation of housing properties	1,088	60	8	2	-	72	1,230	1,048
Total expenditure on lettings	13,217	795	156	10	94	382	14,654	14,301
Operating surplus on lettings	4,933	91	-	13	460	5	5,502	5,294
Association								
Turnover from lettings								
Rent receivable net of identifiable service charges	18,187	816	83	23	578	-	19,687	19,169
Service charges receivable*	99	98	90	-	-	-	287	293
Gross rental income	18,286	914	173	23	578	-	19,974	19,462
Voids	(176)	(28)	(17)	-	(25)	-	(246)	(278)
Net rental income	18,110	886	156	23	553	-	19,728	19,184
Expenditure on lettings								
Services	718	98	90	-	-	-	906	859
Management	3,731	210	30	8	-	-	3,979	3,852
Routine maintenance	3,474	195	27	-	94	-	3,790	3,812
Major repairs expenditure	3,981	222	-	-	-	-	4,203	4,346
Bad debts	174	10	1	-	-	-	185	131
Depreciation of housing properties	1,088	60	8	2	-	-	1,158	991
Total expenditure on lettings	13,166	795	156	10	94	-	14,221	13,991
Operating surplus on lettings	4,944	91	-	13	459	-	5,507	5,193

*Service charge income on housing accommodation was split as £3,133 eligible for housing benefit (2004: £4,288) and £95,794 as non-eligible (2004: £97,947).

Notes to the Financial Statements

31 March 2005

5 Profit on sale of housing properties

	Group		Association	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Proceeds	2,164	4,657	4,479	4,657
Other income	71	10	71	10
Council clawback	(1,266)	(1,600)	(1,266)	(1,600)
Cost of sales, at cost	(418)	(2,076)	(2,289)*	(2,076)
Cost of sales, at revalued amount	(361)	(421)	(361)	(421)
Other costs	(65)	(511)	(64)	(511)
	125	59	570	59

*The Association cost of sales figure includes the transfer of market rent properties to WPS Limited at full market value.

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:

Group and Association	2005		2004	
	No.	No.	No.	No.
Housing accommodation	5,477	5,497	-	131
Accommodation managed on behalf of Baldwin Street Ltd	-	-	-	-
Accommodation managed on behalf of Westlea Property Services Ltd	27	-	-	-
Sheltered housing accommodation	311	311	-	-
Supported housing accommodation	43	43	-	-
Shared ownership accommodation	11	14	-	-
Accommodation managed on behalf of other organisations	19	18	-	-
Leasehold properties	299	296	-	-
	6,187	6,310		

7 Operating surplus

This is arrived at after charging/(crediting):

	Group		Association	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Depreciation of other tangible assets	269	324	269	305
Depreciation of housing properties	1,230	1,048	1,158	991
(Surplus) on sale of other tangible fixed assets	(1)	(2)	(1)	(2)
Operating lease rentals – motor vehicles	41	26	41	26
Auditor's remuneration				
• for audit services	21	19	20	18
• for non-audit services	11	14	11	14

8 Interest receivable and other income

	Group		Association	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Interest receivable and other income	227	106	319	217

Notes to the Financial Statements

31 March 2005

9 Interest payable and similar charges

Group and Association	2005		2004	
	£'000	£'000	£'000	£'000
Interest payable on loans and bank overdrafts	4,499	-	-	4,596

10 Employees

Group and Association	2005		2004	
	No.	No.	No.	No.
Average monthly number of employees (full time equivalents)*				
Administration	32	29		
Development	4	4		
Housing	157	155		
	193	188		

*Based on 35 hours/week

Staff costs:	2005		2004	
	£'000	£'000	£'000	£'000
Wages and salaries	4,709	4,504		
Social security costs	345	321		
Other pension costs	629	553		
	5,683	5,378		

Pension disclosures – FRS 17 transitional provisions, year ended 31 March 2005

(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 a 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 £711m.

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 FRS 17

Assumptions

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

	31 March 2005	31 March 2004	31 March 2003
	% Per Annum	% Per Annum	% Per Annum
Salary increases	4.4	4.4	4.0
Pension increases	2.9	2.9	2.5
Discount rate	5.4	5.5	6.1
Price increases	2.9	2.9	2.5

Notes to the Financial Statements

31 March 2005

10 Employees *continued*

Contributions

The contributions to the Wiltshire County Council Pension Fund by the Association for the year ended 31 March 2005 are shown below:

	2005	2004	2003
	£'000	£'000	£'000
Employer contributions	566	414	469*

*Inclusive of added years added to retiring Chief Executive.

The employers' contribution rate for 2004–2005 was 22.2% of pensionable pay. For 2005–2006 the employers contribution is set at 31.4% of pensionable pay.

FRS 17 Income and Expenditure Account information

Analysis of the amount charged to operating profit

	2005	2004	2003
	£'000	£'000	£'000
Current service costs	313	265	261
Curtailed and settlements	158	-	4
Total operating charge	471	265	265

Analysis of the amount credited to other finance income

	2005	2004	2003
	£'000	£'000	£'000
Expected return on pension scheme assets	565	447	532
Interest on pension scheme liabilities	(734)	(619)	(599)
Net return	(169)	(172)	(67)

Balance sheet information as required by FRS 17

The expected rates of return on each of the four main classes of assets held by the Wiltshire County Council Pension Fund for 31 March 2003 to 31 March 2005 are set out in the following table:

	Fund Value		Expected Return		Fund Value		Expected Return	
	31 March	31 March	31 March	31 March	31 March	31 March	31 March	
	2005	2005	2004	2004	2003	2003	2003	
	£000	%	£000	%	£m	%	%	
Equities	6,205	7.7	5,552	7.7	364	8.0		
Bonds	1,734	4.8	1,419	5.1	125	4.8		
Property	760	5.7	579	6.5	42	6.0		
Cash	243	4.8	350	4.0	13	4.0		
Total	8,942		7,900		544*			

*Whole Wiltshire County Council Pension Fund.

Notes to the Financial Statements

31 March 2005

10 Employees *continued*

Net pension asset

	2005	2004	2003
	£'000	£'000	£'000
Fair value of the above assets related to the Group	8,942	7,900	6,272
Present value of scheme liabilities	(13,502)	(13,218)	(10,104)
Deficiency related to the Group	(4,560)	(5,318)	(3,832)
Deferred taxation at 30%	-	1,595	1,150
Deficiency after taxation	(4,560)	(3,723)	(2,682)

FRS 17 Analysis – Movement in deficit during the year

	2005	2004	2003
	£'000	£'000	£'000
Group share of scheme assets/liabilities at beginning of year	(5,318)	(3,832)	(2,561)
Movement in year:			
Current Service Costs	(313)	(265)	(261)
Contributions	566	414	407
Impact on Settlement and Curtailment	(158)	-	(4)
Net return on Assets	(169)	(172)	(67)
Actuarial Gain/Loss	832	(1,463)	(1,346)
Group share of scheme assets/liabilities at end of year	(4,560)	(5,318)	(3,832)

History of experienced gains and losses recognised in Statement of Total Recognised Surpluses and Deficits

	2005	2004	2003
	£'000	£'000	£'000
Difference between the expected and actual return on share of scheme assets:			
Amount	125	984	(2,247)
Percentage of Share Scheme Assets	1.4%	12.4%	(35.8%)
Experienced gains and losses on share of scheme liabilities:			
Amount	950	(58)	901
Percentage of present value of share of scheme liabilities	(7.0%)	(0.4%)	8.9%
Total amount recognised in statement of total recognised Gains and Losses			
Amount	832	(1,463)	(1,346)
Percentage of present value of share of the scheme liabilities	(6.21%)	(11.1%)	(13.3%)

Reserves

	Group		Association	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
As reported on a SSAP24 basis	2,902	1,758	3,641	1,654
FRS 17 Gross Pension Liability	(4,560)	(5,318)	(4,560)	(5,318)
On FRS 17 basis	(1,658)	(3,560)	(919)	(3,664)

Notes to the Financial Statements

31 March 2005

10 Employees *continued*

(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.

During the accounting period Westlea Housing Association Limited paid contributions at the rate of 11.7%. Member contributions varied between 3.1% and 6.1% 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.

Financial assumptions

The financial assumptions underlying the valuation were as follows:

	% per annum
• Rate of return on future contributions	6.6
• Rate of return on accumulated assets	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% of pensionable salaries.

Following consideration of the results of the actuarial valuation it was 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 2–5% 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 was increased from 15% 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% 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. 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 30 September 2005.

Notes to the Financial Statements

31 March 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 £10,435 (2004: £7,761).

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £94,051 (2004: £91,308). 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	2005 Total £'000	2004 Total £'000
Chief Executive					
D Ashmore	85	9	10	104	100
Director of Operations					
E A Cornelius	71	8	8	87*	0
Director of Finance & Resources					
T Jackson	66	7	15	88	82
Director of Housing Services					
S Abbott (to 30 November 2003)	0	0	0	0	60
Director of Property Services					
T Wilson (to 30 November 2003)	0	0	0	0	60
	222	24	33	279	302

*Inclusive of period 29–31 March 2004

12 Tax on surplus on ordinary activities

	Group		Association	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Current tax reconciliation				
Surplus on ordinary activities before tax	755	708	1,283	708
Theoretical tax charge at 30%	227	212	386	212
Expenditure not deductible for tax purposes	491	327	491	311
Conversion to Charitable status	(164)	-	(164)	-
Movement in tax losses	7	(104)	(2)	(79)
Accelerated capital allowances	(4)	3	(4)	3
Short term timing differences	(2)	(70)	(2)	(70)
Surplus on sale of housing properties	(50)	(18)	(184)	(18)
Group relief received without charge	-	-	(21)	(32)
Difference in tax rates	-	(8)	-	-
	505	342	500	327

Factors that may affect future tax charges

HM Revenue & Customs have confirmed that Westlea Housing Association Limited will be treated as a charity for tax purposes with effect from 26 November 2004. Corporation tax is not, therefore, expected to be payable in respect of any surpluses arising after this date.

Notes to the Financial Statements

31 March 2005

12 Tax on surplus on ordinary activities *continued*

In addition, no deferred tax assets or liabilities are considered to exist as at 31st March 2005, as any timing differences attributable to periods prior to 26 November 2004 are not expected to reverse. As at 31 March 2004, the unprovided deferred tax was as follows:

	Group 2004 £'000	Association 2004 £'000
Unprovided deferred tax		
Taxation on revaluation surplus relating to leasehold property	21,326	21,326
Accelerated capital allowances	(70)	(70)
Short term timing differences	(116)	(116)
Future losses available	(14)	-
	<u>21,126</u>	<u>21,140</u>

13 Tangible fixed assets – properties

Group	Housing properties held for lettings	Leasehold lettings discontinued activity	Lettings leasehold	Housing properties under construction	Shared ownership properties held for letting	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 April 2004	143,869	2,709	671	-	483	147,732
Additions and major repairs capitalised	256	-	-	8,390	-	8,646
Schemes completed	2,269	-	-	(2,269)	-	-
Disposals	(672)	(2,709)	-	-	(107)	(3,488)
Valuation adjustment	5,547	-	-	-	75	5,622
At 31 March 2005	<u>151,269</u>	<u>-</u>	<u>671</u>	<u>6,121</u>	<u>451</u>	<u>158,512</u>
Depreciation						
At 1 April 2004	-	147	36	-	-	183
Charged in year	1,141	-	14	-	4	1,159
Impairment	-	-	195	-	-	195
Disposals	-	(147)	-	-	-	(147)
Valuation adjustment	(1,141)	-	-	-	(4)	(1,145)
At 31 March 2005	<u>-</u>	<u>-</u>	<u>245</u>	<u>-</u>	<u>-</u>	<u>245</u>
Social housing and other grants						
At 1 April 2004	-	-	-	-	-	-
Additions	-	-	-	3,621	-	3,621
Schemes completed	1,256	-	-	(1,256)	-	-
Transferred to RCGF	-	-	-	-	(37)	(37)
Valuation adjustment	(1,256)	-	-	-	37	(1,219)
At 31 March 2005	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,365</u>	<u>-</u>	<u>2,365</u>
Net book value						
At 31 March 2005	<u>151,269</u>	<u>-</u>	<u>426</u>	<u>3,756</u>	<u>451</u>	<u>155,902</u>
At 31 March 2004	143,869	2,562	635	-	483	147,549

Notes to the Financial Statements

31 March 2005

13 Tangible fixed assets – properties *continued*

Association	Housing properties held for letting	Lettings leasehold	Housing properties under construction	Shared ownership properties held for letting	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2004	143,869	671	-	483	145,023
Additions and major repairs capitalised	258	-	8,390	-	8,648
Schemes completed	2,269	-	(2,269)	-	-
Disposals	(2,543)	-	-	(107)	(2,650)
Valuation adjustment	5,103	-	-	75	5,178
At 31 March 2005	<u>148,956</u>	<u>671</u>	<u>6,121</u>	<u>451</u>	<u>156,199</u>
Depreciation					
At 1 April 2004	-	37	-	-	37
Charged in year	1,141	13	-	4	1,158
Impairment	-	195	-	-	195
Valuation adjustment	(1,141)	-	-	(4)	(1,145)
At 31 March 2005	<u>-</u>	<u>245</u>	<u>-</u>	<u>-</u>	<u>245</u>
Social housing and other grants					
At 1 April 2004	-	-	-	-	-
Additions	-	-	3,621	-	3,621
Schemes completed	1,256	-	(1,256)	-	-
Transferred to RCGF	-	-	-	(37)	(37)
Valuation adjustment	(1,256)	-	-	37	(1,219)
At 31 March 2005	<u>-</u>	<u>-</u>	<u>2,365</u>	<u>-</u>	<u>2,365</u>
Net book value					
At 31 March 2005	<u>148,956</u>	<u>426</u>	<u>3,756</u>	<u>451</u>	<u>153,589</u>
At 31 March 2004	143,869	634	-	483	144,986

Notes to the Financial Statements

31 March 2005

13 Tangible fixed assets – properties *continued*

Total accumulated capital social housing and other grants receivable:

Group and Association	2005	2004
	£'000	£'000
	15,422	11,838

Housing properties held for letting and the three care homes owned by the Association were professionally valued as at 31 March 2005 by DTZ Pidea Consulting Surveyors, an external valuer, on the basis of Existing Use Value – Social Housing (EUV-SH) with special assumptions at £150m (2004: £146m).

These assumptions allow for convergence of rents for protected tenants with rents for new assured tenants in 2005 and assume that annual rent increases are restricted to RPI plus 0.5% into the long term. The valuation without the special assumptions is £169m.

In addition, the Group owns twenty-seven market-renting properties, which have been included in the valuation at their open market value of £2.3m. (2004: £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	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Housing properties and offices comprise of:				
Freehold land and buildings	158,130	147,041	155,817	147,041
Long leasehold land and buildings	426	3,197	426	634

Notes to the Financial Statements

31 March 2005

14. Tangible fixed assets – other

	Freehold offices	Furniture fixtures and fittings	Computers	Office equipment	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Group						
Cost						
At 1 April 2004	2,906	410	1,374	192	516	5,398
Additions	-	3	123	12	71	209
Disposals	-	(80)	-	-	(29)	(109)
At 31 March 2005	2,906	333	1,497	204	558	5,498
Depreciation						
At 1 April 2004	(217)	(327)	(1,166)	(110)	(332)	(2,152)
Charged in year	(35)	(20)	(137)	(18)	(59)	(269)
Disposals	-	55	-	-	27	82
At 31 March 2005	(252)	(292)	(1,303)	(128)	(364)	(2,339)
Net book value						
At 31 March 2005	2,654	41	194	76	194	3,159
At 31 March 2004	2,689	83	208	82	184	3,246

	Freehold offices	Furniture fixtures and fittings	Computers	Office equipment	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Association						
Cost						
At 1 April 2004	2,906	329	1,374	192	516	5,317
Additions	-	3	123	12	71	209
Disposals	-	-	-	-	(29)	(29)
At 31 March 2005	2,906	332	1,497	204	558	5,497
Depreciation						
At 1 April 2004	(217)	(271)	(1,166)	(110)	(332)	(2,096)
Charged in year	(35)	(20)	(137)	(18)	(59)	(269)
Disposals	-	-	-	-	27	27
At 31 March 2005	(252)	(291)	(1,303)	(128)	(364)	(2,338)
Net book value						
At 31 March 2005	2,654	41	194	76	194	3,159
At 31 March 2004	2,689	58	208	82	184	3,221

15 Fixed asset investments

The Association owns 100% of the issued share capital of the following companies incorporated and registered in England:

Company	Type of share	Number of shares
FLW Ltd	Ordinary £1	100
Westlea Property Services Limited	Preference £1	3,314,832

Notes to the Financial Statements

31 March 2005

15 Fixed asset investments *continued*

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

FLW Limited	Westlea Property Services Limited
Daphne Wheeler	Ann Cornelius
Tim Jackson	Tim Jackson
Pat McAuliffe	Daphne Wheeler
	Bill Fishlock
	Pat McAuliffe
	Edward Baliszewski

Subsidiary undertakings	
Association	2005
	£'000
Cost	
At 1 April 2004	697
Additions	3,315
Disposal	(697)
At 31 March 2005	3,315
Provisions for impairment	
At 1 April 2004	250
Disposal	(250)
At 31 March 2005	-
Net book value	
At 31 March 2005	3,315
At 1 April 2004	447

Acquisition of subsidiary undertaking

On 5 November 2004 Westlea acquired 100% of the issued share capital of Westlea Property Services Limited (WPS) for consideration comprising market rent properties with a valuation of £2,315,000 and £1,000,000 cash. The fair value of the consideration was £3,315,000. Until the point of acquisition by the Association, WPS had been dormant with no assets or liabilities. The consideration paid by the Association in exchange for 3,314,832 preference shares of £1 each became the only assets of the company at that date.

The summarised profit and loss account for WPS for the period since starting to trade is:

	£'000
Turnover	56
Cost of sales	21
Gross profit	35
Administrative expenses	30
Operating profit	5
Interest receivable	17
Profit before taxation	22
Taxation	5
Profit after taxation	17

There were no other recognised gains or losses for the period.

Notes to the Financial Statements

31 March 2005

15 Fixed asset investments *continued*

Disposal of subsidiary undertaking

On 18 March 2005 the Association sold its investment in Baldwin Street Properties Limited. Net sales proceeds, after repayment of loan from the Association, were £129,000 resulting in a loss on sale of £318,000 for the Association. The loss to the Group is detailed below. The profit of Baldwin Street Properties in the period up to disposal was £5,000.

Sale of subsidiary undertaking

Net assets disposed of and the related sales proceeds were as follows:

	£'000
Housing properties	2,563
Other fixed assets	25
Intercompany loan	(2,013)
Creditors	(24)
	551
BSP profit before interest and tax	5
BSP interest payable	(108)
	448
Loss on sale	(319)
Net sales proceeds	129
Satisfied by:	
Cash	2,216
Intercompany loan repaid	(2,018)
Sales fees	(69)
	129
Net cash inflows in respect of the sale comprised:	
Cash consideration	2,216
Sale of company costs	(69)
	2,147

16 Stock

	Group		Association	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Raw materials and consumables	82	75	82	75
Work in progress (Properties for sale)	503	-	-	-
	585	75	82	75

Notes to the Financial Statements

31 March 2005

17 Debtors

	Group		Association	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Due within one year				
Arrears of rent/service charges	909	982	909	982
Debtor (rent holding account)	197	133	197	133
Less: Provision for bad and doubtful debts	(419)	(505)	(419)	(505)
	687	610	687	610
Capital grants receivable	74	122	72	122
Development agency debtor	-	6	-	6
Other debtors	1,192	595	1,189	595
Less provision for bad debts	(163)	(118)	(163)	(118)
Prepayment and accrued income	119	91	117	53
Due from Group companies	-	-	90	2,051
	1,909	1,306	1,992	3,319

18 Current asset investments

	Group		Association	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Fixed weekly investment	3,192	7,350	2,507	7,350

19 Creditors: amounts falling due within one year

	Group		Association	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Trade creditors	2,549	3,491	2,526	3,482
Rent and service charges received in advance	337	314	337	314
Corporation Tax	134	342	129	327
Other taxation and social security	247	585	247	585
Bank overdraft	527	43	527	43
Other creditors	2,251	2,283	2,189	2,283
	6,045	7,058	5,955	7,034

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

	2005	2004
	£'000	£'000
Bank loans (repayable after 5 years)	77,300	79,300

Debt maturing up to October 2021

83% of debt was fixed with interest rates ranging from 4.41% to 6.65%

17% of debt was floating with interest rates ranging from 5.37% to 5.38%

Notes to the Financial Statements

31 March 2005

21 Non-equity share capital

Association	2005	2004
	£	£
Shares of £1 each issued and fully paid		
At 1 April 2004	55	55
Shares issued during the year	4	-
At 31 March 2005	59	55

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

Group	Revaluation Reserve	Revenue Reserve	Total
	£'000	£'000	£'000
At 1 April 2004	71,411	1,758	73,169
Surplus for the financial period	-	250	250
Revaluation surplus	7,986	-	7,986
Transfers	(894)	894	-
At 31 March 2005	78,503	2,902	81,405

Association

At 1 April 2004	71,411	1,654	73,065
Surplus for the financial period	-	783	783
Revaluation surplus	7,542	-	7,542
Transfers & disposals	(1,204)	1,204	-
At 31 March 2005	77,749	3,641	81,390

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	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Opening Association funds	73,169	55,572	73,065	55,703
Surplus for the financial period	250	366	783	131
Revaluation surplus	7,986	17,231	7,542	17,231
Closing Association funds	81,405	73,169	81,390	73,065

Notes to the Financial Statements

31 March 2005

24 Financial commitments

Group and Association

Capital expenditure commitments are as follows:	2005	2004
	£'000	£'000
Expenditure contracted for but not provided in the accounts	3,591	4,331
Expenditure authorised by the board, but not contracted	5,461	8,502
	9,052	12,833

Operating leases

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

Vehicle leases expiry:

	2005	2004
	£'000	£'000
Within one year	4	3
One to five years	36	26
	40	29

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

Group	2005	2004
	£'000	£'000
Operating surplus	5,416	5,139
Depreciation of tangible fixed assets	1,428	1,372
(Surplus)/deficit on sale of other tangible fixed assets	(1)	(2)
	6,843	6,509
Working capital movements		
Stock (increase)	(509)	(3)
Debtors (increase)/decrease	(680)	334
Creditors (decrease)/increase	(310)	555
Net cash inflow from operating activities	5,344	7,395

26 Reconciliation of net cash flow to movement in net debt

Group	2005	2004
	£'000	£'000
(Decrease) in cash	(482)	(280)
Cash flow from (decrease) / increase in liquid resources	(4,158)	5,000
Cash outflow from decrease in debt	2,000	-
(Increase) / decrease in net debt from cashflows	(2,640)	4,720
Net debt at 1 April	(71,992)	(76,712)
Net debt at 31 March	(74,632)	(71,992)

Notes to the Financial Statements

31 March 2005

27 Analysis of net debt

Group	1 April	Cash flow	31 March
	2004		2005
	£'000	£'000	£'000
Cash at bank and in hand	(42)	(482)	(524)
Changes in cash	(42)	(482)	(524)
Current asset investments	7,350	(4,158)	3,192
Loans	(79,300)	2,000	(77,300)
Changes in debt	(79,300)	2,000	(77,300)
Changes in net debt	(71,992)	(2,640)	(74,632)

28 Analysis of movements in capital grants

Group and Association

	2005
	£'000
Balance as at 1 April 2004	14,414
Cash received	944
Balance as at 31 March 2005	15,358

29 Related parties

There were 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.



Westlea Housing Association

Westlea Housing Association
Methuen Park, Chippenham
Wiltshire SN14 0GU

Tel 01249 465465
Fax 01249 461136
enquiries@westlea.co.uk
www.westlea.co.uk



business for neighbourhoods