

A close-up photograph of a man in a green polo shirt working on an electronic circuit board. He is holding a red probe from a yellow multimeter. The multimeter is on the left, showing a digital display with a green bar graph. The man is looking intently at the board. The background is a plain, light-colored wall.

Report
and Financial
Statements
2005/2006

Report and Financial Statements

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 and Association Income and Expenditure Accounts	10
Statements of Total Recognised Surpluses and Deficits	11
Notes of Historical Cost Surpluses and Deficits	11
Reconciliations of Movements in Funds	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

Chair

E Baliszewski

Vice Chair

W Fishlock

Other Members

D Bligh
A Bucknell
R Case
A Clapp
J Holden
P McAuliffe
S Walker
I Williams
D Wheeler

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

External auditors

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

Internal auditors

Bentley Jennison Risk Management Ltd, 1 Hollinswood Court Stafford Park 1, Telford, Shropshire TF3 3DE

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 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 2006. 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 ('WHA' or 'the Association') is a not-for-profit organisation administered by a voluntary Management Board. The Group managed 6,260 units of accommodation (of which 6,248 were owned by the Group) as at 31 March 2006. The properties have a current value of £160m. The Group employed 232 staff. Any surpluses made by the subsidiaries are retained within the Group.

Business review

Details of the Group's performance for the year and future plans are set out in the Operating and Financial Review that follows this report.

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 232 staff (212 full time equivalent) in the following departments:

Chief Executive's office	8
Operations	189
Finance & Resources	35
	232

The Group looks to recruit and retain the best available staff. In 2005/2006 we recruited 54 new people, of which 15 were new posts. At 31 March 2006, 74% of staff had been with the organisation at least two years. The equivalent figure for 31 March 2005 was 73%.

The executive management team is made up of the Chief Executive and two directors, and is supported by a group of six 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. Other formal groups meet regularly to review development, commercial activities, efficiency and equality and diversity within the Group. 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 post with responsibility for safety.

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

The Board is responsible for preparing the report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Industrial and Provident Societies Acts and registered social landlord legislation in the United Kingdom 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 Association at the end of the year and of the surplus or deficit of the Group and Association for the year then ended.

In preparing those financial statements the Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- follow applicable United Kingdom Accounting Standards and the Statement of Recommended Practice, "Accounting by registered social landlords" (Update 2005), subject to any material departures disclosed and explained in the financial statements.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and Association and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, paragraph 16 of Schedule 1 to the Housing Act 1996 (as amended by the Housing Act 2004) and the Accounting Requirements for registered social landlords General Determination 2000. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice: "Accounting by registered social landlords" (Update 2005).

The Board is responsible for the maintenance and integrity of the corporate and financial information on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

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 12 non-executive members. It is responsible for generally managing the affairs of the Group and for setting the policy and strategies.

Report of the Management Board *continued*

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.

Internal controls assurance

The Board has overall responsibility for establishing and maintaining the whole system of internal controls and for reviewing its effectiveness. This applies to all companies 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 for identifying, evaluating and managing the significant risks faced by the Group is ongoing, and has been in place throughout the period commencing 1 April 2005 up to the date of approval of the annual report and financial statements. The key elements of the control framework include:

- **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 auditors carried out regular reviews of the risk management framework and control environment during the year and reported their 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 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 auditors.
 - 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 ways:
 - 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 auditors, and assessment of compliance with circular R25/01 Internal Controls Assurance from the Chief Executive and Executive Director of Finance and Resources, and the auditor's management letters 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.

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 Team.

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 annual general meeting.

Annual general meeting

The annual general meeting will be held on 14 September 2006.

Signed on behalf of the Management Board.



E Baliszewski
Chair
20 July 2006

Overall performance for the year

The Group made a surplus of £639,000 for the year, which was greater than anticipated.

The net worth of the Group increased from £76.8m at the beginning of the year to £79.1m at the end.

Significant events during the year were:

- As 2005/06 is the first full year since conversion to charitable status no tax liabilities arose for the year in respect of the Association.
- The Group closed, with some minor exceptions, both defined benefit pension schemes to new joiners. This is also the first year that accounting for retirement benefits is fully reflected in the financial statements under the requirements of Financial Reporting Standard 17. The results for 2004/05 have been restated to reflect the full implementation of this accounting standard. Readers should note that the balance sheet includes a liability of £4,978,000 in respect of the deficit on the Wiltshire Pension Scheme. Contribution rates have been set by the scheme administrators to pay off this deficit within 14 years.
- The Group, via its subsidiary, Oakus Wiltshire Ltd (formerly Westlea Property Services Limited), sold its first four houses developed for outright sale for a profit of £60,000.
- Oakus Wiltshire Ltd has gift-aided £60,000 of its profits to WHA, and the financial statements reflect this transaction.
- WHA developed 108 new properties during the year.

Overall the results will strengthen the Group's financial position. The deficits on the pension funds remain a concern. Although investments grew significantly in value this growth was more than offset by increases in the value of liabilities. Liabilities were high at least partly because of the fall in the discount factor used in calculating the liabilities, resulting from the fall in long term bond rates.

It was particularly pleasing to develop a number of new properties whilst maintaining the same debt level over the year.

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 produced its first Annual Efficiency Statement in July 2005 which identified a number of areas where greater efficiency has been and can continue to be achieved.

The nature of the business

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

The stock is predominantly general needs and sheltered accommodation. 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 the demand is falling for a limited number of sheltered properties. A housing strategy for the elderly is being developed to tackle this.

Government and regulatory changes

Significant recent changes include:

- amendments to the rent policy by the regulator which means WHA will charge higher rents for its larger properties.
- the first allocation of grant for new houses by the regulator to private developers. The Housing Corporation continues to allocate funding to housing associations for the development of properties. WHA was successful in securing grant for 200 properties in the 2006/08 allocation round.

Key indicators

Westlea has introduced a new approach to performance management, including an outcome focussed business plan with clear targets and indicators of success summarised in a balanced scorecard reported regularly to Board and senior management. The main indicators are shown below:

- Actual surplus to be higher or equal to the budgeted surplus of £375K
- Overall satisfaction with our service to exceed 80%
- Overall satisfaction with telephone access to Westlea to exceed 80%
- Overall satisfaction with repairs and maintenance to exceed 83%
- 100% emergency repairs and 97% of urgent and routine repairs to be completed within target times
- Efficiency gains of £3m for 2006/7 as set out in the annual efficiency statement to be achieved
- Tenants believing rent is good value for money to exceed 83%
- Empty properties to be re-let in under 3 weeks
- Pipeline of new homes to be over 500
- Staff satisfaction with Westlea as an employer to exceed 80%

Operating review

- Rents – WHA continues to comply with the regulators expectations on rents on its properties. Increases above inflation have been made to some garages from April 2006.

- The turnover of the Group has grown by £0.7m which is a rise of 3.5% on last year. Costs have risen by 8.4%. This reflects increased investment in planned maintenance for the year, and the recruitment of new posts involved directly in service delivery, including extra caretaker and neighbourhood workers.
- Overall staff costs have increased by 14% reflecting an increase in the number of staff employed by WHA. Costs per staff member have increased by 3.7%. The Board have adopted a policy of pegging overall increases at the level of national earnings inflation.
- During the year the Group sold 18 right to buy properties. This was offset by the development of 108 new houses which came into management during the year. The Group is actively growing its development pipeline and aims to build at least 500 new properties by 2011.
- **Tax and charitable status**
The Association converted to charitable status in November 2004. Consequently no tax is payable by the Association on its surplus for the year ended 31 March 2006. Tax of £25,000 is due on profits made by its subsidiary Oakus Wiltshire Ltd. The tax bill has been reduced by Oakus gift-aiding £60,000 to WHA for the 2005/06 financial year.
- **Growth in the value of business**
Overall the Group's net worth increased from £76.8m to £79.1m. This is a result of revenue reserves increasing by £1m, and a growth in revaluation reserves of £1m. As at 31 March 2006 our housing stock was worth £159.6m on an Existing Use Value - Social Housing basis.

Financial review

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

As at 31 March 2006 the Group has borrowed £77.3m, unchanged from the previous year. Of this £77.3m, 85% of debt was fixed at rates of between 4.42% and 6.65%, with the rest variable rate debt at a rate of 5.05% at the year end. The Group's overall facility is £110m. Interest costs were £4.3m for the year, down by £190,000 compared with the previous year, despite no change in the amount borrowed in the period. In March 2005, the Group signed a revised loan agreement which reduced the margins on some of the debt, created a revolving facility of £10m, and which allowed repayment of the debt to be postponed by one year annually.

The Group 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 three to five years to fund our growing development programme. Officers are exploring our borrowing capacity and aim to increase our facilities within the next 12 months.



Tim Jackson
Executive Director of Finance & Resources
20 July 2006

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

We have audited the Group and Association financial statements of Westlea Housing Association Limited for the year ended 31 March 2006, which comprise the Group and Association income and expenditure accounts, the Group and Association balance sheets, the Group cash flow statement, the Group and Association statements of total recognised surpluses and deficits and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the 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 Association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described on page 4, the Management Board is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 (as amended by the Housing Act 2004) and the Accounting Requirements for registered social landlords General Determination 2000. We also report to you if, in our opinion, the Report of the Management Board is not consistent with the financial statements, if the Association 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 is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with the audited financial statements. The other information comprises only the Report of the Management Board and the Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Group and Association as at 31 March 2006 and of the Group's and 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
21 July 2006

Group and Association Income and Expenditure Accounts for the year ended 31 March 2006

Statement of Total Recognised Surpluses and Deficits for the year ended 31 March 2006

Group	Note	2006	2005
		£'000	Restated £'000
Turnover: continuing activities	3	22,008	21,266
Administrative costs		(1,213)	(982)
Direct property management costs		(15,870)	(14,773)
Operating costs: continuing activities	3	(17,083)	(15,755)
Operating surplus	3,7	4,925	5,511
(Deficit) / surplus on sale of housing properties	5	(93)	125
Surplus / (deficit) on sale of fixed asset investment	15	15	(319)
Impairment provision		-	(195)
Interest receivable and other income	8	77	227
Interest payable and similar charges	9	(4,218)	(4,499)
Other finance charges	10	(107)	(169)
Surplus on ordinary activities before taxation		599	681
Tax on surplus on ordinary activities credit / (charge)	12	40	(505)
Surplus for the financial year	22	639	176

Association	Note	2006	2005
		£'000	Restated £'000
Turnover: continuing activities	3	21,338	20,845
Administrative costs		(1,140)	(1,018)
Direct property management costs		(15,359)	(14,326)
Operating costs	3	(16,499)	(15,344)
Operating surplus: continuing activities	3,7	4,839	5,501
(Deficit) / surplus on sale of housing properties	5	(73)	570
Surplus / (deficit) on sale of fixed asset investment	15	15	(318)
Impairment provision		-	(195)
Gift aid covenant		60	-
Interest receivable and other income	8	36	319
Interest payable and similar charges	9	(4,226)	(4,499)
Other finance charges	10	(107)	(169)
Surplus on ordinary activities before taxation		544	1,209
Tax on surplus on ordinary activities credit / (charge)	12	65	(500)
Surplus on ordinary activities before taxation	22	609	709

The notes on pages 15 to 33 form part of these financial statements.

	Group		Association	
	2006	2005	2006	2005
	£'000	Restated £'000	£'000	Restated £'000
Surplus for the financial year	639	176	609	709
Unrealised surplus on revaluation of housing properties	2,053	7,986	2,053	7,542
Actuarial (loss) / gain relating to the pension scheme	(469)	832	(469)	832
Total recognised surpluses and deficits relating to the year	2,223	8,994	2,193	9,083
Prior year adjustment	(4,560)		(4,560)	
Total recognised surpluses and deficits since the last report	(2,337)		(2,367)	

Note of Historical Cost Surpluses and Deficits for the year ended 31 March 2006

	Group	Association
	2006	2005
	£'000	Restated £'000
Reported surplus on ordinary activities before taxation	599	681
Realisation of property revaluation gains	335	361
Excess of actual depreciation charge over historical cost depreciation	600	533
Historical cost surplus on ordinary activities before taxation	1,534	1,575
Historical cost retained surplus	1,574	1,070

Reconciliation of Movements in Funds

	Group	Association
	2006	2005
	£'000	Restated £'000
Opening total funds as previously stated	81,405	73,169
Prior year adjustment	(4,560)	(5,318)
Opening total funds as restated	76,845	67,851
Total recognised surpluses and deficits relating to the year	2,223	8,994
Closing total funds	79,068	76,845

Group Balance Sheet at 31 March 2006

	Note	2006 £'000	2005 Restated £'000
Tangible fixed assets			
Housing properties	13	159,592	155,902
Other tangible fixed assets	14	3,219	3,159
		162,811	159,061
Current assets			
Stock	16	128	585
Debtors	17	994	1,909
Investments	18	1,801	3,192
Cash at bank and in hand		18	3
		2,941	5,689
Current liabilities			
Creditors: amounts falling due within one year	19	(4,406)	(6,045)
Net current liabilities		(1,465)	(356)
Total assets less current liabilities		161,346	158,705
Creditors: amounts falling due after more than one year			
Net pension liability	20	77,300	77,300
	10	4,978	4,560
		82,278	81,860
Capital and reserves			
Non-equity share capital	21	-	-
Revaluation reserve	22	79,621	78,503
Revenue reserve	22	(553)	(1,658)
Consolidated funds		79,068	76,845
		161,346	158,705

The financial statements were approved by the Board on 20 July 2006 and signed on its behalf by:



E Baliszewski
Chair of the Board



D Ashmore
Company Secretary



P McAuliffe
Chair Audit Committee

Association Balance Sheet at 31 March 2006

	Note	2006 £'000	2005 Restated £'000
Tangible fixed assets			
Housing properties	13	157,584	153,589
Other tangible fixed assets	14	3,219	3,159
		160,803	156,748
Investments in subsidiaries	15	3,315	3,315
		164,118	160,063
Current assets			
Stock	16	86	82
Debtors	17	1,064	1,992
Investments	18	376	2,507
Cash at bank and in hand		17	1
		1,543	4,582
Current liabilities			
Creditors: amounts falling due within one year	19	(4,360)	(5,955)
Net current liabilities		(2,817)	(1,373)
Total assets less current liabilities		161,301	158,690
Creditors: amounts falling due after more than one year			
Net pension liability	20	77,300	77,300
	10	4,978	4,560
		82,278	81,860
Capital and reserves			
Non-equity share capital	21	-	-
Revaluation reserve	22	78,958	77,749
Revenue reserve	22	65	(919)
Association's funds		79,023	76,830
		161,301	158,690

The financial statements were approved by the Board on 20 July 2006 and signed on its behalf by:



E Baliszewski
Chair of the Board



D Ashmore
Company Secretary



P McAuliffe
Chair Audit Committee

Group Cash Flow Statement

for the year ended 31 March 2006

	Note	2006 £'000	2005 £'000
Net cash inflow from operating activities	24	7,400	5,678
Returns on investments and servicing of finance			
Interest received		84	254
Interest paid		(4,227)	(4,530)
		(4,143)	(4,276)
Taxation – corporation tax paid		(71)	(713)
Capital expenditure			
Purchase and construction of housing properties		(7,948)	(6,807)
Social housing grant – received		3,591	944
Purchase of other fixed assets		(331)	(186)
Sale of properties proceeds		1,482	2,235
Sale of properties costs		(1,275)	(1,665)
Sales of other fixed assets – proceeds		-	3
		(4,481)	(5,476)
Acquisitions and disposals			
Sale of company proceeds		-	2,216
Sale of company costs		-	(69)
		-	2,147
Management of liquid resources		1,391	4,158
Financing loan (repaid)		-	(2,000)
Increase / (decrease) in cash	25	96	(482)

Notes to the Financial Statements

31 March 2006

1 Legal status

The Association is registered under the Industrial and Provident Societies Act 1965, has charitable status 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 2005 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.

The prior year adjustment (note 22) relates to a change in accounting policy for pension costs under the first-time application of FRS 17 "Retirement Benefits" resulting in a reduction of reserves at 1 April 2005. Prior year comparatives have changed accordingly.

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; and
- revenue grants

Interest payable

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

- interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance; or
- interest on borrowings of the Association as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

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

Value added tax

The Group charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and is not recoverable from HM Customs and Excise. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Notes to the Financial Statements

31 March 2006

2 Accounting policies *continued*

Pensions

The Group participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme ('SHPS') and the Wiltshire County Council Pension Fund ('WCCPF').

For the SHPS, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure charge represents the employer contributions payable to the scheme for the accounting period.

For the WCCPF, the operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets and any other changes in fair value of the assets and liabilities, are recognised in the accounting period in which they arise. The operating costs, finance costs and expected return on assets are recognised in the income and expenditure account with any other changes in fair value of assets and liabilities being recognised in the statement of total recognised surpluses and deficits.

Supported housing managed by agencies

Social housing capital grants are claimed by the Association as developer and owner of the property and included in the balance sheet of the Association. The treatment of other income and expenditure in respect of supported housing projects depends on the nature of the partnership arrangements between the Association and its managing agents and on whether the Association carries the financial risk.

Where the Association holds the support contract with the Supporting People Administering Authority and carries the financial risk, all the project's income and expenditure is included in the Association's income and expenditure account (see note 3).

Where the agency holds the support contract with the Supporting People Administering Authority and carries the financial risk, the income and expenditure account includes only that income and expenditure which relates solely to the Association (see note 4)

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.

Shared ownership properties are included in housing properties at cost, less the first tranche proceeds and any provisions for depreciation or impairment.

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.

Social housing grant

Social housing grant (SHG) is receivable from the Housing Corporation and is utilised to reduce the capital costs of housing properties, including land costs. SHG due from the Housing Corporation or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with the Housing Corporation. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

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 2006

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 cost.

Liquid resources

Current asset 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 2006

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

	2006			2005 Restated		
	Turnover £'000	Operating cost £'000	Operating surplus/(deficit) £'000	Turnover £'000	Operating cost £'000	Operating surplus/(deficit) £'000
Group – continuing activities						
Income and expenditure from lettings						
Housing accommodation	18,769	14,733	4,036	18,150	13,658	4,492
Sheltered housing accommodation	892	815	77	886	827	59
Supported housing accommodation	134	113	21	156	162	(6)
Shared ownership accommodation	33	72	(39)	23	10	13
Garages	565	64	501	554	98	456
Discontinued activities	-	-	-	387	382	5
	20,393	15,797	4,596	20,156	15,137	5,019
Other income and expenditure						
Architects and surveyors services	23	12	11	29	20	9
Management services	201	82	119	230	80	150
Supporting people contracts	636	496	140	617	454	163
Development costs not capitalised	-	6	(6)	-	-	-
Other	755	690	65	234	64	170
	1,615	1,286	329	1,110	618	492
	22,008	17,083	4,925	21,266	15,755	5,511
Operating surplus analysed						
Lettings			4,596			5,019
Other			329			492
			4,925			5,511
Association – continuing activities						
Income and expenditure from lettings						
Housing accommodation	18,646	14,676	3,970	18,110	13,607	4,503
Sheltered housing accommodation	892	815	77	886	827	59
Supported housing accommodation	134	113	21	156	162	(6)
Shared ownership accommodation	33	72	(39)	23	10	13
Garages	565	64	501	553	98	455
	20,270	15,740	4,530	19,728	14,704	5,024
Other income and expenditure						
Architects and surveyors services	16	3	13	25	32	(7)
Management services	201	82	119	239	89	150
Supporting people contracts	636	496	140	617	454	163
Development costs not capitalised	-	6	(6)	-	-	-
Other	215	172	43	236	65	171
	1,068	759	309	1,117	640	477
	21,338	16,499	4,839	20,845	15,344	5,501
Operating surplus analysed						
Lettings			4,530			5,024
Other			309			477
			4,839			5,501

Notes to the Financial Statements

31 March 2006

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

Particulars of income and expenditure from lettings

	2006					2005 Restated	
	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	18,862	819	81	44	606	20,412	20,204
Service charges receivable*	103	94	90	-	-	287	287
Gross rental income	18,965	913	171	44	606	20,699	20,491
Voids	(196)	(21)	(37)	(11)	(41)	(306)	(335)
Net rental income	18,769	892	134	33	565	20,393	20,156
Expenditure on lettings							
Services	801	45	6	8	-	860	772
Management	4,996	274	38	51	-	5,359	5,114
Routine maintenance	4,076	226	31	-	64	4,397	3,814
Major repairs expenditure	3,568	198	28	-	-	3,794	4,021
Bad debts	119	7	1	1	-	128	186
Depreciation of housing properties	1,173	65	9	12	-	1,259	1,230
Total expenditure on lettings	14,733	815	113	72	64	15,797	15,137
Operating surplus / (deficit) on lettings	4,036	77	21	(39)	501	4,596	5,019
Association							
Turnover from lettings							
Rent receivable net of identifiable service charges	18,725	819	81	44	606	20,275	19,687
Service charges receivable*	103	94	90	-	-	287	287
Gross rental income	18,828	913	171	44	606	20,562	19,974
Voids	(182)	(21)	(37)	(11)	(41)	(292)	(246)
Net rental income	18,646	892	134	33	565	20,270	19,728
Expenditure on lettings							
Services	801	45	6	8	-	860	772
Management	4,939	274	38	51	-	5,302	4,838
Routine maintenance	4,076	226	31	-	64	4,397	3,730
Major repairs expenditure	3,568	198	28	-	-	3,794	4,021
Bad debts	119	7	1	1	-	128	185
Depreciation of housing properties	1,173	65	9	12	-	1,259	1,158
Total expenditure on lettings	14,676	815	113	72	64	15,740	14,704
Operating surplus / (deficit) on lettings	3,970	77	21	(39)	501	4,530	5,024

*Service charge income on general housing accommodation was split as £3,095 eligible for housing benefit (2005: £3,133) and £97,151 as non-eligible (2005: £95,794).

Notes to the Financial Statements

31 March 2006

5 (Deficit)/Surplus on sale of housing properties

	Group		Association	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Proceeds	1,448	2,164	1,160	4,479
Other income	34	71	34	71
Council clawback	(694)	(1,266)	(694)	(1,266)
Cost of sales, at cost	(536)	(418)	(322)	(2,289)*
Cost of sales, at revalued amount	(334)	(361)	(244)	(361)
Other costs	(11)	(65)	(7)	(64)
	(93)	125	(73)	570

*The Association cost of sales figure for 2005 includes the transfer of market rent properties to Oakus Wiltshire Ltd 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	2006		2005	
	No.	No.	No.	No.
Housing accommodation	5,545	5,504		
Sheltered housing accommodation	310	311		
Supported housing accommodation	43	43		
Shared ownership accommodation	57	11		
Accommodation managed on behalf of other organisations	12	19		
Leasehold properties	293	299		
	6,260	6,187		

7 Operating surplus

This is arrived at after charging/(crediting):

	Group		Association	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Depreciation of other tangible assets	272	269	272	269
Depreciation of housing properties	1,273	1,230	1,273	1,158
Surplus on sale of other tangible fixed assets	-	(1)	-	(1)
Operating lease rentals – motor vehicles	38	41	38	41
Auditor's remuneration				
– for audit services	21	21	20	20
– for non-audit services	12	11	12	11

8 Interest receivable and other income

	Group		Association	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Interest receivable and other income	77	227	36	319

Notes to the Financial Statements

31 March 2006

9 Interest payable and similar charges

	Group		Association	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Interest payable on loans and bank overdrafts	4,309	4,499	4,317	4,499
Capitalised interest	(91)	-	(91)	-
	4,218	4,499	4,226	4,499

10 Employees

Group and Association	2006		2005	
	No.	No.	No.	No.
Average monthly number of employees (full time equivalents)*				
Administration		35		32
Development		9		4
Housing		168		157
		212		193

*Based on 35 hours/week

Staff costs	£'000	£'000
Wages and salaries	5,331	4,709
Social security costs	389	345
Other pension costs	759	629
	6,479	5,683

(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 and rolled forward to 31 March 2005 and 31 March 2006 by a qualified actuary. 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.

Assumptions

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

	31 March 2006	31 March 2005	31 March 2004
	% Per Annum	% Per Annum	% Per Annum
Salary increases	4.6	4.4	4.4
Pension increases	3.1	2.9	2.9
Discount rate	4.9	5.4	5.5
Price increases	3.1	2.9	2.9

Notes to the Financial Statements

31 March 2006

10 Employees *continued*

Contributions

The contributions paid to the Wiltshire County Council Pension Fund by the Association are shown below:

	2006	2005
	£'000	£'000
Employer's contributions	552	566

The employers' contribution rate for 2005/2006 was 31.4% of pensionable pay, the rate remains at 31.4% for 2006/2007.

Analysis of the amount charged to operating surplus

	2006	2005
	£'000	£'000
Current service costs	306	313
Curtailed and settlements	88	158
Total operating charge	394	471

Analysis of the amount credited to other finance income

	2006	2005
	£'000	£'000
Expected return on pension scheme assets	627	565
Interest on pension scheme liabilities	(734)	(734)
Net charge	(107)	(169)

Balance sheet information as required by FRS 17

The fund values and expected rates of return on each of the four main class of assets held by the Wiltshire County Council Pension Fund for 31 March 2004 to 31 March 2006 are set out in the following table:

	Fund Value	Expected Return	Fund Value	Expected Return	Fund Value	Expected Return
	31 March	31 March	31 March	31 March	31 March	31 March
	2006	2006	2005	2005	2004	2004
	£'000	%	£'000	%	£'000	%
Equities	8,077	7.4	6,205	7.7	5,552	7.7
Bonds	2,112	4.6	1,734	4.8	1,419	5.1
Property	1,038	5.5	760	5.7	579	6.5
Cash	212	4.6	243	4.8	350	4.0
Total	11,439		8,942		7,900	

Net Pension Deficit

	2006	2005
	£'000	£'000
Fair value of the above assets related to the Group	11,439	8,942
Present value of scheme liabilities	(16,417)	(13,502)
Deficiency related to the Group	(4,978)	(4,560)

Analysis of amount recognised in statement of total recognised surpluses and deficits

	2006	2005
	£'000	£'000
Actual return less expected return on pension scheme assets	1,546	125
Experience gains and losses arising on the scheme liabilities	13	950
Value of the scheme liabilities	(2,028)	(243)
Actuarial (loss) / profit in pension plan	(469)	832

Notes to the Financial Statements

31 March 2006

10 Employees *continued*

FRS17 Analysis – movement in deficit during the year

	2006	2005
	£'000	£'000
Group share of scheme assets/liabilities at beginning of year	(4,560)	(5,318)
Movement in year:		
Current service costs	(306)	(313)
Contributions	552	566
Impact on settlement and curtailment	(88)	(158)
Net charge on assets	(107)	(169)
Actuarial (loss)/gain	(469)	832
Group share of scheme assets/(liabilities) at end of year	(4,978)	(4,560)

History of experience gains and losses recognised in statement of total recognised surpluses and deficits

	2006	2005	2004	2003
Difference between the expected and actual return on share of scheme assets:				
Amount (£'000)	1,546	125	984	(2,247)
Percentage share of scheme assets	3.5	1.4	12.4	(35.8)
Experience gains and losses on share of scheme liabilities:				
Amount (£'000)	13	950	(58)	901
Percentage of present value of share of scheme liabilities	0.1	7.0	(0.4)	8.9
Total amount recognised in statement of total recognised gains and losses:				
Amount (£'000)	(469)	832	(1,463)	(1,346)
Percentage of present value of share of the scheme liabilities	(2.9)	6.2	(11.1)	13.3

(b) Social Housing Pension Scheme

Pension obligations note – SHPS scheme closed by employer

Westlea Housing Association 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 Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Westlea Housing Association paid contributions at the rate of 11.7% for the period to 30 September 2005 and 14.7% thereafter. Member contributions varied between 3.1% and 6.1% depending on their age.

As at the balance sheet date there were 75 active members of the Scheme employed by Westlea Housing Association. Westlea Housing Association has closed the Scheme to new entrants.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

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 the valuation date was £650 million. The valuation revealed a shortfall of assets compared to liabilities of £117 million.

Notes to the Financial Statements

31 March 2006

10 Employees *continued*

Westlea Housing Association has subsequently been notified of the preliminary results of the triennial valuation carried out on 30 September 2005. This indicates an increase in the assets of the Scheme to £1,278 million and an increase in the shortfall of assets compared with liabilities to £283 million. This valuation, and any consequent alteration to future contribution rates, is currently the subject of consultation with participating employers and members. The outcome of this consultation will be made known in September 2006, and any consequent changes to contribution rates applied from 1 April 2007. The following notes therefore relate to the formal valuation of September 2002.

The financial assumptions underlying the valuation as at 30 September 2002 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 valuation revealed a shortfall of assets compared with the value of liabilities of £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 at 15.0% of pensionable salaries.

Westlea Housing Association will be notified later in the year by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Scheme as at 3 September 2005.

11 Board members and executive directors

Group and Association

The Chair of the Board (Mr E Baliszewski) received remuneration of £4,000 in respect of the period 26 September 2005 to 31 March 2006. This payment was made retrospectively in April 2006. No other fees were paid to board members in respect of the year 2005/2006. Expenses paid during the year to board members amounted to £7,382 (2005: £10,435).

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £97,592 (2005 £94,051). 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	2006 Total £'000	2005 Total £'000
Chief Executive					
D Ashmore	89	9	12	110	104
Director of Operations					
E A Cornelius	72	8	10	90	87
Director of Finance & Resources					
T Jackson	71	8	22	101	88
	232	25	44	301	279

Notes to the Financial Statements

31 March 2006

12 Tax on surplus on ordinary activities

Analysis of tax charge in period

	Group		Association	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Current tax reconciliation				
UK corporation tax on surpluses for the period	(25)	(505)	-	(500)
Adjustments in respect of prior periods	80	-	80	-
Payments for group relief – prior periods	(15)	-	(15)	-
Tax on surplus on ordinary activities credit / (charge)	40	(505)	65	(500)

Factors affecting the tax credit/(charge) for the period

The tax assessed for the period differs to the standard rate of corporation tax in the UK (30%), as explained below:

	Group		Association	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Current tax reconciliation				
Surplus for the year	599	681	544	1,209
Theoretical tax of 30%	(179)	(205)	(163)	(364)
Effects of:				
Expenditure not deductible for tax purposes	-	(491)	-	(491)
Surpluses arising in charity	163	157	163	157
Accelerated capital allowances	-	4	-	4
Movement in tax losses	-	(7)	-	2
Movement on pension deficit	-	(15)	-	(15)
Other short term timing differences	-	2	-	2
Surplus on sale of housing properties	(19)	50	-	184
Group relief claimed without charge	-	-	-	21
Adjustments in respect of prior periods	65	-	65	-
Small companies rate relief	10	-	-	-
Current tax credit/(charge) for the period	40	(505)	65	(500)

Notes to the Financial Statements

31 March 2006

13 Tangible fixed assets – properties

Group	Housing properties held for letting	Lettings leasehold	Housing properties under construction	Shared ownership properties held for letting	Shared ownership properties under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 April 2005	151,269	671	5,574	451	547	158,512
Additions and major repairs capitalised	-	-	3,919	-	5,025	8,944
Improvements	313	-	-	-	-	313
Interest capitalised	-	-	34	-	57	91
Schemes completed	7,819	-	(7,819)	1,105	(1,105)	-
Disposals	(871)	-	-	-	(2,015)	(2,886)
Valuation adjustment	(3,736)	-	-	4	-	(3,732)
At 31 March 2006	154,794	671	1,708	1,560	2,509	161,242
Depreciation						
At 1 April 2005	-	245	-	-	-	245
Charged in year	1,252	14	-	7	-	1,273
Disposals	(14)	-	-	-	-	(14)
Valuation adjustment	(1,238)	-	-	(7)	-	(1,245)
At 31 March 2006	-	259	-	-	-	259
Social Housing and other grants						
At 1 April 2005	-	-	2,234	-	131	2,365
Additions	-	-	2,599	-	992	3,591
Schemes completed	4,068	-	(4,068)	497	(497)	-
Transferred to RCGF	(25)	-	-	-	-	(25)
Valuation adjustment	(4,043)	-	-	(497)	-	(4,540)
At 31 March 2006	-	-	765	-	626	1,391
Net book value						
At 31 March 2006	154,794	412	943	1,560	1,883	159,592
At 31 March 2005	151,269	426	3,340	451	416	155,902

Notes to the Financial Statements

31 March 2006

13 Tangible fixed assets – properties continued

Association	Housing properties held for letting	Lettings leasehold	Housing properties under construction	Shared ownership properties held for letting	Shared ownership properties under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 April 2005	148,956	671	5,574	451	547	156,199
Additions and major repairs capitalised	-	-	3,919	-	5,025	8,944
Improvements	313	-	-	-	-	313
Interest capitalised	-	-	34	-	57	91
Schemes completed	7,819	-	(7,819)	1,105	(1,105)	-
Disposals	(566)	-	-	-	(2,015)	(2,581)
Valuation adjustment	(3,736)	-	-	4	-	(3,732)
At 31 March 2006	152,786	671	1,708	1,560	2,509	159,234
Depreciation						
At 1 April 2005	-	245	-	-	-	245
Charged in year	1,252	14	-	7	-	1,273
Disposals	(14)	-	-	-	-	(14)
Valuation adjustment	(1,238)	-	-	(7)	-	(1,245)
At 31 March 2006	-	259	-	-	-	259
Social Housing and other grants						
At 1 April 2005	-	-	2,234	-	131	2,365
Additions	-	-	2,599	-	992	3,591
Schemes completed	4,068	-	(4,068)	497	(497)	-
Transferred to RCGF	(25)	-	-	-	-	(25)
Valuation adjustment	(4,043)	-	-	(497)	-	(4,540)
At 31 March 2006	-	-	765	-	626	1,391
Net book value						
At 31 March 2006	152,786	412	943	1,560	1,883	157,584
At 31 March 2005	148,956	426	3,340	451	416	153,589

Notes to the Financial Statements

31 March 2006

13 Tangible fixed assets – properties *continued*

Total accumulated capital social housing and other grants receivable:

Group and Association	2006	2005
	£'000	£'000
	18,988	15,422

Housing properties held for letting and the three care homes owned by the Association were professionally valued as at 31 March 2006 by Savills Chartered Surveyors, an external valuer, on the basis of Existing Use Value – Social Housing (EUV-SH) with special assumptions at £155m (2005: £150m). These assumptions assume that annual rent increases are restricted to RPI plus 0.5% into the long term. The valuation without the special assumptions is £186m.

In addition, the Group owns 23 market-renting properties, which have been included in the Group valuation at their open market value of £2m. (2005: £2.3m).

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

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

Housing properties book value, net of depreciation and grant paid, and offices at book value comprise:

	Group		Association	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Freehold land and buildings	161,799	158,130	159,791	155,817
Long leasehold land and buildings	412	426	412	426

14 Tangible fixed assets – other

Group and Association	Freehold offices	Furniture fixtures and fittings	Computers	Office equipment	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2005	2,906	332	1,497	204	558	5,497
Additions	-	-	172	72	89	333
Disposals	-	-	(2)	-	-	(2)
At 31 March 2006	2,906	332	1,667	276	647	5,828
Depreciation						
At 1 April 2005	252	291	1,303	128	364	2,338
Charged in year	35	18	123	20	76	272
Disposals	-	-	(1)	-	-	(1)
At 31 March 2006	287	309	1,425	148	440	2,609
Net book value						
At 31 March 2006	2,619	23	242	128	207	3,219
At 31 March 2005	2,654	41	194	76	194	3,159

Notes to the Financial Statements

31 March 2006

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
Oakus Wiltshire Ltd	Preference £1	3,314,832

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

FLW Limited	Oakus Wiltshire Ltd
Daphne Wheeler	Ann Cornelius
Tim Jackson	Tim Jackson
Pat McAuliffe	Daphne Wheeler
	Bill Fishlock
	Pat McAuliffe
	Edward Baliszewski

	2006	2005
	£'000	£'000
Shares in Group undertakings at 1 April	3,315	447
Disposal	-	(447)
Acquisition	-	3,315
Shares in Group undertakings at 31 March	3,315	3,315

On 18 March 2005 the Association sold its investment in Baldwin Street Properties Limited at a loss of £319,000. As at 31 March 2006, additional consideration of £14,776 for the shares is due from the purchaser.

16 Stock

	Group		Association	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Raw materials and consumables	86	82	86	82
Work in progress (properties for sale)	42	503	-	-
	128	585	86	82

Notes to the Financial Statements

31 March 2006

17 Debtors

	Group		Association	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Due within one year				
Arrears of rent/service charges	902	909	902	909
Debtor (rent holding account)	163	197	163	197
Less: provision for bad and doubtful debts	(417)	(419)	(417)	(419)
	648	687	648	687
Capital grants receivable	23	74	23	72
Corporation tax	21	-	21	-
Other debtors	315	1,192	303	1,189
Less provision for bad debts	(145)	(163)	(145)	(163)
Prepayment and accrued income	132	119	130	117
Due from Group companies	-	-	84	90
	994	1,909	1,064	1,992

18 Current asset investments

	Group		Association	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Fixed weekly investment	1,801	3,192	376	2,507

19 Creditors: amounts falling due within one year

	Group		Association	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Trade creditors	1,248	2,549	1,244	2,526
Rent and service charges received in advance	434	337	440	337
Recycled Capital Grant Fund	62	37	62	37
Corporation tax	25	134	-	129
Other taxation and social security	160	247	160	247
Bank overdraft	446	527	446	527
Other creditors	1,584	1,900	1,560	1,838
Accruals and deferred income	447	314	448	314
	4,406	6,045	4,360	5,955

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

	2006	2005
	£'000	£'000
Bank loans (repayable after 5 years)	77,300	77,300

Debt maturing up to October 2021

85% of debt was fixed with interest rates ranging from 4.42% to 6.65%

15% of debt was floating with interest rates at 5.1%

Notes to the Financial Statements

31 March 2006

21 Non-equity share capital

Association

	2006 £	2005 £
Shares of £1 each issued and fully paid		
At 1 April	62	58
Shares issued during the year	3	4
At 31 March	65	62

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 £'000	Revenue Reserve £'000	Total £'000
At 1 April 2005, as previously stated	78,503	2,902	81,405
Prior year adjustment	-	(4,560)	(4,560)
At 1 April 2005, as restated	78,503	(1,658)	76,845
Surplus for the financial period	-	639	639
Actuarial loss relating to pension scheme	-	(469)	(469)
Revaluation surplus	2,053	-	2,053
Transfers and disposals	(935)	935	-
At 31 March 2006	79,621	(553)	79,068

Association

	Revaluation Reserve £'000	Revenue Reserve £'000	Total £'000
At 1 April 2005, as previously stated	77,749	3,641	81,390
Prior year adjustment	-	(4,560)	(4,560)
At 1 April 2005, as restated	77,749	(919)	76,830
Surplus for the financial period	-	609	609
Actuarial loss relating to pension scheme	-	(469)	(469)
Revaluation surplus	2,053	-	2,053
Transfers and disposals	(844)	844	-
At 31 March 2006	78,958	65	79,023

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.

Notes to the Financial Statements

31 March 2006

23 Financial commitments

Group and Association

Capital expenditure commitments are as follows:

	2006	2005
	£'000	£'000
Expenditure contracted for but not provided in the accounts	4,318	3,591
Expenditure authorised by the Board, but not contracted	26,193	5,461
	30,511	9,052

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 expiring

	2006	2005
	£'000	£'000
Within one year	3	4
One to five years	22	36
	25	40

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

Group	2006	2005
	£'000	£'000
Operating surplus	4,925	5,511
Depreciation of tangible fixed assets	1,545	1,428
Deficit / (surplus) on sale of other tangible fixed assets	1	(1)
Pensions operating charge	394	471
Pensions contributions paid	(552)	(566)
	6,313	6,843
Working capital movements		
Stock decrease / (increase)	457	(509)
Debtors decrease / (increase)	929	(680)
Creditors (decrease) / increase	(299)	24
Net cash inflow from operating activities	7,400	5,678

25 Reconciliation of net cash flow to movement in net debt

Group	2006	2005
	£'000	£'000
Increase / (decrease) in cash	96	(482)
Cash flow from decrease in liquid resources	(1,391)	(4,158)
Cash outflow from decrease in debt	-	2,000
Increase in net debt from cashflows	(1,295)	(2,640)
Net debt at 1 April	(74,632)	(71,992)
Net debt at 31 March	(75,927)	(74,632)

Notes to the Financial Statements

31 March 2006

26 Analysis of net debt

Group	1 April	Cash flow	31 March
	2005		2006
	£'000	£'000	£'000
Cash at bank and in hand	(524)	96	(428)
Changes in cash	(524)	96	(428)
Current asset investments	3,192	(1,391)	1,801
Loans	(77,300)	-	(77,300)
Changes in debt	(77,300)	-	(77,300)
Changes in net debt	(74,632)	(1,295)	(75,927)

27 Analysis of movements in capital grants

Group and Association

	2006	2005
	£'000	£'000
Balance as at 1 April	15,358	14,414
Cash received	3,591	944
Balance as at 31 March	18,949	15,358

28 Related parties

There were four tenant members of the Board: D Wheeler, 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.



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