

Bentilee Community Housing Limited

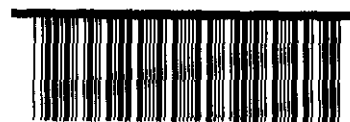
**Financial Statements
For The Year Ended 31 March 2005**

2333405

Prepared by:-

BEEVER *a n d*
STRUTHERS

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St. George's House
215 – 219 Chester Road
Manchester
M15 4JE**



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Bentilee Community Housing Limited

Financial Statements for the Year Ended 31 March 2005

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**Legal and Administrative Details
For the Year Ended 31 March 2005****Board Members**

The members set out below have held office during the whole of the period from 1st April 2004 to the date of this report unless otherwise stated.

Independent Members -

Mr K Bamford
Mr J Flock
Ms M Tomkinson
Ms J Harvey (appointed 09/03/2004)
Mr P Vaughan (appointed 04/11/2004)
Mr D Salmon (resigned 04/11/2004)

Tenant Representatives -

Mrs J Turner (resigned 28/02/2005)
Mr J Brindley
Mrs K Potts
Mrs N Allen (resigned 23/05/2005)
Mrs E Procter
J Palmer (appointed 23/05/2005)

Council Members -

Mr J Davis
Mrs J Mayer (resigned 06/08/2004)
Mr D Povey (resigned 04/07/2005)
Mr M Lewis
Mr A Knapper (appointed 06/08/2004)
Mr K Downs (appointed 06/08/2004)

Executive Directors

Chief Executive & Company Secretary
Finance Director

Len Gibbs
Deborah Goodwin

Registered Office:

131-141 Ubberley Road
Bentilee
Stoke-on-Trent
Staffordshire
ST2 0EF

Auditors:

Beever & Struthers
St. George's House
215-219 Chester Road
Manchester
M15 4JE

Bankers:

Co-operative Bank
42 Greengate Street
Stafford
ST16 2BU

Funders:

Britannia Building Society
Britannia House
Leek
Staffordshire
ST13 3RG

Principal Solicitors:

Grindeys
Glebe Court
Stoke-on-Trent
ST4 1ET

Housing Corporation Registration No.

L4167

Company No.

3333405

Board Report for the Year Ended 31 March 2005**Principal Activity**

The Company's principal activity is the provision of social housing and the regeneration of the Bentilee area. The Company's mission statement is "Working with a range of partners to make Bentilee sustainable".

Review of the Year**The Policy Context**

The Government continued to emphasise the importance of community led regeneration and support the 9 housing market renewal pathfinders. Both the ODPM and Housing Corporation stressed the importance of addressing the needs of black and minority ethnic communities and promoting equality. A new development was the publication of the Operating Cost Index, which demonstrated the increasing importance being attached to the pursuit of operational efficiency. In a more local setting, Renew published its First Prospectus and identified the areas it intends to invest heavily in. A real concern emerged during the year about continuation funding for our Neighbourhood Wardens scheme, which was subject to conflicting and changing policy positions.

Service Delivery

The upswing in the local housing market continued during the year and we benefited from another slight reduction in the number of terminations and a strong demand for our stock. We maintained customer satisfaction results within the top 10% of housing associations and significantly increased satisfaction ratings with our reception and telephone services. We maintained good relations with our repairs contractors and this helped lift our performance during the year. We also completed a major programme of tree planting and external weatherproofing work during the year. The excellent working relationship with our wardens helped us tackle anti-social behaviour problems and customer feedback indicates increasing levels of satisfaction with Bentilee as a place to live.

Continuous Improvement

During the year we reviewed the performance of our Neighbourhood Wardens scheme and Supporting People services. We also established our presence on the Internet. Services to tenants were enhanced through the improvement of our performance in repairs, our new approach to tackling anti-social behaviour and a major refurbishment of our reception area. We also offer the hire of fireguards and stair gates for customers with young children in conjunction with SureStart.

Regeneration

We continued to actively promote the regeneration of Bentilee both on the ground through the continuation of the warden's service and the development of our Vision for Bentilee. Our warden's service has continued to win widespread local support and reduce low-level anti-social behaviour. In March 2005 we began work on the Neighbourhood Delivery Plan for Bentilee, which will build up the detail needed to develop our Vision into a clear programme.

In May 2004 we celebrated the 50th anniversary of Bentilee with an exhibition. We also worked with Staffordshire University to hold an art exhibition within 4 of our empty flats during the year.

We successfully bid for £3,645 from the Greensteps Action Fund to clear flytipping and rubbish from an area of the Bentilee brook, which has enhanced this natural feature for local people to again enjoy.

We also worked with local residents to secure a £500 start up grant from Touchstone Housing Association to set up a "Dreamscheme" youth project in the Bentilee area for 11 to 16 year olds.

During the year we concentrated efforts upon the empowerment of local people through the extension of our supported housing services and the development of our Empowering People, Inspiring Communities programme whereby local people are enhancing their skills in areas like urban design and community safety.

Consultancy services

We continued to work with Telford and Wrekin Borough Council to assist in the development of a major urban renewal project in the Woodside area and also assisted in the development of their economic development strategy. We completed a health impact assessment for Bentilee and a major commission for Birmingham City Council during the year. In March 2005 we were asked to develop the neighbourhood delivery plan for Bentilee. The consultancy service generated over £76,000 in income during the year and also helped enhance the asset base of the organisation through the development of staff skills.

One Year Business Plan

For the first time we produced a One Year Business Plan which contains key themes for the year ahead. The objectives and goals have been translated into a framework of targets and performance indicators that operate throughout the organisation and key performance indicators are reported on a quarterly basis to the Board.

Board Report for the Year Ended 31 March 2005**Partnership Working**

Our warden's scheme has now been extended to other parts of the City and we worked closely with Touchstone Housing Association to promote the benefits of the scheme to key stakeholders. Extending the scheme involved developing closer links with William Sutton Trust, Riverside H.A. and the City Council. We have also been working with Telford and Wrekin Borough Council to develop the EPIC project and promote the cause of better estate design. In developing our plans for Bentilee we have also worked closely with the local housing office and the community forums.

Internal Control

We continued to implement our risk management framework and agenda of continuous improvement during the year. We were happy to note that no significant breaches of the control environment at all were recorded during the year.

Financial Performance

The additional income we raised through consultancy activities and through attracting special funding helped contribute towards our achieving a surplus of £221,000 before taxation. In general all expenditure was at or below levels set in the original budget for the year.

Land and Buildings

A Stock Condition Survey was undertaken during 2003/04 and DTZ Pida completed a revaluation of the Company's stock in March 2004. The stock is due to be revalued March 2006.

Statement of the Board's Responsibilities in Respect of the Accounts

The Board has adopted the National Housing Federation's Code of Governance and accepts the spirit of the Cadbury Committee Report on the Financial Aspects of Corporate Governance. The Board is required to prepare accounts for each financial year that give a true and fair view of the state of affairs of the Company and of the surplus of the Company for that period. In preparing these accounts the Board is required to:-

1. Select suitable accounting policies and then apply them consistently.
2. Make judgements and estimates that are reasonable and prudent.
3. State whether applicable accounting standards have been followed.
4. Prepare the accounts on the going concern basis unless it is inappropriate.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the accounts comply with the Industrial and Provident Societies Acts and Housing Acts. 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, by establishing and maintaining a satisfactory system of control over the Association's accounting records, cash holdings and all its receipts and remittances.

Board Report for the Year Ended 31 March 2005**Statement on the RSL's system of internal control**

The Board is committed to adopting best practice in assurance on internal control and for the period ending 31st March 2005, it was fully compliant with the Housing Corporation's Circular "Internal Controls Assurance", based on the Turnbull Committee recommendations as set out in its report.

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

The Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate all risk of failure to achieve business objectives. The system of internal control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the association's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the association is exposed and is consistent with Turnbull principles as incorporated in the Housing Corporation's circular R2-25/01: internal controls assurance.

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

- **Identification and evaluation of key risks**

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the association's activities. The executive team regularly considers and receives reports on significant risks facing the association and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

- **Environment and control procedures**

The Board retains responsibility for a defined range of issues covering strategic, operational, and financial and compliance issues including treasury strategy and new investment projects. Policies and procedures cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection.

- **Information and financial reporting systems**

Financial reporting procedures include detailed budgets for the year ahead, detailed management accounts produced monthly and forecasts for the remainder of the financial year. These are reviewed in detail by the executive directors and are considered 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.

- **Monitoring and corrective action**

A process of regular management reporting on control issues provides assurance to senior management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and delivery of our services.

The internal control framework and the risk management process are subject to regular review by Internal Audit who advise the senior management team and report to the Audit Committee. The Audit Committee considers internal control and risk at each of its meetings during the year.

The Audit committee conducts an annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of risk management and control process. The Audit Committee makes an annual report to the Board. The Board has received this report.

The Board confirms that there is an ongoing process for identifying, 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 accounts, and is regularly reviewed by the Board.

Payment of Creditors

The Company pays its creditors when due. Where no formal contractual arrangement exists a 30-day credit period is assumed and taken.

Board Report for the Year Ended 31 March 2005

Employment and Equal Opportunities

Employee information is set out in Notes 18 & 19 of the financial.

The Company achieved "Investors In People" accreditation in 1999 and is looking to be re-accredited in December 2005. During the last 2-years we have revised our Recruitment and Selection policy and procedure and introduced a Competency based appraisal system that is clearly linked to the job description and which identifies any training requirements. The Company is committed to the principals of equal opportunities.

The Company is aware of its responsibilities with regard to the Health and Safety of its employees. There are comprehensive policies and procedures in place, which are reviewed on a regular basis in consultation with all staff. All new staff receives training on these policies as part of their induction.

By order of the Board



Chair

Date: 4th July 2005

Independent Auditors' Report to the Members of Bentilee Community Housing Limited

We have audited the financial statements of Bentilee Community Housing Limited for the year ended 31 March 2004 which comprise the income and expenditure account, the balance sheet, the cash flow statement the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the historical cost convention and in accordance with the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of Companies Act 1985. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of The Board and Auditors

As described in the Statement of Board Members' Responsibilities the Board is responsible for the preparation of 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 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 Companies Act 1985, Part III of Schedule 1 to 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 company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, if a satisfactory system of control over books of accounts and transactions has not been maintained or if information specified by law regarding Board members' transactions with the company are not disclosed.

We read the Board Report and consider the implications for our report if we become aware of any apparent misstatement within it.

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 significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's system of internal financial control.

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 irregularities or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2004 and of its income and expenditure for the year then ended and have been properly prepared in accordance with the Companies Act 1985, Part III of Schedule 1 to the Housing Act 1996 and the Accounting Requirements for registered social landlords General Determination 2000.

Beever and Struthers

Beever and Struthers
Chartered Accountants
St. George's House
215-219 Chester Road
Manchester
M15 4JE

Registered Auditors

Date: 4.7.05

Income and Expenditure Account
For the Year Ended 31 March 2005

	Notes	2005 £	2004 £
Turnover	2	2,231,773	2,281,683
Operating costs	2	(2,042,036)	(2,129,301)
Operating surplus		<u>189,737</u>	<u>152,382</u>
Interest receivable	4a	74,563	52,353
Interest payable and similar charges	4b	(43,087)	(42,292)
(Deficit) on Disposal of fixed assets	6	(110)	-
Surplus on ordinary activities for the year before taxation		<u>221,103</u>	<u>162,443</u>
Taxation on surplus for the year	5	<u>(78,908)</u>	<u>(55,400)</u>
Surplus for the year on ordinary activities after taxation		<u>142,195</u>	<u>107,043</u>
Transfer from restricted reserves	14	68,479	110,958
Transfer (to) designated reserves	15	(1,479)	(236)
Transfer from revaluation reserve	15	<u>55,712</u>	<u>52,917</u>
Surplus for the year after designations	15	264,907	270,682
Revenue reserve brought forward		<u>855,547</u>	<u>584,865</u>
Revenue reserve carried forward		<u>1,120,454</u>	<u>855,547</u>

All amounts relate to continuing activities.

The note on pages 11 to 23 form an integral part of these financial statements.

**Statement of Total Recognised Surpluses and Deficits
For the Year Ended 31 March 2005**

	Note	2005 £	2004 £
Surplus for the year		142,195	107,043
Unrealised (deficit) on revaluation		<u>-</u>	<u>(4,693)</u>
Total recognised surplus for the year		<u>142,195</u>	<u>102,350</u>

**Statement of Historical Cost Surpluses and Deficits
For the Year Ended 31 March 2005**

		2005 £	2004 £
Surplus for the year		142,195	107,043
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	15	<u>49,274</u>	<u>52,917</u>
Historic cost surplus on ordinary activities before taxation		<u>191,469</u>	<u>159,960</u>

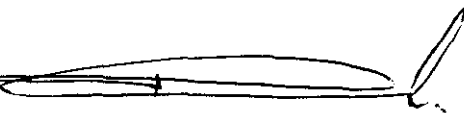
Balance Sheet
As At 31 March 2005

	Notes	2005 £	2004 £
Fixed assets			
Housing properties at valuation	7	6,413,705	6,471,000
Other Fixed Assets	8	<u>70,390</u>	<u>108,958</u>
		<u>6,484,095</u>	<u>6,579,958</u>
Current assets			
Debtors	9	156,402	243,931
Investments	10	1,223,326	1,171,479
Cash in bank and at hand	11	<u>575,892</u>	<u>571,400</u>
		1,955,620	1,986,810
Less Creditors			
Amounts falling due within one year	12	<u>(460,264)</u>	<u>(717,043)</u>
Net current assets		<u>1,495,356</u>	<u>1,269,767</u>
Total assets less current liabilities		<u>7,979,451</u>	<u>7,849,725</u>
Accruals and deferred income	12	<u>(28,188)</u>	<u>(40,657)</u>
		<u>7,951,263</u>	<u>7,809,068</u>
Creditors			
Amounts falling due after more than one year	13	500,000	500,000
Capital and reserves			
Restricted reserves	14	377,207	445,686
Revaluation reserves	15	5,860,287	5,915,999
Designated reserves	15	93,315	91,836
Revenue reserves	15	<u>1,120,454</u>	<u>855,547</u>
		<u>7,951,263</u>	<u>7,809,068</u>

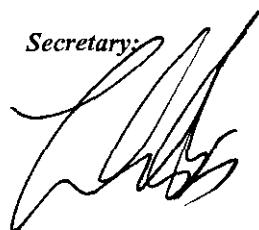
The notes on pages 11 to 23 form an integral part of these financial statements.

The financial statements on pages 7 to 23 were approved by the Board of Management on 4th July 2005 and were signed on its behalf by:

Board Member:



Secretary:



Cash Flow Statement
For the Year Ended 31 March 2005

	Notes	£	2005	£	2004	£
Net cash inflow from operating activities				102,875		455,422
Returns on investments and servicing of Finance	20					
Interest received		74,563			52,353	
Interest paid		<u>(43,087)</u>			<u>(42,292)</u>	
				31,476		10,061
Taxation paid				(59,955)		(40,737)
Capital Expenditure						
Acquisition and construction of housing properties		(23,000)			(7,800)	
Sale of property		6,840			-	
Social Housing grant received		-			-	
Purchase of other fixed assets		(1,947)			(39,240)	
Sale of other fixed assets		<u>50</u>			<u>-</u>	
				<u>(18,057)</u>		<u>(47,040)</u>
Net cash inflow before management of liquid resources and financing	20			56,339		377,706
Management of liquid resources	20			-		-
Financing	20			<u>-</u>		<u>-</u>
Increase in cash	20			<u>56,339</u>		<u>377,706</u>
Reconciliation of operating surpluses to net cash inflow from operating activities						
Operating surplus				189,738		152,382
Depreciation charges				97,810		73,378
Loss on sale of tangible fixed assets				(16,110)		-
Release of government grant				(1,479)		(1,479)
Change in bad debt provision				(32,770)		19,178
Change in debtors				120,299		(151,475)
Change in creditors				(254,613)		363,438
Net cash inflow from operating activities				<u>102,875</u>		<u>455,422</u>
Reconciliation of net cash flow to movement in net debt						
Increase in cash in the period				56,339		377,706
Cash used to increase liquid resources						
Change in loans				<u>-</u>		<u>-</u>
Change in net debt	20			56,339		377,706
Net funds at start				<u>1,242,879</u>		<u>865,173</u>
Net funds at end				<u>1,299,218</u>		<u>1,242,879</u>

**Notes to the Financial Statements
For the Year Ended 31 March 2005**

1. Principal Accounting Policies

Bentilee Community Housing Limited is incorporated under the Companies Act 1985 and is registered with the Housing Corporation as a Registered Social Landlord as defined by the Housing Act 1996.

(a) Accounting convention

The financial statements have been prepared in accordance with applicable accounting standards and in accordance with the Companies Act 1985, the Accounting requirements for Registered Social Landlords Determination 2000 and they comply with the Statement of Recommended Practice "Accounting by Registered Social Landlords", issued in 1999 by the National Housing Federation and updated in November 2002.

The financial statements are prepared under the historical cost convention, as modified to include the valuation of housing properties.

(b) Turnover

Turnover represents rents and revenue grants receivable in respect of tenants properties and amounts invoiced in respect of the provision of services. It also includes grants reimbursing specific expenditure on regeneration projects and income from consultancy work undertaken.

(c) Housing Properties

Completed housing properties are stated at valuation on the basis of existing use for social housing as at 31 March 2004. Depreciation is charged on a systematic basis over the remaining useful lives of the housing assets. The useful economic life of all properties has been taken as 100 years. An annual impairment review is undertaken and properties written down where appropriate.

(d) Other Tangible Fixed Assets

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis, at rates considered appropriate to write off the assets over the effective working lives as follows:

- Freehold offices – 50 years
- Office furniture and equipment – 10 years
- Motor Vehicles – 5 years
- Tools and Equipment – 2 years
- Computer Equipment – 2 years

(e) Stocks

Stocks are stated at the lower of cost and net realisable value.

(f) Improvements to housing properties

Expenditure on existing housing properties is capitalised to the extent that it improves the economic benefit of the asset either through an increase in rental income, a reduction in maintenance costs or through an extension of the life of the property.

(g) Capitalisation of administration costs

No administration costs are capitalised.

(h) Government grants

Government grants received for capital expenditure are treated as deferred creditors and released to the income and expenditure account over the estimated useful life of the relevant fixed assets.

Notes to the Financial Statements
For the Year Ended 31 March 2005 (continued)

1. Principal Accounting Policies (continued)

(i) Restricted reserve – major repairs (note 14)

This reserve represents the company's obligation under the transfer agreement to spend certain sums of money on modernising the properties.

(j) Designated reserve – fixed asset replacement (note 15)

These amounts have been designated by the Board to fund future fixed asset replacements.

(k) Revaluation reserve (note 15)

This has arisen due to the revaluation of properties as set out in note 7 of the financial statements.

(l) Investments

Investments held as current assets are stated at the lower of cost and net realisable value.

(m) Pension costs

Contributions payable to the company's pension scheme are charged to the income and expenditure account as they become payable in accordance with the rules of the scheme.

(n) Social Housing Grant and Other Capital Grants

Where developments have been wholly or partially financed by Social Housing Grant or on any form of capital grant, the cost of those developments is reduced by the amount of grant received. Social Housing Grant received in excess of the cost of properties in construction is shown as a current liability. Social Housing Grant is a subordinated unsecured debt and may have to be repaid if certain conditions are not met.

(o) Taxation

The Company is liable to United Kingdom Corporation Tax. Where applicable, taxation is provided for at the rates prevailing at the Balance Sheet date. The Company has also adopted the accounting standards for deferred tax (FRS19), therefore provision is made for deferred taxation in full on any timing differences.

Notes to the Financial Statements
For the Year Ended 31 March 2005

2. Turnover, Operating Costs and Operating Surplus

	2005		
	Turnover £	Operating Costs £	Operating surplus £
Social Housing Lettings (note 3)	1,890,465	(1,639,806)	250,659
Other Social Housing Activities			
Regeneration projects	176,044	(257,113)	(81,069)
Supporting People Contract Income	88,519	(91,382)	(2,863)
Non-Social Housing Activities			
Other	76,745	(53,735)	23,010
Total	<u>2,231,773</u>	<u>(2,042,036)</u>	<u>189,737</u>
	2004		
	Turnover £	Operating Costs £	Operating Surplus £
Social Housing Lettings (note 3)	1,813,203	(1,735,558)	77,645
Other Social Housing Activities			
Regeneration projects	291,153	(235,102)	56,051
Supporting People Contract Income	107,714	(89,028)	18,686
Non-Social Housing Activities			
Other	69,613	(69,613)	-
Total	<u>2,281,683</u>	<u>(2,129,301)</u>	<u>152,382</u>

See note 3 for a detailed analysis of the social housing lettings.

**Notes to the Financial Statements
For the Year Ended 31 March 2005**

3. Income and Expenditure from Social Housing Lettings

	2005 £	2004 £
Income		
Rents	1,841,974	1,764,362
Service Charges	119,619	119,239
Support	-	2,608
Gross rents receivable	<u>1,961,593</u>	<u>1,886,209</u>
Less: Rent losses from voids	(71,891)	(73,106)
Net rents receivable	<u>1,889,702</u>	<u>1,813,103</u>
Other income	<u>763</u>	<u>100</u>
Total Income	<u>1,890,465</u>	<u>1,813,203</u>
Expenditure		
Services	103,390	102,556
Management	684,314	650,104
Routine Maintenance	538,886	625,737
Planned Maintenance	75,963	59,632
Major repairs expenditure	112,260	174,100
Rent losses from bad debts	51,698	65,586
Impairment of housing properties	16,000	-
Depreciation of Housing Properties	57,295	57,843
Total Expenditure	<u>1,639,806</u>	<u>1,735,558</u>
Operating Surplus on Lettings	<u>250,659</u>	<u>77,645</u>

**Notes to the Financial Statements
For the Year Ended 31 March 2005**

4a. Interest Receivable	2005	2004
	£	£
Bank interest	<u>74,563</u>	<u>52,353</u>
4b. Interest Payable and Similar Charges		
Bank interest	<u>43,087</u>	<u>42,292</u>

5. Taxation on Surplus on Ordinary Activities

(a) Analysis of the charge in the period

The tax charge on the surplus on ordinary activities for the year was as follows:

	2005	2004
	£	£
Current tax:		
UK Corporation Tax charge for the year	89,816	59,956
Under/(over) provision in previous years		<u>(22,263)</u>
Total current tax	<u>89,816</u>	<u>37,693</u>
Deferred tax:		
Origination and reversal of timing differences	(10,908)	17,707
Tax on surplus on ordinary activities	<u>78,908</u>	<u>55,400</u>

(b) Factors affecting tax charge for the period

Surplus on ordinary activities before tax	<u>221,103</u>	<u>162,443</u>
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	66,331	48,733
Effects of:		
Items not allowable for tax purposes (primarily depreciation of housing stock)	17,449	17,580
Capital allowances in advance of depreciation	10,907	(6,892)
Effect of reduced tax rates	(30,244)	(32,752)
Other tax adjustments	25,373	33,287
Under/(over) provision in previous years	<u>-</u>	<u>(22,263)</u>
	<u>89,816</u>	<u>37,693</u>

Balance Sheet Disclosure

Deferred tax	6,799	17,707
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Based on current capital investment plans, the Company expects to continue to be able to claim capital allowances in excess of depreciation in future years but at a slightly lower level than in the current year.

**Notes to the Financial Statements
For the Year Ended 31 March 2005**

6. Surplus for the Year

	2005 £	2004 £
Is stated after charging:-		
Auditors remuneration (including VAT)		
In their capacity as auditors	7,000	6,188
In respect of other services	-	-
Loss on disposal of property	110	-
Surplus on disposal of other fixed assets	50	-
Impairment of housing properties	16,000	-
Depreciation of housing properties	57,295	57,843
Depreciation of other fixed assets	40,515	15,535
Operating lease payments	3,209	12,634
Release of government grant	<u>1,479</u>	<u>1,479</u>

7. Tangible Fixed Assets – Housing Properties

	Housing Properties Completed £
Cost (net of SHG) or valuation	
At 1 April 2004	6,471,000
Additions	23,000
Disposals	(7,000)
Depreciation	(57,295)
Impairment	<u>(16,000)</u>
As at 31 March 2005	<u>6,413,705</u>
Valuation is represented by:-	
Gross cost	907,393
Depreciation charge plus disposal of 75 Beverley	55,712
Less:	
Social Housing and other capital grants	(156,794)
Depreciation	(252,893)
Revaluation Reserve	<u>5,860,287</u>
	<u>6,413,705</u>

The above valuation in respect of housing properties comprises:

	2005 £	2004 £
Freehold property	6,413,705	6,471,000

Housing properties for letting were professionally valued by DTZ Pida Consulting, chartered surveyors on the basis of open market value for social housing existing use (OMV-EU) as at 31 March 2004. The valuation was undertaken in accordance with the RICS Statements of asset valuation practice and guidance notes. In preparing the valuation, the valuer made use of discounted cash flow methodology and key assumptions made concerning future rental flows, the rate of turnover of existing tenants and the discounted rate. The discount rate was on average 6.75%. The valuer has estimated the open market value with vacant possession of all completed properties at the year end to be £31.5 million at the date of valuation.

Notes to the Financial Statements
For the Year Ended 31 March 2005

8. Other Tangible Fixed Assets

	Freehold Offices £	Office furniture and equipment £	Motor Vehicles £	Tools & equipment £	Total £
Cost					
At start of the year	41,600	183,109	8,500	6,959	240,168
Additions	-	1,947	-	-	1,947
Disposals	-	-	-	(793)	(793)
At end of the year	<u>41,600</u>	<u>185,056</u>	<u>8,500</u>	<u>6,166</u>	<u>241,322</u>
Depreciation and Impairment					
At start of the year	1,414	114,634	8,217	6,945	131,210
Charge for year	707	39,511	283	14	40,515
Disposals	-	-	-	(793)	(793)
At end of the year	<u>2,121</u>	<u>154,145</u>	<u>8,500</u>	<u>6,166</u>	<u>170,932</u>
Net Book Value at End of the Year	<u>39,479</u>	<u>30,911</u>	<u>-</u>	<u>-</u>	<u>70,390</u>
Net book value at start of the year	<u>40,186</u>	<u>68,475</u>	<u>83</u>	<u>14</u>	<u>108,958</u>

**Notes to the Financial Statements
For the Year Ended 31 March 2005**

	2005 £	2004 £
9. Debtors		
Amounts falling due within one year:		
Rent arrears	113,794	151,305
Less: provision for bad debts	<u>(87,584)</u>	<u>(120,354)</u>
Net rent arrears	26,210	30,951
Prepayments and accrued income	<u>130,192</u>	<u>212,980</u>
	<u>156,402</u>	<u>243,931</u>
10. Current Asset Investments	2005 £	2004 £
Investments at valuation:		
Unlisted investments	<u>1,223,326</u>	<u>1,171,479</u>
11. Cash at bank at hand	2005 £	2004 £
Cash at bank	<u>575,892</u>	<u>571,400</u>
12. Creditors	2005 £	2004 £
Amounts falling due within one year:		
Trade creditors	150,244	155,374
Taxation and social security payable	529	720
Accruals and deferred income	130,902	412,894
Rent prepaid	81,974	70,392
Corporation tax	89,816	59,956
Deferred taxation	<u>6,799</u>	<u>17,707</u>
	<u>460,264</u>	<u>717,043</u>
Deferred Income	28,188	40,657

Notes to the Financial Statements
For the Year Ended 31 March 2005

13. Creditors

	2005 £	2004 £
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Amounts falling due after more than one year:

Loans repayable by instalments:-

In one year or more but less than two years	-	-
In two years or more and less than five years	-	-
In five years or more	500,000	500,000

The bank loan is secured by specific charges on the company's housing properties and a fixed charge over the entire undertaking and is repayable at a fixed rate of 6.24% plus a margin of 0.9%.

14. Restricted Reserves	2005 £	2004 £
At start of the year	445,686	556,644
Transfer from income and expenditure account	-	-
Utilised in the year	<u>(68,479)</u>	<u>(110,958)</u>
At the end of the year	<u>377,207</u>	<u>445,686</u>

15. Other Reserves	Property Revaluation £	Designated fixed asset replacement £	Income and expenditure account £	Total £
At start of the year	5,915,999	91,836	855,547	6,863,382
Transfer for the year	(55,712)	1,479	-	(54,233)
Surplus for the year	<u>-</u>	<u>-</u>	<u>264,907</u>	<u>264,907</u>
At end of the year	<u>5,860,287</u>	<u>93,315</u>	<u>1,120,454</u>	<u>7,074,056</u>

16. Capital Commitments	2005 £	2004 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>-</u>	<u>-</u>
Capital expenditure that has been authorised by the committee of management but has not yet been contracted for	<u>-</u>	<u>-</u>

Notes to the Financial Statements

For the Year Ended 31 March 2005

17. Pension Obligations

The Company 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 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 last valuation date was £650 million. During the accounting period the Company 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 SSAP24 and FRS17 represents the employer contribution payable.

The financial assumptions underlying the valuation were as follows:

	% pa
- 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 15.0% 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 would be increased from 10.6% to 11.7% of pensionable salaries. Member contributions would also be increased by 1.1% from 2.0-5.0% to 3.1-6.1% of pensionable salaries depending on age.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate). This rate was increased from 15.0% to 17.3% of pensionable salaries with effect from 1 April 2004. Employers that have closed the Scheme to new members are required to pay an additional employer contribution loading of 3.0% to reflect the higher costs of a closed arrangement. A small number of employers are required to contribute at 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 joining the Scheme after 30 September 2002 without any past service liability 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 30th September 2005. If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past deficit by 31 March 2017.

The next valuation will be as at 30 September 2005.

The charge to the RSL for the year was £42,313 (2003/4: £33,020).

Notes to the Financial Statements
For the Year Ended 31 March 2005

18. Directors Emoluments

	2005 £	2004 £
The aggregate emoluments paid to or receivable by Directors	<u>262,921</u>	<u>206,385</u>
The emoluments paid to the highest paid Director excluding pension contributions:	<u>92,513</u>	<u>78,951</u>

The Chief Executive is an ordinary member of the pension scheme. The pension scheme is a final salary scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements. A contribution by the RSL of £9,041 (2004: £6,923) was paid in addition to the personal contributions of the Chief Executive.

Directors are defined as the members of the Board, the Chief Executive and any other person who is a member of the Senior Management Team or its equivalent.

19. Employee Information

	2005 No	2004 No
The average weekly number of persons employed during the year (full time equivalents, i.e. 35 hours p.w.) was:		
Management	5	4
Wardens	10	6
Administration	<u>21</u>	<u>19</u>
Total employees	<u>36</u>	<u>29</u>
Staff costs (for the above persons)	2005 £	2004 £
Wages and salaries	695,336	578,485
Social Security costs	58,494	42,157
Other pension costs	<u>42,313</u>	<u>33,020</u>
	<u>796,143</u>	<u>653,662</u>

**Notes to the Financial Statements
For the Year Ended 31 March 2005**

20. Cash Flow Statement Notes

	2005 £		2004 £
Returns on investments and servicing of finance			
Interest Received	74,563		52,353
Interest paid (including capitalisation)	<u>(43,087)</u>		<u>(42,292)</u>
	<u>31,476</u>		<u>10,061</u>
	At start of year £	Cashflows £	At end of year £
Analysis of net funds			
Cash in hand, at bank	571,400	4,492	575,892
Current asset investments	1,171,479	51,847	1,223,326
Debt due within 1 year			
Debt due after 1 year	<u>(500,000)</u>	<u>-</u>	<u>(500,000)</u>
Total	<u>1,242,879</u>	<u>56,339</u>	<u>1,299,218</u>
	At start of year £	Cashflows £	At end of year £
Reconciliation of cash movements			
Money market investments	1,171,479	51,847	1,223,326
Short term cash deposits	571,400	4,492	575,892
Long term loans	<u>(500,000)</u>	<u>-</u>	<u>(500,000)</u>
Total	<u>1,242,879</u>	<u>56,339</u>	<u>1,299,218</u>

Notes to the Financial Statements
For the Year Ended 31 March 2005

21. Operating Leases

The Company holds office equipment under non cancellable operating leases. At the end of the year the Company had annual commitments under these leases as follows:-

	2005 £	2004 £
Others, which expire: -		
Expiring within the next year	6,975	5,891
Expiring in the second to fifth year	12,090	3,158
Expiring in more than five years	-	-
	<u>-</u>	<u>-</u>

22. Units/Bedspaces**Social Housing**

Under management at end of year
Housing accommodation
Leaseholders

	2005 £	2004 £
Housing accommodation	927	933
Leaseholders	19	19
	<u>-</u>	<u>-</u>
	<u>946</u>	<u>952</u>

23. Related Parties

The following are related parties:

The Board has tenant members who hold tenancy agreements on normal terms and cannot use their position to their advantage.

24. Payments to Creditors

The average number of days between receipt and payment of purchase invoices

	2005 Days	2004 Days
	<u>53</u>	<u>34</u>

25. Social Housing Grant

The total accumulated SHG received or receivable at the balance sheet date from both capital and revenue sources

	2005 £	2004 £
	<u>156,794</u>	<u>156,794</u>