

**Bentilee Community Housing Limited**

**Financial Statements  
For The Year Ended 31 March 2004**

**Prepared by:-**

BEEVER *and*  
STRUTHERS

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



# **Bentilee Community Housing Limited**

## **Financial Statements for the Year Ended 31 March 2004**

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**Legal and Administrative Details**  
**For the Year Ended 31 March 2004**

The members set out below have held office during the whole of the period from 1<sup>st</sup> April 2003 to the date of this report unless otherwise stated.

**Independent Members -**

Mr K Bamford  
Mr J Flock  
Mr D Salmon  
Mrs M Tomkinson  
Gill Brown (resigned June 2004)  
Ms J Harvey (appointed March 2004)

**Tenant Representatives -**

Mrs J Turner  
Mr J Brindley  
Mrs K Potts  
Mrs N Allen (appointed November 2003)  
Mrs E Procter (appointed November 2003)

**Council Members -**

Mr J Davis  
Mrs J Mayer  
Mr D Povey  
Mr A Walters (resigned May 2003)  
Mr M Lewis (appointed June 2004)

**Executive Directors**

Chief Executive & Company Secretary  
Finance Director

Len Gibbs  
Deborah Goodwin

**Registered Office:**

131-141 Ubberrley 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 2004****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 inclusion of North Staffordshire within the Housing Market Renewal Pathfinder programme provided welcome additional finance for wider regeneration and the Local Authority through its strategic partnering process appointed Bentilee Community Housing as lead partner for Bentilee. Within Bentilee Community Housing we enhanced our policy frameworks for dealing with anti-social behaviour, harassment and racial harassment.

**Service delivery**

Following our inspection by the Audit Commission we were awarded a 2 star rating for the quality of our services and our commitment to continuous improvement. We continued to achieve very high levels of customer satisfaction and remain in the top 10% of Registered Social Landlords. We significantly improved our performance in delivering repairs within timescale and increased our investments in planned maintenance. During the year demand for our flats increased and by the year end we had a 3 month waiting list. The turnover of tenancies decreased slightly but remains at a high level.

**Continuous improvement**

During the year we undertook an evaluation of our furnished accommodation pilot and agreed new policies and procedures. We also introduced a quarterly cleaning service for the communal areas of our flats which has now helped maintain the good appearance of these areas. We let a new contract for out-of-hours repairs which has delivered an improved service at a lower cost and all our new tenants are now given welcome packs, containing some vital low cost items needed to start a tenancy. We also joined the Council's Homeline scheme on a pilot basis to test its effectiveness in marketing our flats.

**Regeneration**

We continued to actively promote the regeneration of Bentilee both on the ground through the continuation of the wardens service and through promoting our Vision for Bentilee. Our wardens service has continued to win widespread local support and reduce low level anti-social behaviour. During the course of the year we developed a long term vision for Bentilee which has now been supported by many key stakeholders in the area. The vision has been used as the basis for commissioning an urban masterplan for Bentilee and in March 2004 we submitted our draft proposals to key agencies.

We have also 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. We also submitted outline plans for early action within Bentilee to the Market Renewal Pathfinder.

**Consultancy services**

Early in the year we were asked by Telford and Wrekin Borough Council to assist in the development of a major urban renewal project in the Woodside area. Through a spirit of partnership working we provided consultancy services which enabled the Council to agree a new Business Plan for the scheme, appoint key professional advisors, undertake options appraisals and research good practice elsewhere. We also provided consultancy services for Wolverhampton City Council, Potteries Housing Association, Voluntary Action Stoke-on-Trent and the Renew North Staffs Housing Market Renewal Pathfinder. The consultancy service generated almost £70,000 in income during the year and also helped enhance the asset base of the organisation through the development of staff skills. The consultancy income was also used to help finance the continued operation of our wardens scheme.

**New Business Plan**

Although we had adopted a completely new Business Plan earlier in 2003 key changes in the context of the business meant that it was appropriate to fully review the plan and make key changes.

Our new Business Plan contains the following objectives:

To establish a reputation as a leading social enterprise delivering high quality services and neighbourhood regeneration solutions.

With this being underpinned by our medium term mission of:

"Working with a range of partners to make Bentilee sustainable".

**Board Report for the Year Ended 31 March 2004**

In order to focus upon our vision and mission we have identified 6 key objectives, which enable us to set achievable targets and direct our operations:

1. To provide decent homes, in supportive environments, which appeal to a diverse range of people.
2. To achieve high quality, value for money and continuous improvement in everything we do.
3. To protect and enhance our assets and the assets of those we work with.
4. To ensure that our services and products fulfil current and future market demands and opportunities.
5. To be ethical, open and honest in all our operations.
6. To gain full recognition of our achievements and capabilities.

The objectives and goals have been translated into a framework of targets and performance indicators, which operate throughout the organisation, and key performance indicators are reported on a quarterly basis to the Board.

**Partnership working**

Our wardens 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 Staffordshire Housing Association, Riverside Housing Association 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.

**Organisational development**

During the year we implemented our new staff appraisal framework and developed a new way of valuing our staff assets. We also made two key appointments to the Management Team (the Property Services Manager and Business Development Manager) and these have strengthened our ability to expand the business. A new position of Project Consultant was developed to enhance our internal capacity and respond to market opportunities.

**Internal Control**

We continued to implement the new risk management framework and agenda of continuous improvement during the year. We were happy to note that no significant breaches of the control environment 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 £162,443 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 a revaluation of the Company's stock was completed in March 2004 by DTZ Peda. The valuation included ten houses that had previously been shown in the Balance Sheet at cost. This resulted in an increase in valuation from £6,400,000 to £6,471,000, although the overall effect on the Balance Sheet is a reduction in value.

**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 are 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 are 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 are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act and Housing Acts. They are also responsible for safeguarding the assets of the Company 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 Company's accounting records, cash holdings and all its receipts and remittances.

**Board Report for the Year Ended 31 March 2004****Board Statement on Internal Control**

The Board is committed to adopting best practice in assurance on internal control and for the period ending 31<sup>st</sup> March 2004, 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 Company's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Company 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 Company's activities. The executive team regularly considers and receives reports on significant risks facing the Company 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 Company. 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 2004****Employment and Equal Opportunities**

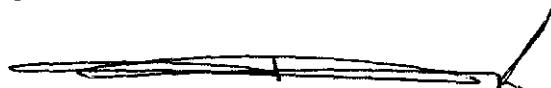
Employee information is set out in Notes 18 & 19 of the financial statements.

The Company achieved "Investors In People" accreditation in 1999 since then 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: 14.7.04*

**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: 14.7.04



**Income and Expenditure Account**  
**For the Year Ended 31 March 2004**

	Notes	2004 £	2003 £
Turnover	2	2,281,683	1,855,076
Operating costs	2	(2,129,301)	(1,815,172)
Operating surplus		<u>152,382</u>	<u>39,904</u>
Interest receivable	4a	52,353	52,509
Interest payable and similar charges	4b	(42,292)	(42,200)
Surplus on ordinary activities for the year before taxation	6	<u>162,443</u>	<u>50,213</u>
Taxation on surplus for the year	5	<u>(55,400)</u>	<u>(60,303)</u>
Surplus/(deficit) for the year on ordinary activities after taxation		107,043	(10,090)
Transfer from/(to) restricted reserves	14	110,958	143,831
Transfer from/(to) designated reserves	15	(236)	33,765
Transfer from/(to) revaluation reserve	15	<u>52,917</u>	<u>52,308</u>
Surplus for the year after designations	15	270,682	219,814
Revenue reserve brought forward		<u>584,865</u>	<u>365,051</u>
Revenue reserve carried forward		<u><u>855,547</u></u>	<u><u>584,865</u></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 2004**

	Note	2004 £	2003 £
Surplus/(deficit) for the year		107,043	(10,090)
Unrealised (deficit) on revaluation		<u>(4,693)</u>	<u>-</u>
Total recognised surplus/(deficit) for the year		<u>102,350</u>	<u>(10,090)</u>

**Statement of Historical Cost Surpluses and Deficits  
For the Year Ended 31 March 2004**

		2004 £	2003 £
Surplus/(deficit) for the year		107,043	(10,090)
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	15	<u>52,917</u>	<u>52,308</u>
Historic cost surplus on ordinary activities before taxation		<u>159,960</u>	<u>42,218</u>

**Balance Sheet****As At 31 March 2004**

	Notes	2004 £	2003 £
<b>Fixed assets</b>			
Housing properties at valuation	7	6,471,000	6,525,736
Other Fixed Assets	8	<u>108,958</u>	<u>85,253</u>
		<u>6,579,958</u>	<u>6,610,989</u>
<b>Current assets</b>			
Debtors	9	243,931	111,634
Investments	10	1,171,479	1,143,223
Cash in bank and at hand	11	<u>571,400</u>	<u>221,950</u>
		1,986,810	1,476,807
<b>Less Creditors</b>			
Amounts falling due within one year	12	<u>(717,043)</u>	<u>(373,685)</u>
<b>Net current assets</b>		<u>1,269,767</u>	<u>1,103,122</u>
<b>Total assets less current liabilities</b>		<u>7,849,725</u>	<u>7,714,111</u>
Accruals and deferred income	12	<u>(40,657)</u>	<u>(7,393)</u>
		<u>7,809,068</u>	<u>7,706,718</u>
<b>Creditors</b>			
Amounts falling due after more than one year	13	500,000	500,000
<b>Capital and reserves</b>			
Restricted reserves	14	445,686	556,644
Revaluation reserves	15	5,915,999	5,973,609
Designated reserves	15	91,836	91,600
Revenue reserves	15	<u>855,547</u>	<u>584,865</u>
		<u>7,809,068</u>	<u>7,706,718</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 14.7.04 and were signed on its behalf by:

Board Member



Secretary:



**Cash Flow Statement**  
**For the Year Ended 31 March 2004**

	Notes	2004	2003
		£	£
Net cash inflow from operating activities		455,422	173,111
Returns on investments and servicing of Finance	20		
Interest received		52,353	52,509
Interest paid		<u>(42,292)</u>	<u>(42,200)</u>
		10,061	10,309
Taxation paid		(40,737)	(116,303)
Capital Expenditure			
Acquisition and construction of housing properties		(7,800)	(11,000)
Social Housing grant received		-	31,359
Purchase of other fixed assets		(39,240)	(27,388)
Sale of other fixed assets		<u>-</u>	<u>2,441</u>
		<u>(47,040)</u>	<u>(4,588)</u>
Net cash inflow before management of liquid resources and financing		377,706	62,529
Management of liquid resources	20	-	-
Financing	20	<u>-</u>	<u>-</u>
Increase in cash	20	<u>377,706</u>	<u>62,529</u>
Reconciliation of operating surpluses to net cash inflow from operating activities			
Operating surplus		152,382	39,904
Depreciation charges		73,378	70,002
Less on sale of tangible fixed assets		-	2,284
Release of government grant		(1,479)	(3,251)
Change in bad debt provision		19,178	41,010
Change in debtors		(151,475)	4,209
Change in creditors		363,438	11,153
Changes in stock		<u>-</u>	<u>7,800</u>
Net cash inflow from operating activities		<u>455,422</u>	<u>173,111</u>
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the period		377,706	62,529
Cash used to increase liquid resources		-	-
Change in loans		<u>-</u>	<u>-</u>
Change in net debt	20	377,706	62,529
Net funds at start		<u>865,173</u>	<u>802,644</u>
Net funds at end		<u>1,242,879</u>	<u>865,173</u>

**Notes to the Financial Statements  
For the Year Ended 31 March 2004**

**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 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 impairment review has been undertaken on the Company's properties and it is felt the properties are not impaired.

**(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 – 4 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 2004 (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 2004**

**2. Turnover, Operating Costs and Operating Surplus**

	<b>2004</b>		
	Turnover	Operating costs	Operating surplus
<b>Social Housing Lettings</b>	1,813,203	(1,735,558)	77,645
<b>Other Social Housing Activities</b>			
Regeneration projects	291,153	(235,102)	56,051
Supporting People Contract Income	107,714	(89,028)	18,686
<b>Non-Social Housing Activities</b>			
Other	69,613	(69,613)	-
<b>Total</b>	<b><u>2,281,683</u></b>	<b><u>(2,129,301)</u></b>	<b><u>152,382</u></b>

	<b>2003</b>		
	Turnover	Operating Costs	Operating Surplus/ (deficit)
<b>Social Housing Lettings</b>	1,714,866	(1,641,936)	72,930
<b>Other Social Housing Activities</b>			
Regeneration projects	140,210	(173,236)	(33,026)
<b>Non Social Housing Activities</b>			
<b>Total</b>	<b><u>1,855,076</u></b>	<b><u>(1,815,172)</u></b>	<b><u>39,904</u></b>

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

Included in the income and expenditure from lettings – housing accommodation is income of £2,608 (2003: £35,954) from transitional housing benefit and £0 (2003: £15,000) revenue grants from the single regeneration budget.

**Notes to the Financial Statements**  
**For the Year Ended 31 March 2004**

**3. Income and Expenditure from Social Housing Lettings**

	2004 £	2003 £
<b>Income</b>		
Rents	1,764,362	1,638,042
Service Charges	119,239	107,604
Support	2,608	35,954
Gross rents receivable	<u>1,886,209</u>	<u>1,781,600</u>
Less: Rent losses from voids	(73,106)	(81,848)
Net rents receivable	<u>1,813,103</u>	<u>1,699,752</u>
Other revenue grants	-	15,000
Other income	100	114
<b>Total Income</b>	<u><u>1,813,203</u></u>	<u><u>1,714,866</u></u>
<b>Expenditure</b>		
Services	102,556	95,851
Management	650,104	632,550
Routine Maintenance	625,737	463,879
Planned Maintenance	59,632	32,458
Major repairs expenditure	174,100	224,789
Rent losses from bad debts	65,586	83,700
Depreciation of Housing Properties	57,843	57,182
Support	-	51,527
Total Expenditure	<u><u>1,735,558</u></u>	<u><u>1,641,936</u></u>
<b>Operating Surplus on Lettings</b>	<u><u>77,645</u></u>	<u><u>72,930</u></u>



**Notes to the Financial Statements  
For the Year Ended 31 March 2004**

<b>4a. Interest Receivable</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Bank interest	<u>52,353</u>	<u>52,509</u>
<b>4b. Interest Payable and Similar Charges</b>		
Bank interest	<u>42,292</u>	<u>42,200</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:

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Current tax:		
UK Corporation Tax charge for the year	59,956	63,000
Under/(over) provision in previous years	<u>(22,263)</u>	<u>(2,697)</u>
Total current tax	<u>37,693</u>	<u>60,303</u>
Deferred tax:		
Origination and reversal of timing differences	17,707	-
Tax on surplus on ordinary activities	<u>55,400</u>	<u>60,303</u>

**(b) Factors affecting tax charge for the period**

Surplus on ordinary activities before tax	<u>162,443</u>	<u>50,213</u>
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003:19%)	48,733	9,540
Effects of:		
Items not allowable for tax purposes (primarily depreciation of housing stock)	17,580	11,238
Capital allowances in advance of depreciation	(6,892)	7,771
Effect of reduced tax rates	(32,752)	-
Other tax adjustments	33,287	34,361
Under/(over) provision in previous years	<u>(22,263)</u>	<u>(2,697)</u>
	<u>37,693</u>	<u>60,303</u>

**Balance Sheet Disclosure**

	<b>2004</b>	<b>2003</b>
Deferred tax	17,707	-

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 2004**

**6. Surplus for the Year**

	2004 £	2003 £
Is stated after charging:-		
Auditors remuneration (including VAT)		
In their capacity as auditors	6,188	8,240
In respect of other services	-	3,455
Loss on disposal of other fixed assets	-	2,284
Depreciation of housing properties	57,843	57,182
Depreciation of other fixed assets	15,535	12,820
Operating lease payments	12,634	7,740
Release of government grant	<u>1,479</u>	<u>3,251</u>

**7. Tangible Fixed Assets – Housing Properties**

	Housing Properties Completed £
<b>Cost (net of SHG) or valuation</b>	
At 1 April 2003	6,525,736
Net additions	-
Improvements and major works	7,800
Transferred on completion	-
Disposals	-
Depreciation	(57,843)
Deficit on revaluation	<u>(4,693)</u>
As at 31 March 2004	<u>6,471,000</u>
<b>Valuation is represented by:-</b>	
Gross cost	907,393
Less:	
Social Housing and other capital grants	(156,794)
Depreciation	(195,598)
Revaluation Reserve	<u>5,915,999</u>
	<u>6,471,000</u>

The above valuation in respect of housing properties comprises (2003 figures in brackets):

	£	£
Freehold property	6,471,000	(6,525,736)

Housing properties for letting were professionally valued by DTZ Pidea 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 (2003: £18m).

**Notes to the Financial Statements  
For the Year Ended 31 March 2004**

**8. Other Tangible Fixed Assets**

	Freehold Offices £	Office furniture and equipment £	Motor Vehicles £	Tools & equipment £	Total £
<b>Cost</b>					
At start of the year	41,600	145,111	8,500	6,959	202,170
Additions	-	39,240	-	-	39,240
Disposals	-	(1,242)	-	-	(1,242)
Transfers	-	-	-	-	-
At end of the year	<u>41,600</u>	<u>183,109</u>	<u>8,500</u>	<u>6,959</u>	<u>240,168</u>
<b>Depreciation and Impairment</b>					
At start of the year	707	103,165	6,517	6,528	116,917
Charge for year	707	12,711	1,700	417	15,535
Impairment losses	-	-	-	-	-
Disposals	-	(1,242)	-	-	(1,242)
At end of the year	<u>1,414</u>	<u>114,634</u>	<u>8,217</u>	<u>6,945</u>	<u>131,210</u>
<b>Net Book Value at End of the Year</b>	<u>40,186</u>	<u>68,475</u>	<u>283</u>	<u>14</u>	<u>108,958</u>
Net book value at start of the year	<u>40,893</u>	<u>41,946</u>	<u>1,983</u>	<u>431</u>	<u>85,253</u>

**Notes to the Financial Statements  
For the Year Ended 31 March 2004**

	2004	2003
	£	£
<b>9. Debtors</b>		
Amounts falling due within one year:		
Rent arrears	151,305	127,780
Less: provision for bad debts	<u>(120,354)</u>	<u>(101,176)</u>
Net rent arrears	<u>30,951</u>	<u>26,604</u>
Prepayment and accrued income	<u>212,980</u>	<u>85,030</u>
	<u>243,931</u>	<u>111,634</u>
 <b>10. Current Asset Investments</b>	 2004	 2003
	£	£
Investments at valuation:		
Unlisted investments	<u>1,171,479</u>	<u>1,143,223</u>
 <b>11. Cash at bank at hand</b>	 2004	 2003
	£	£
Cash at bank	<u>571,400</u>	<u>221,950</u>
 <b>12. Creditors</b>	 2004	 2003
	£	£
Amounts falling due within one year:		
Trade creditors	155,374	93,653
Taxation and social security payable	720	73
Accruals and deferred income	412,894	152,653
Rent prepaid	70,392	64,306
Corporation tax	59,956	63,000
Deferred taxation	<u>17,707</u>	<u>-</u>
	<u>717,043</u>	<u>373,685</u>
Deferred Income	40,657	7,393

**Notes to the Financial Statements**  
**For the Year Ended 31 March 2004**

**13. Creditors**

	2004 £	2003 £
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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 0.7%.

<b>14. Restricted Reserves</b>	2004 £	2003 £
At start of the year	556,644	700,475
Transfer from income and expenditure account	-	-
Utilised in the year	<u>(110,958)</u>	<u>(143,831)</u>
At the end of the year	<u>445,686</u>	<u>556,644</u>

**15. Other Reserves**

	Property Revaluation £	Designated fixed asset replacement £	Income and expenditure account £	Total £
At start of the year	5,973,609	91,600	584,865	6,650,074
Transfer for the year	(52,917)	236	-	(52,681)
Surplus for the year	-	-	270,682	270,682
Increase in value	<u>(4,693)</u>	<u>-</u>	<u>-</u>	<u>(4,693)</u>
At end of the year	<u>5,915,999</u>	<u>91,836</u>	<u>855,547</u>	<u>6,863,382</u>

<b>16. Capital Commitments</b>	2004	2003
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>-</u>	<u>18,794</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 2004**

**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. Employer contributions were at the rate of 10.6% during the accounting period. Member contributions varied between 2.0% and 5.0% depending on their age. It is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers.

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 has been agreed that, with effect from 1 April 2004, the employer contribution rate will be increased from 10.6% to 11.7% of pensionable salaries. Member contributions will also be increased by 1.1% from 2.0-5.0% to 3.1-6.1% of pensionable salaries depending on age.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate). This rate will increase from 15.0% to 17.3% of pensionable salaries with effect from 1 April 2004. Employers that have closed the Scheme to new members are required to pay an additional employer contribution loading of 3.0% to reflect the higher costs of a closed arrangement. A small number of employers are required to contribute 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 31 March 2004 without any past service liability will pay an employer contribution rate of 9.4% of pensionable salaries. If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit by 31 March 2017. The next valuation will be as at 30 September 2005.

The charge to the RSL for the year was £33,020 (2003: £28,942).

**Notes to the Financial Statements**  
**For the Year Ended 31 March 2004**

**18. Directors Emoluments**

	2004	2003
	£	£
The aggregate emoluments paid to or receivable by Directors and former Directors.	<u>206,385</u>	<u>164,107</u>

The emoluments paid to the highest paid Director excluding pension contributions:

<u>78,951</u>	<u>71,468</u>
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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 £6,923 (2003: £6,326) 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**

	2004	2003
The average weekly number of persons employed during the year (full time equivalents, i.e. 35 hours p.w.) was:		
Management	4	3
Administration	25	26
Caretaking	<u>-</u>	<u>2</u>
Total employees	<u>29</u>	<u>31</u>
Staff costs (for the above persons)		
	£	£
Wages and salaries	578,485	526,679
Social Security costs	42,157	38,000
Other pension costs	<u>33,020</u>	<u>28,942</u>
	<u>653,662</u>	<u>593,621</u>

**Notes to the Financial Statements**  
**For the Year Ended 31 March 2004**

**20. Cash Flow Statement Notes**

	2004		2003
	£		£
<b>Returns on investments and servicing of finance</b>			
Interest Received	52,353		52,509
Interest paid (including capitalisation)	<u>(42,292)</u>		<u>(42,200)</u>
	<u>10,061</u>		<u>10,309</u>
<b>Financing</b>			
Issue of ordinary shares	-		-
Loans received	-		-
Loans repaid	-		-
	<u>-</u>		<u>-</u>
	At start	Cashflows	At end
	£	£	£
<b>Analysis of net funds</b>			
Cash in hand, at bank	221,950	349,450	571,400
Overdrafts	-	-	-
Current asset investments	1,143,223	28,256	1,171,479
Debt due within 1 year	-	-	-
Debt due after 1 year	<u>(500,000)</u>	<u>-</u>	<u>(500,000)</u>
<b>Total</b>	<u>865,173</u>	<u>377,706</u>	<u>1,242,879</u>
	At start	Cashflows	At end
	£	£	£
<b>Reconciliation of cash movements</b>			
Money market investments	1,143,223	28,256	1,171,479
Short term cash deposits	221,950	349,950	571,400
Long term loans	<u>(500,000)</u>	<u>-</u>	<u>(500,000)</u>
<b>Total</b>	<u>865,173</u>	<u>377,706</u>	<u>1,242,874</u>



Notes to the Financial Statements  
For the Year Ended 31 March 2004

## 21. Operating Leases

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

	2004 £	2003 £
Others, which expire: -		
Expiring within the next year	-	-
Expiring in the second to fifth year	5,891	6318
Expiring in more than five years	3,158	-
	<u>-</u>	<u>-</u>

## 22. Units/Bedspaces

	2004 £	2003 £
<b>Social Housing</b>		
Under management at end of year		
Housing accommodation	933	933
Leaseholders	19	19
	<u>-</u>	<u>-</u>
	<u>952</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

	2004	2003
The average number of days between receipt and payment of purchase invoices		
	<u>34</u>	<u>32</u>

## 25. Social Housing Grant

	2004 £	2003 £
The total accumulated SHG received or receivable at the balance sheet date from both capital and revenue sources		
	<u>156,794</u>	<u>156,794</u>