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**SOLON SOUTH WEST HOUSING  
ASSOCIATION**

REPORT & FINANCIAL STATEMENTS

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Year ended 31 March 2003

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**HIGHLIGHTS – FIVE YEAR SUMMARY**

	2003	2002	2001	2000	1999
	£'000	£'000	£'000	£'000	£'000
<b>Income and expenditure:</b>					
Total turnover	3,130	2,857	2,790	2,594	2,634
Gross rents receivable	2,941	2,683	2,557	2,457	2,301
Operating surplus	534	249	432	449	343
Surplus for the year	413	98	322	289	265
<b>Balance sheet:</b>					
Tangible fixed assets	32,108	29,744	28,969	28,779	27,259
SHG and other capital grants	(25,312)	(24,234)	(23,614)	(23,459)	(22,801)
Tangible fixed assets net of grants	6,796	5,510	5,355	5,320	4,458
Net current (liabilities)/assets	(212)	431	977	644	1,346
Loans	(2,206)	(1,897)	(2,401)	(2,441)	(2,498)
Reserves - revenue	3,177	2,768	2,539	2,082	1,475
- designated	1,165	1,161	1,292	1,426	1,744
Total reserves	4,342	3,929	3,831	3,508	3,219
<b>Accommodation:</b>					
Total housing stock owned (including supported bedspaces)	899	866	869	868	862
Total housing stock leased (including supported bedspaces)	247	235	236	229	239
Total	1,146	1,101	1,105	1,097	1,101
<b>Statistics:</b>					
Surplus for the year as % of turnover	13.2%	3.4%	11.5%	11.0%	9.0%
Surplus for the year as % of gross rents	14.1%	3.7%	12.6%	11.7%	11.5%
Voids and bad debts as % of rent and service charges receivable	4.9%	5.6%	5.0%	6.1%	5.3%
Operating surplus per home owned	£594	£282	£491	£510	£396
Total reserves per home	£4,831	£4,445	£4,358	£3,986	£3,722
Interest cover (surplus before interest payable divided by interest payable)	4.0	1.5	2.5	2.3	2.2
Liquidity (current assets divided by current liabilities & provisions)	0.72	1.5	2.6	2.3	2.5
Gearing (total loans as % of SHG, loans plus reserves)	6.9%	6.7%	8.1%	8.3%	8.8%

**BOARD MEMBERS, EXECUTIVE OFFICERS, ADVISORS AND BANKERS**

**Board of Management:**

Chairperson: Kate Orchard  
Vice Chairperson: Pat Moynihan  
Other Members: Alastair Bloice  
Debbie Collard  
Leotta Goodridge  
Stephen Guile  
Diane Hall (Chair - Audit & Finance Committee from November 2002)  
Stewart Mountfield  
Hans Nandwani  
Ewan Van Ryneveld (Chair - Audit & Finance Committee to November 2002)  
Margaret Richardson  
Fred Semple

**Senior Staff:**

Chief Executive and Company Secretary Paul Ville  
Head of Finance Simon Wilkie  
Head of Housing Services Sarah Wilde  
Head of Asset Management Peter Brookes  
Development Director Kelly Thomas

**Auditors:** RSM Robson Rhodes LLP  
Chartered Accountants  
10 Queen Square  
BRISTOL BS1 4NT

**Solicitors:** Burges Salmon  
Narrow Quay House  
Prince Street  
BRISTOL BS1 4AH

Bevan Ashford  
35 Colston Avenue  
BRISTOL BS1 4TT

**Principal Bankers:** HSBC Bank Plc.  
49 Corn Street  
BRISTOL BS99 7PP

Registered under the Industrial and Provident Societies Act No: 21136R

Registered with the Housing Corporation No: L0125

## **CHAIRPERSON'S REPORT**

I am pleased to introduce the annual accounts for the financial year 2002/2003.

The accounts demonstrate that Solon continues to be a successful social business, which is maintaining financial strength and viability while achieving the balance of rent affordability and investment in existing and new housing. We continue to succeed in an increasingly complex, competitive and challenging business environment.

The accounts demonstrate tangible achievements, including:

- continuing financial strength across a range of indicators;
- provision of new homes, which is essential if we are to renew the profile of our ageing housing stock, and mitigate on-going financial liability;
- continuing investment in existing homes to ensure they are maintained in good condition, and that we can achieve the Decent Homes Standard.
- provision of temporary homes, bringing empty properties back to life, primarily to tackle homelessness;
- good performance on void turnaround times and keeping empty homes to a minimum.

We have continued to invest resources to make Solon more efficient, and to improve services, including, for example:

- on-going development of the computer system;
- review of the business plan and 30-year financial plan;
- rolling programmes of internal audit and risk management, to improve controls and systems, and reduce risk;
- on-going corporate planning to achieve business plan objectives;
- action resulting from Best Value service reviews, including maintenance and estate management;
- comprehensive Best Value service review of the supported housing operation;
- achievement of Investor in people accreditation.

We have recognised the risks, and opportunities presented by the introduction of the Supporting People framework this year. Therefore a significant amount of work has been undertaken, and resources have been invested during the year to prepare for these changes.

We have also carried out a major restructuring to increase our development capability, and improve our focus on developing, and implementing the asset management strategy.

### **The future**

There will be a number of challenges in the year ahead. These include the bedding down of Supporting People, new Best Value service reviews on finance and Information Technology, and ongoing implementation of previous reviews. We will also continue to build on Solon's role in Neighbourhood Renewal, and ongoing inner city regeneration, in partnership with other local agencies. We were delighted to have been selected as joint partners on the Barton Hill New Deal for Communities project, and have invested staff resources to ensure we contribute fully to the success of this project, as well as achieving sustainable new growth elsewhere.

We approach these challenges in good financial health and with our income and expenditure in line with our 30-year financial plan projections. We look forward to the year ahead.

### **Thanks**

I would like to thank all those who have supported us during the year: our customers, our partners, our staff and also my colleagues on the Board for their hard work and commitment.

Kate Orchard, Chairperson  
10 September 2003

## CHIEF EXECUTIVE'S REPORT

2002/03 was an important year for Solon in building the foundations of future financial strength and stability.

As the Chairperson has noted, the provision of new homes is essential to enable Solon to renew the profile of its ageing housing stock, thereby reducing the associated on-going financial liability, and increasing cost effectiveness and financial strength. The higher quality achieved by the provision of new homes is also important in meeting increasing customer expectations.

We successfully delivered a modest programme of new development and temporary housing solutions during the year. However, one of our most important achievements was to carry out internal restructuring to create separate development and asset management departments. This has improved our focus on, and ability to deliver Solon's key business plan objectives – the provision of new permanent homes, and the implementation of the asset management strategy. A new senior development post, created to lead the development department, has already had a significant impact. Solon has been selected as joint development partners for Barton Hill New Deal for Communities, and been given the opportunity to work on a number of other new schemes in Bristol.

It is essential that we build on this success in the forthcoming year, increasing our share of new development opportunities, and continuing to achieve good quality sustainable growth. The restructure has increased the confidence that our local authority partners have in our ability to deliver, and we are optimistic that this will enable us to achieve our objectives.

New permanent growth complements, and is complemented by the production and delivery of the asset management strategy. The strategy was produced by the Head of Asset Management during the year, and its implementation is essential to improve the quality and efficiency of Solon's maintenance service, and ensure the most cost effective use of existing stock. This will continue to be a very high priority for Solon, and the Head of Asset Management in the forthcoming year.

As noted by the Chair, continuing to prepare for the introduction of Supporting People has also been a high priority, and a resource intensive task during the year. A skilled and experienced interim supported housing project manager was successfully recruited to lead our preparations, and protracted and difficult negotiations with managing agents. These preparations have largely been successful, and we are confident that we have adequately mitigated the risks arising from the new arrangements. The Best Value review of Solon's supported housing operations, which started during the year will continue in 2003/04.

2002/03 has been another busy and challenging year for the Head of Finance. He has made a significant contribution to the preparations for Supporting People, supporting and guiding the interim project manager, and has also devoted a considerable amount of time assisting the Development Department on financial feasibility work. All of this has been achieved with a relatively new team, and an already heavy workload. I thank the Head of Finance for his continued hard work and support during the year.

### Financial strength for the future

I was delighted that our recent Housing Corporation Assessment noted that Solon has a strong financial condition and exposures are comprehensively mitigated. Our relative financial strength, including very low borrowing, high value stock, and a sound 30-year financial plan enable us to continue to look forward to the future with confidence.

Paul Ville  
Chief Executive  
10 September 2003

## **OPERATING AND FINANCIAL REVIEW**

For the year ended 31 March 2003

### **Turnover**

Turnover in the year to 31 March 2003 increased by £273,000 to £3,130,000. Gross rental income (per note 3b) increased by £258,000, mainly due to a £113,000 increase from additional temporary properties. Other sources of additional income in the year included:

- one off income of £34,000 under THB arrangements for floating support by agents (these sums will be received directly by the agents under supporting people arrangements in future)
- transitional housing benefit (THB) secured for Rackfield House,
- grants of £162,000 for major repairs.

Overall general needs rental income increased by 3.3% (including rents from properties added in the year) as rents were adjusted in line with Solon's rent plan under rent restructuring guidelines. The way in which our income has been spent is summarised below.

### **Operating costs**

Overall operating costs totalling £2,596,000 were similar to the previous year. Major and planned works expenditure continued at high levels, as the completion of the major works programme extended into the year. The maintenance, repairs and development costs included in the operating expenditure amounted to £1,461,000 (£1,600,000 in 2002).

Operating costs for temporary social housing (TSH) properties rose by £75,000 to £329,000, as property numbers increased. Rent loss from bad debts was carefully controlled, to a total of £42,000 (£48,000 the previous year).

### **Interest**

Sterling base rates were reduced by 0.25% to 3.75% on 6 February 2003. Effective treasury management utilised Solon's new loan arrangements to improve returns by reducing cash holdings and minimising borrowing requirements and interest payable. The Association's treasury management policy precludes the use of derivatives and quarterly reports on investment performance are provided to the Board.

### **Surplus for the year**

Surplus on ordinary activities for the year was £413,000. This included a net release of £49,000 from provisions and grants, and grant support of £162,000 for the major repairs programme.

A total of £409,000 was transferred to the revenue reserve, to support future investment and maintain the Association's financial security.

### **Reserves**

It is the Association's policy to reinvest its reserves into the procurement of additional social homes and the majority of the revenue reserve of £3,177,000 has been, or will be, used in this way.

Reserves are also earmarked for future repair needs. With high expenditure on major repairs during the period, we have used £227,000 from the RSF re-investment fund for major repairs, leaving a balance of £8,000. We will continue to review the level of repairs reserves required in the light of stock condition surveys, updated by other information on potential future repairs costs and adjusted in line with works undertaken.

**OPERATING AND FINANCIAL REVIEW** *continued*

For the year ended 31 March 2003

**Cash flow**

Positive cash flows of £595,000 were obtained from operating activities. Effective treasury management, combined with utilisation of cash deposits, operating cash flows and grant income enabled Solon to finance additions of £2.5 million of new properties, whilst only drawing a net sum of £0.3 million in private finance. The Association finished the year with excellent financial security, having exceptionally low gearing of 6.9%, as well as £1.7 million of undrawn private finance facilities available on demand.

**Future developments**

Solon is actively involved in a diverse range of new social housing developments and initiatives. These include provision of new homes in Barton Hill, involvement in Broadmead expansion plans as well as section 106 projects and a range of other initiatives to meet housing need in the area.

Simon Wilkie  
Head of Finance  
10 September 2003

**REPORT OF THE BOARD**  
**For the year ended 31 March 2003**

The Board presents its report and audited financial statements for the year ended 31 March 2003.

**Principal activities**

Solon South West Housing Association Limited ('the Association') is a not-for-profit organisation administered by a voluntary Board. The Association operates in Bristol and the surrounding areas of Bath, Shepton Mallet, Frome, Forest of Dean and South Gloucestershire from its office in Newfoundland Street, central Bristol.

The Association's principal activities are the development and management of social housing. An operating and financial review of the year's activities is set out on pages 5 and 6.

**Performance for the year**

The Board is pleased to report a surplus on ordinary activities (after interest charges) of £413,000, increasing the Association's funds to £4,342,000.

The Association spent £2,501,000 on the acquisition and development of housing properties, financed through grants of £1,021,000, internal financing of £1,171,000 and loans of £309,000. Details of changes to the Association's fixed assets are shown in notes 11 and 12 to the financial statements.

**Board Members and Chief Executive**

The present Board Members and the executive officers of the Association are listed on page 2. The Board Members are drawn from a wide background bringing together professional, commercial and local experience. Margaret Richardson (retired librarian) joined the Board during the year.

All other Board Members served throughout the year with the exception of Narinder Vir Kaur and Chris Simons who retired on 3 May 2002 and 26 September 2002 respectively.

The Chief Executive served throughout the year. The executive officers hold no interest in the Association's shares and have no legal status as directors although they act as executives within the authority delegated by the Board.

The Association has insurance policies which indemnify its Board Members and executive officers against liability when acting for the Association.

**Remuneration policy**

The Audit & Finance Committee, comprising five Board Members, is responsible for setting the Association's remuneration policy for the staff, including the executive officers. It agrees the remuneration of executive officers, as well as the brief within which the Chief Executive can negotiate staff salaries.

The Audit & Finance Committee pays close attention to remuneration levels in the sector in determining the remuneration packages of the officers. Basic salaries are set having regard to each executive officer's responsibilities and pay levels for comparable positions in similar organisations.

**Pensions**

The executive officers are members of a personal pension scheme on the same terms as all other eligible staff. The Association contributes 5% of salary to the scheme on behalf of its employees.

**REPORT OF THE BOARD *continued***  
**For the year ended 31 March 2003**

**Service contracts**

The executive officers are employed on the same terms as other staff, but with a longer notice period of 12 weeks.

The details of executive officers' remuneration are included in note 9 to the audited financial statements.

**Employees**

Much of the Association's strength lies in the quality and commitment of its employees. The Association's ability to meet its objectives and commitments to tenants in an efficient and effective manner depends on the contribution of employees throughout the Association.

The Association ensures staff are fully informed of its objectives, progress and activities through regular office and departmental meetings. The Association provides training programmes focused on quality and customer service and consults employees on proposed improvements to services and other matters of common concern. Investor in People accreditation was attained during the year.

The Association is committed to equal opportunities for all its employees.

**Health and safety**

The Board is aware of its responsibilities on all matters relating to health and safety. The Association has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

**NHF Code of Governance**

The Association complies with the principal recommendations of the NHF Code of Governance. The ways in which we seek to achieve good housing association governance are outlined below.

**The Board**

The Board comprises up to fifteen non-executive members and is responsible for managing the affairs of the Association. Board members are drawn from a wide background with a range of professional, commercial and local community skills and experience. The Board meets formally six times a year for regular business and on other occasions throughout the year to discuss housing issues and formulate future business plans. Board members also have the opportunity to attend conferences run by the National Housing Federation, and other organisations, including conferences specifically for voluntary board members. Training in all aspects of board management is also available and regularly attended by members.

The Board is responsible for the Association's strategy and policy framework. It delegates day-to-day management and implementation of that framework to the Chief Executive and other executive officers. The executive comprises the Chief Executive, Head of Finance, Head of Housing Services, Head of Asset Management and Development Director. The executive meets bi-weekly and attends Board meetings.

**Committees**

The Board delegates certain responsibilities to the Audit & Finance Committee, which meets at least four times a year to consider in detail the raising of private finance, the budget, business plan and annual accounts before these go to the Board for approval. The Audit & Finance Committee also considers the appointment of internal and external auditors, the scope of their work and their reports. It also reports to the Board on the effectiveness of the Association's internal control arrangements.

The Board and its committees obtain external specialist advice from time to time as necessary.

**REPORT OF THE BOARD** *continued*  
**For the year ended 31 March 2003**

**Internal controls assurance**

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

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable, and not absolute, assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Association is ongoing and has been in place throughout the period commencing 1 April 2002 up to the date of approval of the report and financial statements. The Board receives and considers reports from management on these risk management and control arrangements at each meeting during the year.

The arrangements 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 include:

***Governance framework***

Solon is governed by a Board whose terms of reference have been reviewed regularly and continue to comply with the NHF Code of Governance.

Separate committees and working groups report to the Board, primarily covering audit and finance and tenant participation and equal opportunities.

Job descriptions and specifications have been agreed and adopted for the chairs of the Board, committees and working groups. The roles and responsibilities of individual members are set out in a letter, in accordance with the Code.

***Internal control framework***

The Board has approved, and put in place standing orders and financial regulations that set Solon's high-level internal control framework. They are reviewed regularly by the Board. The last detailed review was undertaken in May 2003, and increased delegated authority to committees, and senior staff, without significant loss of overall control of key areas.

The standing orders and financial regulations set out the delegations and terms of reference to committees and working groups, managers and staff, and are circulated to all staff with delegated authorities.

The Board has approved, and put in place a business plan that sets out Solon's vision, business objectives, and key targets. An annual management action plan defining tasks to be completed by named staff within set deadlines is approved by the Board at beginning of the year. The Board monitors progress during the year.

***Risk identification and evaluation***

Solon undertakes an annual risk assessment exercise that concentrates on risk identification and evaluation, the identification and monitoring of suitable controls. The process is lead by the Chief Executive, who takes responsibility for advising the Board on risk management, and reporting any significant changes affecting key risks.

Risks are analysed to assess the possible impact of high, medium and low risks, and the likelihood of them arising. The senior management team subsequently identifies and assesses the existing controls available to avoid occurrence of the highest priority risks, and, where weaknesses exist, proposes actions to rectify them which are added to a risk action progress monitor.

**REPORT OF THE BOARD** *continued*  
**For the year ended 31 March 2003**

***Operation of controls and monitoring***

Staff work to procedures that incorporate all necessary controls. Managers are required to ensure that they and their staff follow policies and procedures. They certify that adequate systems of internal control exist and operate in their departments and that those systems are aligned to the management of significant risks facing the Association.

***Independent assurance***

Solon employs The Internal Audit Association (TIAA) as its internal auditors to provide independent assurance that appropriate controls are operated. Further independent assurance concerning controls, the safeguarding of assets and the integrity of accounting and financial reporting systems is provided by the external auditors. The Audit & Finance Committee meets the internal and external auditors each year without management present.

Some independent assurance is provided by Solon's accreditation as an Investor in People. Further independent assurance is also provided by regular customer and staff surveys.

***Financial controls***

Long-term financial forecasts are validated by independent consultants, and approved annually by the Audit & Finance Committee and Board, to ensure Solon's long-term financial viability.

Budgets are prepared, approved by the Board, and monitored monthly, and quarterly via the preparation of management accounts. Short and medium-term cash flow forecasts are regularly prepared to ensure liquidity.

Financial reconciliations are performed monthly.

***Emergency planning***

Solon has a disaster recovery plan, copies of which are held off site by all senior staff and the Chairperson.

**Statement of the responsibilities of the Board for the report and financial statements**

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

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

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

**Going concern**

After making enquiries, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in the financial statements.

**REPORT OF THE BOARD** *continued*  
**For the year ended 31 March 2003**

**Annual general meeting**

The Annual General Meeting will be held at the at the offices of CEED, Wilder Street, St Paul's, Bristol on Tuesday, 23 September 2003.

**Auditors**

On 3 May 2003, the auditors, RSM Robson Rhodes, transferred their entire business to RSM Robson Rhodes LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000, and ceased to act as external auditors to the Association. The Board appointed RSM Robson Rhodes LLP with effect from 3 May 2003 to fill the casual vacancy. A resolution to re-appoint RSM Robson Rhodes LLP as external auditors will be proposed at the forthcoming annual general meeting.

The report of the Board was approved at its meeting on 10 September 2003 and signed on its behalf by

Paul Ville  
Company Secretary

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOLON SOUTH WEST HOUSING ASSOCIATION LIMITED**

We have audited the financial statements on pages 13 to 31.

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 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 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 the Board and auditors**

The Board is responsible for preparing the Board report and other information contained in this Report and, as described on page 10, the Board is responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 1978, the Housing Act 1996 and the Accounting Requirements for registered social landlords General Determination 2000. We also report to you if, in our opinion, the Board report is not consistent with the financial statements, if the 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 and transactions with the Association is not disclosed.

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

### **Basis of opinion**

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

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Association as at 31 March 2003 and of the Association's surplus for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 1978, the Housing Act 1996 and the Accounting Requirements for registered social landlords General Determination 2000.

RSM Robson Rhodes LLP  
Chartered Accountants and Registered Auditors  
Bristol, England  
10 September 2003

**INCOME AND EXPENDITURE ACCOUNT**  
**For the year ended 31 March 2003**

	<b>Notes</b>	<b>2003 £'000</b>	<b>2002 £'000</b>
Turnover – continuing operations	3	3,130	2,857
Operating costs	3	(2,596)	(2,608)
Operating surplus – continuing activities	3	534	249
Surplus on sale of housing property			-
Interest receivable and other income	7	16	42
Interest payable and similar charges	8	(137)	(193)
Surplus on ordinary activities for the financial year	9/20	413	98
Transfer from designated reserves	20	4	18
Transfer (to)/from restricted reserves	20	(8)	113
		409	229
Revenue reserve at 1 April	20	2,768	2,539
Revenue reserve at 31 March	20	3,177	2,768

There were no recognised surpluses or deficits other than those included in the Income and Expenditure Account for the year and the previous year.

**BALANCE SHEET**  
As at 31 March 2003

	Notes	2003 £'000	2002 £'000
<b>Tangible fixed assets:</b>			
Housing properties – depreciated cost	11	32,013	29,615
Capital grants	11	(25,312)	(24,234)
		6,701	5,381
Other tangible fixed assets	12	95	129
		6,796	5,510
<b>Current assets:</b>			
Debtors	13	289	398
Cash at bank and in hand		249	987
		538	1,385
<b>Creditors:</b>			
<b>Amounts falling due within one year</b>	14	(750)	(954)
<b>Net current (liabilities)/assets</b>		(212)	431
<b>Total assets less current liabilities</b>		6,584	5,941
<b>Creditors:</b>			
<b>Amounts falling due after more than one year</b>	15	2,242	2,012
<b>Capital and reserves:</b>			
Non-equity share capital	17	-	-
Restricted reserves	20	8	-
Designated reserves	20	1,157	1,161
Revenue reserves	20	3,177	2,768
		4,342	3,929
<b>Association's funds</b>	21	4,342	3,929
		6,584	5,941
		6,584	5,941

The financial statements were approved by the Board on 10 September 2003 and signed on its behalf by:

Kate Orchard  
Chairperson

Diane Hall  
Board Member

Paul Ville  
Secretary

**CASHFLOW STATEMENT**  
For the year ended 31 March 2003

	Notes	2003 £'000	2002 £'000
<b>Net cash inflow from operating activities</b>	23	595	582
<b>Returns on investments and servicing of finance</b>		-----	-----
Interest received		16	42
Interest paid		(137)	(193)
		-----	-----
		(121)	(151)
<b>Capital expenditure</b>		-----	-----
Acquisition and construction of properties		(2,501)	(860)
Purchase of other fixed assets		(42)	(41)
Capital grants received		1,021	689
Receipts from sales of other fixed assets		-	5
		-----	-----
		(1,521)	(208)
<b>Financing</b>		-----	-----
Housing loans received		900	-
Housing loans repaid		(591)	(504)
		-----	-----
		309	(504)
		-----	-----
<b>Decrease in cash</b>	24	(738)	(281)
		=====	=====

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2003**

**1. LEGAL STATUS**

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

**2. ACCOUNTING POLICIES**

**Basis of accounting**

The financial statements of the Association are prepared in accordance with applicable financial reporting standards and the Statement of Recommended Practice: Accounting by Registered Social Landlords, issued in November 2002, and comply with the Accounting Requirements for registered social landlords General Determination 2000.

The Board is satisfied that the current accounting policies are the most appropriate for the Association.

**Turnover**

Turnover comprises rental income receivable in the year, income from property sales and other services included at the invoiced value of goods and services supplied in the year, and revenue grants.

**Interest**

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

**Pensions**

The Association contributes to personal pensions for employees through a group stakeholder arrangement. This is a defined contribution scheme, and the assets are invested and managed independently of the finances of the Association. The costs are charged to management expenses over the periods benefiting from the employee's services.

**Supported housing managed by agencies**

Social housing grants and other revenue grants are claimed by the Association as owner of the property. The grants are included in the income and expenditure account and balance sheet of the Association. The treatment of other income and expenditure in respect of supported housing projects depends on whether the Association carries the financial risk.

Where the Association carries the financial risk, for example, for losses from voids and arrears, all the income and expenditure relating to the project is included in the Association's income and expenditure account.

Where the agency carries the financial risk, the income and expenditure account includes only that income and expenditure which relates solely to the Association. Other income and expenditure of projects in this category is excluded from the Association's income and expenditure account.

**Taxation**

Because of its charitable status, the Association is exempt from tax on its income from investments, revenue account surplus and capital gains, provided they are applied for charitable purposes.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

### Value added tax

The Association does not charge value added tax (VAT) on its income and is unable to recover the VAT it incurs on expenditure. The financial statements include the irrecoverable VAT suffered by the Association.

### Housing properties

Housing properties are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings and development costs incurred during the development period.

### Capitalisation of improvements to housing properties

Expenditure incurred in respect of improvements is capitalised where it results in an increase in the net rental stream over the useful life of the property. An increase in net rental stream may arise through: an increase in the rental income, a reduction in future maintenance costs, or as a result of a significant extension of the useful economic life of the property in the business.

Only the direct overhead costs associated with new developments or improvements are capitalised. 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. The amount of SHG receivable is calculated on a fixed basis depending on the size, location and type of housing property. 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 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.

### Depreciation of housing properties

Freehold land is not depreciated. Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight line basis, over their estimated useful economic lives in the business. The depreciable amount is arrived at on the basis of original cost, less the proportion of SHG and other grants attributable to housing properties, less residual value. The Association's housing properties have been depreciated at the following rates from 1 April 1999.

#### *All properties*

- built since 1980            1.25% pa
- built before 1979         1.70% pa

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2003

**Impairment**

Houses built since 1980 which are depreciated over a period in excess of 50 years are, in accordance with Financial Reporting Standard No 11 and the SORP, subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down would be charged to operating surplus 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:

- Office improvements & short leasehold property - over the life of lease.
- Furniture, fixtures and fittings - 3 to 5 years, depending upon type
- Computers and office equipment - 3 years
- Motor vehicles - 4 years

**Leased assets**

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the Association's normal accounting policies. The present value of future rentals is shown as a liability.

The interest element of rental obligations is charged to the income and expenditure account over the period of the lease in proportion to the balance of capital repayments outstanding.

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

**Schemes in progress**

Properties under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

**Provisions**

The Association makes provisions only where there is a contractual or constructive liability for future expenditure, and the amount or timing is uncertain. Provisions are made to recognise the Association's obligation to hand back short-life properties to their owners in a state similar to that when they were received, and for unspent sums collected from agents for property maintenance.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2003

**Reserves**

The Association establishes *restricted reserves* for specific purposes where their use is subject to external restrictions and *designated reserves* where reserves are earmarked for a particular purpose.

***RSF re-investment fund***

The Association's commitment to fund major repairs, re-improvements and rehabilitation works of a revenue nature to housing properties is recognised by the transfer from accumulated surpluses to a restricted reserve - the *RSF reinvestment fund*. Annual contributions of 90% of the "rent surplus" are made to the reserve.

***Major repairs reserve***

The Association's commitment to fund other major repairs is recognised by the transfer from accumulated surpluses to the *major repairs reserve* - the amount is based on the expected future liabilities arising from the results of the Association's latest stock condition survey, updated in line with expenditure incurred on related works.

SOLON SOUTH WEST HOUSING ASSOCIATION

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NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 March 2003

3a. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	2003			
	Turnover	Operating costs	Operating surplus/ (deficit)	Turr
	£'000	£'000	£'000	£
<b>Social housing lettings:</b>	3,041	(2,342)	699	£
<b>Other social housing activities:</b>				
Development costs written off	2	(83)	(81)	
Development – temporary social housing	-	(67)	(67)	
Supported housing managed by others	76	(104)	(28)	
Other income and expenditure	11	-	11	
	<u>3,130</u>	<u>(2,596)</u>	<u>534</u>	<u>£</u>

SOLON SOUTH WEST HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

3b. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	2003					General needs	Su hc
	General needs	Supported housing	TSH managed by others	TSH	Total		
	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Income from social housing lettings</b>							
Rent receivable net of identifiable service charges	2,251	41	86	390	2,768	2,179	-
Service charges receivable	93	67	-	13	173	50	-
<b>Gross rental income</b>	<b>2,344</b>	<b>108</b>	<b>86</b>	<b>403</b>	<b>2,941</b>	<b>2,229</b>	<b>-</b>
Less: rent losses from voids	(46)	(6)	(9)	(40)	(101)	(52)	-
<b>Net rental income</b>	<b>2,298</b>	<b>102</b>	<b>77</b>	<b>363</b>	<b>2,840</b>	<b>2,177</b>	<b>-</b>
Revenue grants from local authorities & other agencies	-	-	-	17	17	-	-
Revenue grants from the Housing Corporation	162	22	-	-	184	163	-
<b>Turnover from social housing lettings</b>	<b>2,460</b>	<b>124</b>	<b>77</b>	<b>380</b>	<b>3,041</b>	<b>2,340</b>	<b>-</b>
<b>Expenditure on social housing lettings</b>							
Management	461	91	43	67	662	477	-
Services	86	15	-	37	138	47	-
Routine maintenance	474	4	35	74	587	524	-
Planned maintenance	358	(4)	-	32	386	275	-
Major repairs expenditure	338	-	-	-	338	428	-
Bad debts	24	8	-	10	42	27	-
Property lease charges	-	-	3	94	97	-	-
Depreciation of housing properties	70	1	-	21	92	73	-
<b>Operating costs on social housing lettings</b>	<b>1,811</b>	<b>115</b>	<b>81</b>	<b>335</b>	<b>2,342</b>	<b>1,851</b>	<b>-</b>
<b>Operating surplus/(deficit) on social housing lettings</b>	<b>649</b>	<b>9</b>	<b>(4)</b>	<b>45</b>	<b>699</b>	<b>489</b>	<b>-</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2003

**4. SUPPORTED HOUSING PROJECTS**

The projects included in this category, the amounts for Supported Housing Management Grant (SHMG) and the number of units managed at the beginning and the end of the period of account, are listed below.

SHMG is stated before direct administration charges have been deducted.

	Grant received £	Bedspaces at start of year No.	Bedspaces at end of year No.
<b>SHMG</b>			
<b>Managing body:</b>			
Southwold Young People's Hostel	21,274	9	9
Missing Link	52,460	21	21
Gloucester Youth Housing	32,204	12	12
Avon Autistic	23,708	9	9
East Bristol Youth Housing	185,015	71	78
Bristol Cyrenians	82,136	23	23
Stroud Court Community Trust	18,556	8	8
NCH Action for Children	17,772	8	8
Priority Youth Housing	17,772	8	8
Rackfield House (directly managed)	22,640	20	20
Gloucester Domestic Violence & Abuse	32,113	5	15
Second Step Housing	30,960	13	13
	<hr/> 536,610	<hr/> 207	<hr/> 224
<b>Floating support</b>			
Gloucester Domestic Violence & Abuse	-	6	-
East Bristol Youth Housing	2,565	1	1
Gloucester Youth Housing	5,901	8	3
Resettlement	5,280	5	5
Second step	7,011	5	5
	<hr/> 20,757	<hr/> 25	<hr/> 14
Total	<hr/> <hr/> 557,367	<hr/> <hr/> 232	<hr/> <hr/> 238

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2003

**5. DIRECTORS AND SENIOR OFFICERS EMOLUMENTS**

No remuneration was paid to Board members during the year but expenses remunerated to them, not chargeable to income tax, were £411 (2002: £781).

The remuneration paid to the Chief Executive and the senior officers was:

	<b>2003</b> <b>£'000</b>	<b>2002</b> <b>£'000</b>
Emoluments – including pensions and benefits in kind	176	176
Emoluments – excluding pension contributions	168	166

**Comment:** Pension paid in the period was £10k. 176-10=166. [Noting that pension paid for Paul Ville was more than 5% of annual salary, as accumulated amounts due from earlier periods were paid this year.]

The emoluments of the highest paid director, the Chief Executive, were:

	<b>2003</b> <b>£'000</b>	<b>2002</b> <b>£'000</b>
Emoluments – including pensions and benefits in kind	55	58
Emoluments – excluding pension contributions	53	52

**Comment:** Paul's pension paid in the period was £6k. 58-6=52.

The Chief Executive is a member of the pension scheme on the same terms as all other eligible employees.

**6. EMPLOYEE INFORMATION**

The average weekly number of persons (including the Chief Executive) employed during the year was:

	<b>2003</b>	<b>2002</b>
Office staff	23	23
Wardens, caretakers and cleaners	1	1
Maintenance	6	5
	30	29

Staff costs (for the above persons) are as follows:

	<b>2003</b> <b>£'000</b>	<b>2002</b> <b>£'000</b>
Wages and salaries	615	632
Social security costs	56	52
Other pension costs (see note 16)	29	32
	700	716

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2003**

**7. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Interest received on bank investments	16	42
	<u>          </u>	<u>          </u>

**8. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
<b>On bank loans, overdrafts and other loans:</b>		
Repayable wholly or partly in more than 5 years	137	193
	<u>          </u>	<u>          </u>

**9. SURPLUS ON ORDINARY ACTIVITIES**

Surplus on ordinary activities is stated after charging the following:

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation – housing properties	97	84
Depreciation – other tangible fixed assets	76	74
Operating lease rentals	32	32
Surplus on disposal of tangible fixed assets other than housing properties	-	5
External auditors remuneration	11	10

**10. TAXATION**

Because of its charitable objectives, the Association is exempt from tax on its income from investments, revenue account surplus and capital gains provided they are applied for charitable purposes.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2003

**11. HOUSING PROPERTIES**

	Held for letting	Short leaseholds held for letting	Schemes in progress	Total
	£'000	£'000	£'000	£'000
<b>Cost:</b>				
At 1 April 2002	28,351	1,091	399	29,841
Additions	66	-	2,435	2,501
Transferred to completed schemes	1,941	412	(2,353)	-
Disposals	-	(6)	-	(6)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	30,358	1,497	481	32,336
<b>Depreciation:</b>				
At 1 April 2002	215	11	-	226
Charge for year	77	20	-	97
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	292	31	-	323
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciated cost	30,066	1,466	481	32,013
<b>Social housing grant:</b>				
At 1 April 2002	22,922	772	281	23,975
Received in the year	-	-	842	842
Transferred to completed schemes	924	199	(1,123)	-
Disposals	-	(7)	-	(7)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	23,846	964	-	24,810
<b>Single regeneration budget:</b>				
At 1 April 2002	-	259	-	259
Received in the year	-	243	-	243
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	-	502	-	502
<b>Net book value:</b>				
At 31 March 2003	6,220	-	481	6,701
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2002	5,214	49	118	5,381
	<hr/>	<hr/>	<hr/>	<hr/>

The insured value of the Association's housing properties for reinstatement purposes is £66,907,144 (2002: £61,496,640).

Development costs capitalised in the year amounted to £53,541 (2002: £30,657).

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2003

**11. HOUSING PROPERTIES** *continued*

Housing properties at depreciated cost comprise:

	<b>2003</b> <b>£'000</b>	<b>2002</b> <b>£'000</b>
Freeholds	30,234	28,209
Long leaseholds	967	621
Short leaseholds	812	785
	<u>32,013</u>	<u>29,615</u>

**12. OTHER TANGIBLE FIXED ASSETS**

	<b>Furniture and equipment £'000</b>	<b>Motor £'000</b>	<b>Total £'000</b>
<b>Cost:</b>			
At 1 April 2002	208	65	273
Additions	42	-	42
Disposals	(2)	-	(2)
	<u>248</u>	<u>65</u>	<u>313</u>
At 31 March 2003	248	65	313
<b>Depreciation:</b>			
At 1 April 2002	122	22	144
Charge for the year	60	16	76
Disposals	(2)	-	(2)
	<u>180</u>	<u>38</u>	<u>218</u>
At 31 March 2003	180	38	218
<b>Net book value:</b>			
At 31 March 2003	<u>68</u>	<u>27</u>	<u>95</u>
At 31 March 2002	<u>86</u>	<u>43</u>	<u>129</u>

**13. DEBTORS**

	<b>2003</b> <b>£'000</b>	<b>2002</b> <b>£'000</b>
Rental debtors	155	133
Prepayments and accrued income	85	210
Other debtors	49	55
	<u>289</u>	<u>398</u>

Included in debtors is a balance due after one year of £27,946 which represents a loan to Gloucester Youth HA.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2003

**14. CREDITORS: amounts falling due within one year**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Supported housing management grant	29	25
Housing loans	10	17
Trade creditors	309	339
SHG on housing properties in the course of construction	-	239
Rental prepayments	120	80
Accruals and deferred income	230	245
Other creditors	52	9
	<u>750</u>	<u>954</u>

**Comment:** Housing loans due in less than a year are £17k.

**15. CREDITORS: amounts falling due after more than one year**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Recycled capital grant fund	46	132
Housing loans	2,196	1,880
	<u>2,242</u>	<u>2,012</u>

The loans are at varying rates of interest and are repayable by instalments as follows:

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
In one year or less	10	17
Between one and two years	11	19
Between two and five years	90	70
In five years or more	2,095	1,791
	<u>2,206</u>	<u>1,897</u>

Allocated housing loans for completed schemes are advanced to the Association by:

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
National Westminster Bank PLC	-	579
Royal Bank of Scotland	900	-
Orchardbrook Ltd	1,306	1,318
	<u>2,206</u>	<u>1,897</u>

All housing loans are secured by fixed charges on individual properties.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2003**

**16. PENSION OBLIGATIONS**

The Association contributes 5% of employee salaries into personal pension schemes on their behalf. The amount contributed was £28,647 (2002: £30,144)

The Chief Executive participates in the scheme on the same terms as all other eligible staff. No enhancement or special terms apply.

**17. NON EQUITY SHARE CAPITAL**

	<b>2003</b>	<b>2002</b>
	£	£
Shares of £1 each, issued and fully paid at the beginning of the year	39	41
Shares issued during the year	-	3
Shares cancelled during the year	-	(5)
	<hr/>	<hr/>
At the end of the year	39	39
	<hr/> <hr/>	<hr/> <hr/>

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

**18. CAPITAL COMMITMENTS**

	<b>2003</b>	<b>2002</b>
	£'000	£'000
Expenditure contracted less certified	150	812
Expenditure authorised by the Board of Management not contracted	2,451	1,335
	<hr/>	<hr/>
	2,601	2,147
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2003

**19. HOUSING STOCK**

The number of units of housing and supported projects accommodation in management and under development at 31 March 2003 was:

	<b>2003</b>	<b>2002</b>
	<b>No.</b>	<b>No.</b>
<b>Housing accommodation for letting:</b>		
New build	107	99
Rehabilitation	653	648
Shared housing other than hostels (number of bedspaces)	15	15
Temporary social housing – managed by others	58	61
Temporary social housing	89	71
	<u>922</u>	<u>894</u>
<b>Supported projects accommodation:</b>		
Number of bedspaces	224	207
	<u>1,146</u>	<u>1,101</u>
<b>Total units</b>	<u>1,146</u>	<u>1,101</u>
<b>Units in development</b>	<u>4</u>	<u>14</u>

**20. RESERVES**

	<b>Restricted reserve £'000</b>	<b>Designated reserves £'000</b>	<b>Revenue reserve £'000</b>	<b>Total £'000</b>
As at 1 April 2002	-	1,161	2768	3,929
Surplus for the financial year	-	-	413	413
	<u>235</u>	<u>14</u>	<u>(249)</u>	<u>-</u>
Transfer from income and expenditure account	235	14	(249)	-
Transfer to income and expenditure account	(227)	(18)	245	-
	<u>8</u>	<u>(4)</u>	<u>(4)</u>	<u>-</u>
Net transfers	8	(4)	(4)	-
	<u>8</u>	<u>1,157</u>	<u>3,177</u>	<u>4,342</u>
At 31 March 2003	<u>8</u>	<u>1,157</u>	<u>3,177</u>	<u>4,342</u>

The restricted reserve represents the balance on the reinvestment fund calculated in accordance with the rent surplus fund determination and Housing Corporation circulars. It represents the amount earmarked for future major repairs on pre-1988 funded properties.

The designated reserve represents the amount earmarked for the completion of the Association's planned stock re-investment programme and also to fund repairs on properties developed after 1988.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2003

**21. RECONCILIATION OF MOVEMENTS IN ASSOCIATION'S FUNDS**

	<b>2003</b> <b>£'000</b>	<b>2002</b> <b>£'000</b>
Opening Association's funds	3,930	3,832
Surplus for the financial year	413	98
	<hr/>	<hr/>
Closing Association's funds	4,342	3,930
	<hr/> <hr/>	<hr/> <hr/>

**22. OPERATING LEASES**

At 31 March 2003, the Association had annual commitments under non-cancellable operating leases of:

	<b>2003</b> <b>£'000</b>	<b>2002</b> <b>£'000</b>
<b>Office buildings, lease expiring:</b>		
In 5 years or more	32	32
	<hr/> <hr/>	<hr/> <hr/>

**23. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<b>2003</b> <b>£'000</b>	<b>2002</b> <b>£'000</b>
<b>Operating profit</b>		
Operating surplus	534	249
Depreciation charges	173	158
Surplus on disposal of fixed assets	-	(5)
	<hr/>	<hr/>
	707	402
<b>Working capital movements</b>		
(Increase)/decrease in debtors	(66)	107
Increase/(decrease) in creditors	(46)	73
	<hr/>	<hr/>
	595	582
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2003

**24. RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT**

	<b>2003</b> <b>£'000</b>	<b>2002</b> <b>£'000</b>
Decrease in cash in the year	(738)	(281)
Cash (outflow)/inflow from change in debt	(309)	504
<b>Change in net debt</b>	<b>(1,047)</b>	<b>223</b>
Net debt as at 1 April	(910)	(1,133)
<b>Net debt as at 31 March</b>	<b>(1,957)</b>	<b>(910)</b>

**25. ANALYSIS OF NET DEBT**

	<b>31 March</b> <b>2002</b> <b>£'000</b>	<b>Cashflows</b> <b>£'000</b>	<b>31 March</b> <b>2003</b> <b>£'000</b>
Cash at bank and in hand	987	(738)	249
Debt due within one year	(17)	7	(10)
Debt due after one year	(1,880)	(316)	(2,196)
<b>Changes in debt</b>	<b>(1,897)</b>	<b>(309)</b>	<b>(2,206)</b>
<b>Total changes in net debt</b>	<b>(910)</b>	<b>(1,047)</b>	<b>(1,957)</b>

**26. RELATED PARTIES**

There are currently two tenant members of the Board, Debbie Collard and Margaret Richardson. Tenant Board Members hold tenancies on normal commercial terms and are not able to use their position to their advantage.