

**WARWICKSHIRE RURAL
HOUSING ASSOCIATION LIMITED**

FINANCIAL STATEMENTS

For the Year Ended 31 March 2006

WARWICKSHIRE RURAL HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

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WARWICKSHIRE RURAL HOUSING ASSOCIATION LIMITED

INFORMATION

REGISTERED OFFICE :

Unit 25, Stoneleigh Deer Park
Stareton
Kenilworth
Warwickshire
CV8 2LY

COMMITTEE OF MANAGEMENT :

Mr Matthew Dick (Chairman)
Mr David Hannon (Vice Chairman)
Mrs Lesley Trundle
Mr Trevor Humphries (Resigned 2 January 2006)
Mr Rodney Perry
Ms Kay Wilson
Mr Paul Harris
Mr Derrick Dyas
Mrs Linda Ridgley
Ms Renata Mosz (Appointed 13 July 2005)

SECRETARY :

Mr Craig Felts

AUDITORS :

KPMG LLP
2 Cornwall Street
Birmingham
B3 2DL

Housing Corporation Registration No : L3881

Registered as an Industrial & Provident Society with Charitable Rules
Registration No : 26636R

**WARWICKSHIRE RURAL HOUSING ASSOCIATION LIMITED
REPORT OF THE COMMITTEE OF MANAGEMENT
FOR THE YEAR ENDED 31 MARCH 2006**

Principal Activities

The principal activity of the Association is the provision of general needs housing for rent, along with Shared Ownership housing.

Review of the Period

The Association has continued to play a key role in the provision of affordable village homes. Continued price increases have led to fewer homes being available on the open market to families and first time buyers. As a result, the service that Warwickshire Rural Housing Association provides, to ensure local people can afford a home in their own village, continues to be in demand.

Partnership working remains the Association's core ethos and has become more important with changes in the provision of the grant funding for housing associations. Although development activity has always been channelled through larger partner associations, the choice of partners has become increasingly limited through the introduction of the Housing Corporation's "Investment Partnering" programme. By working closely with Bromford Carinthia Housing Association, the Association has continued to provide much needed homes, and developments at Long Compton and Stourton were completed in the year. A number of other schemes are currently being progressed using this arrangement.

The Association has a growing pipeline of new developments, and a significant amount of fieldwork is taking place in the county as a result of increased enabling activity.

The Association has also performed well in relation to housing management activity with key targets being achieved or exceeded, particularly in relation to arrears and void management.

The Management Committee are satisfied with progress during the year and are able to report a surplus of £145,634.

Committee Members

The Committee of Management of the Association during the period are as stated on page 1.

Each member of the Committee of Management holds one fully paid share of £1 in the Association. New Committee members acquire their share on appointment.

Liability Insurance

The Association has taken out liability insurance on behalf of the members of the Committee of Management.

**WARWICKSHIRE RURAL HOUSING ASSOCIATION LIMITED
REPORT OF THE COMMITTEE OF MANAGEMENT (Continued)
FOR THE YEAR ENDED 31 MARCH 2006**

Auditors

During the period, the Association put out to tender the provision of audit services. As a result of this process KPMG LLP were appointed auditors to the Association replacing the previous auditors, Rogers Spencer of Nottingham.

**CRAIG FELTS
Secretary**

12 September 2006

WARWICKSHIRE RURAL HOUSING ASSOCIATION LIMITED
STATEMENT OF THE COMMITTEE OF MANAGEMENT'S RESPONSIBILITIES IN
RESPECT OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

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

The Industrial and Provident Societies Acts require the Committee to prepare accounts 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 accounts the Committee 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 Committee are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the accounts comply with the Industrial and Provident Societies Acts 1965 to 2002 and Schedule 1 to the Housing Act 1996 and the Accounting Requirements to Registered Social Landlords General Determination 2000 as amended. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, by establishing and maintaining a satisfactory system of control over the Association's accounting records, cash holdings and all its receipts and remittances.

Warwickshire Rural Housing Association Statement on internal control

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

The Management Committee recognises that no system of internal control can provide absolute assurance against or eliminate all risk of failure to achieve business objectives.

In meeting its responsibilities, the Management Committee 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 risk to which the Association is exposed and is consistent with Turnbull principles as incorporated in the Housing Corporation's circular R2-25/01: *Internal controls assurance*.

The processes adopted by the Management Committee in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework include:

Identification and evaluation of key risks

The Association undertakes a comprehensive annual review of its risk map, which is linked into business objectives and firmly embedded in the internal control system. Ongoing monitoring and reporting mechanisms assist in the delivery of the Risk management action plan.

WARWICKSHIRE RURAL HOUSING ASSOCIATION LIMITED
STATEMENT OF THE COMMITTEE OF MANAGEMENT'S RESPONSIBILITIES IN
RESPECT OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006 (continued)

Monitoring and corrective action

The Management Committee receives regular management reports on all aspects of the work of the Association, together with proposals on corrective action when required. The annual report on assurance from the Secretary assists in the consideration of effectiveness of systems in place, as do any reports received from external sources such as the Housing Corporation.

Control environment and procedures

Midland Rural Housing manages the operations of the Association under a formal service agreement. There is a comprehensive set of policies and procedures documenting all aspects of the Association's work including standing orders, delegated authority, treasury management strategy, budgetary information, fraud prevention.

Information and financial reporting systems

There is regular reporting of key performance indicators to assess progress towards the achievement of key business objectives and targets.

Financial reporting procedures include detailed annual budgets and quarterly management accounts. These are approved by the Management Committee, who also review key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

Internal Audit who provided independent verification to the Management Committee reviews the internal control framework under a three-year rolling programme.

The Management Committee confirms that there are ongoing processes for maintaining sound systems of internal control and for managing significant risks. These processes have been in place throughout the period, up to the date of the signing of the financial statements and they are regularly reviewed in conjunction with Midlands Rural Housing.

By Order of the Committee of Management

MATTHEW DICK
CHAIRMAN

12 September 2006

WARWICKSHIRE RURAL HOUSING ASSOCIATION LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF WARWICKSHIRE RURAL HOUSING ASSOCIATION

We have audited the financial statements of Warwickshire Rural Housing Association for the year ended 31 March 2006 which comprise Income and Expenditure Account, the Balance Sheet and the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the association's members, as a body, in accordance with Schedule 1 paragraph 16 to the Housing Act 1996 and 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

As described on page 4, the association's Board of Management is responsible for the preparation of the Board of Management's report, and the preparation of financial statements in accordance with applicable United Kingdom law and UK accounting standards (UK Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000. We also report to you if, in our opinion, the Board of Management's Report is not consistent with the financial statements, if the association has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Management 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 in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

WARWICKSHIRE RURAL HOUSING ASSOCIATION LIMITED

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
WARWICKSHIRE RURAL HOUSING ASSOCIATION (Continued)**

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the association as at 31 March 2006 and of its surplus for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000.

KPMG LLP
Chartered Accountants
Registered Auditor

WARWICKSHIRE RURAL HOUSING ASSOCIATION LIMITED
INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED
31 MARCH 2006

	<u>Note</u>	<u>2006</u>	<u>2005</u>
Turnover	2	893,761	839,270
Operating costs	2	<u>(497,044)</u>	<u>(399,390)</u>
Operating surplus		396,717	439,880
Surplus on sale of properties not developed for outright sale	6	-	36,186
Interest receivable and similar income	7	38,141	32,583
Interest payable and similar charges	8	<u>(289,224)</u>	<u>(272,058)</u>
Surplus on ordinary activities before taxation	3	145,637	236,591
Tax on surplus on ordinary activities	9	<u>-</u>	<u>-</u>
Surplus for the year after taxation		145,634	236,591
Transfer from/(to) designated reserves	15	<u>380,162</u>	<u>-</u>
Surplus after transfers to designated Reserves		525,796	236,591
Revenue reserve brought forward		1,315,608	1,079,017
Revenue reserve carried forward	15	<u><u>1,841,404</u></u>	<u><u>1,315,608</u></u>

All amounts relate to continuing activities.

All recognised gains and losses are included in this statement.

The above surpluses are the historical cost surpluses.

WARWICKSHIRE RURAL HOUSING ASSOCIATION LIMITED
BALANCE SHEET AS AT 31 MARCH 2006

	<u>Note</u>	<u>2006</u>	<u>2005</u>
Tangible Fixed Assets			
Housing Properties :			
Cost	10	13,991,334	11,347,398
Social Housing Grant	10	(8,928,239)	(7,043,320)
Other Grants	10	(27,900)	(27,900)
Depreciation	10	(195,580)	(157,455)
		<u>4,839,615</u>	<u>4,118,723</u>
Current Assets			
Debtors	11	172,027	263,405
Cash at bank and in hand		779,658	817,918
		<u>951,685</u>	<u>1,081,323</u>
Creditors : (amounts falling due within one year)	12	<u>(354,580)</u>	<u>(227,591)</u>
Net Current Assets		<u>597,105</u>	<u>853,732</u>
Total assets less current liabilities		<u>5,436,720</u>	<u>4,972,455</u>
Creditors : (amounts falling due after more than one year)	13	3,595,293	3,276,665
CAPITAL AND RESERVES :			
Share capital	14	23	20
Designated reserves	15	-	380,162
Revenue reserve	15	<u>1,841,404</u>	<u>1,315,608</u>
		<u>1,841,404</u>	<u>1,695,770</u>
		<u>5,436,720</u>	<u>4,972,455</u>

The financial statements on pages 8 to 21 were approved by the Committee of Management on 12 September 2006 and were signed on its behalf by:

MATTHEW DICK - **Chairman**

LESLEY TRUNDLE - **Committee Member**

WARWICKSHIRE RURAL HOUSING ASSOCIATION LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

CASH FLOW STATEMENT :

	<u>Note</u>	<u>2006</u>	<u>2005</u>
Net cash inflow from operating Activities	I	624,601	205,900
Returns on investments and servicing of finance	II	(240,186)	(280,383)
Taxation	II	-	-
Capital expenditure and financial Investment	II	(753,277)	34,887
Management of liquid resources	II	-	-
Financing	II	330,601	53,923
Increase/(decrease) in cash		<u>(38,261)</u>	<u>14,327</u>

RECONCILIATION OF NET CASH INFLOW TO MOVEMENT IN NET DEBT (NOTE III) :

Increase/(decrease) in cash in the period	(38,261)	14,327
Cash inflow from increase in loan debt	(330,598)	(53,923)
Cash inflow as a result of current investments	-	-
Change in net debt resulting from cash flows	<u>(368,859)</u>	<u>(39,596)</u>
Other loan adjustments:		
Amortisation of loan fees	1,854	(1,027)
Movement in accrued interest	186	54,129
Movement in net debt in the period	<u>(366,819)</u>	<u>13,506</u>
Net debt at 1 April 2005	<u>(2,543,909)</u>	<u>(2,557,415)</u>
Net debt at 31 March 2006	<u>(2,910,728)</u>	<u>(2,543,909)</u>

WARWICKSHIRE RURAL HOUSING ASSOCIATION LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

NOTE I : RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	<u>2006</u>	<u>2005</u>
Operating surplus	396,717	439,880
Depreciation charges	38,125	33,167
Development Income	(5,740)	(71,850)
Loan amortisation	1,126	1,027
(Increase) in debtors	93,945	(136,981)
Increase/(decrease) in creditors	100,428	(59,343)
Net cash inflow from operating activities	<u>624,601</u>	<u>205,900</u>

NOTE II : ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

Returns on Investments and Servicing

Of Finance :

Interest received	35,574	39,810
Interest paid	(275,760)	(320,193)
	<u>(240,186)</u>	<u>(280,383)</u>

Taxation :

Corporation Tax paid	-	-
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Capital Expenditure and Financial

Investment :

Acquisition and construction of housing Properties	(3,497,096)	(1,687,223)
Proceeds re disposals/write offs	858,900	1,221,425
Capital grants received	1,884,920	500,685
	<u>753,277</u>	<u>34,887</u>

Management of Liquid Resources

Decrease/(increase) in current asset Investment	-	-
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Financing :

Shares issued	3	-
Loan advances received	406,000	64,800
Loan principal repayments	(75,402)	(10,877)
	<u>330,601</u>	<u>53,923</u>

NOTE III : ANALYSIS OF CHANGES IN NET DEBT

	<u>At</u>	<u>Cash Flows</u>	<u>Other</u>	<u>At 31</u>
	<u>1 April 2005</u>		<u>Changes</u>	<u>March 2006</u>
Cash at bank and in hand	817,918	(38,260)	-	779,658
Debt due within one year	(107,577)	(11,556)	-	(119,133)
Debt due after one year	(3,254,250)	(317,003)	-	(3,571,253)
Total net debt	<u>(2,543,909)</u>	<u>(366,819)</u>	<u>-</u>	<u>(2,910,728)</u>

(1) PRINCIPAL ACCOUNTING POLICIES

The RSL is incorporated under the Industrial & Provident Societies Act 1965 and is registered with the Housing Corporation as a Registered Social Landlord (RSL) as defined by the Housing Act 1996.

Basis of Accounting

The financial statements have been prepared in accordance with applicable Accounting Standards and statements of recommended practice: "Accounting by Registered Social Landlords, Update 2005". The accounts comply with the Housing Act 1996 and with the Accounting Requirements for Registered Social Landlords General Determination 2000. The accounts are prepared in accordance with the historical cost basis of accounting concept.

Turnover

Turnover represents rental income receivable, grants from local authorities and the Housing Corporation, and other income.

Housing Properties

Housing properties are stated at cost. The development cost of housing properties includes the following :

- (i) cost of acquiring land and buildings;
- (ii) development expenditure;
- (iii) interest charged on borrowings financing the scheme;
- (iv) development costs

Development schemes are charged with interest by the developing agents. Commercial rates of interest are used for this calculation and the charge is arrived at by considering interest earned on capital grants received in advance, thereby reducing the interest chargeable once scheme costs exceed capital grants received. In certain cases the interest earned on the capital grants received in advance exceeds the interest payable and this is included in the income and expenditure account as interest receivable.

Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the schemes will not be developed to completion.

Social Housing Grant (SHG)

Where developments have been financed wholly or partly by social housing and other grants, the cost of those developments has been reduced by the amount of the grant received.

Social Housing Grant (SHG) received for items of cost written off in the Income and Expenditure Account are matched against those costs as part of turnover.

WARWICKSHIRE RURAL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

SHG can be recycled by the Association under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Housing Corporation. However, SHG may have to be repaid if certain conditions are not met.

The net SHG received and not spent is included in current liabilities, taking into account all properties under construction.

In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

Capitalisation of Interest and Administration Costs

Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress.

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the properties into their intended use.

Housing Property Depreciation

Depreciation is charged so as to write down the cost (net of social housing grant) of freehold properties other than freehold land to their estimated residual value on a straight-line basis over their expected useful economic lives at the following annual rates.

New build	-	To 31 March 2003	100 years
	-	From 1 April 2004	150 years
Rehab			75 years
Shared ownership			100 years

The void levels of each housing scheme have been reviewed in order to provide an indication of the impairment in the carrying value of housing properties.

Current Asset Investments

Current asset investments are bank deposits which can only be withdrawn by giving more than twenty four hours' notice.

Interest Payable

Interest is allocated at a constant rate on the carrying amount over the period of the borrowing. Interest on borrowings specifically financing the development programme, is capitalised to the extent that it accrues in respect of the period of development.

Other interest is charged to the Income and Expenditure Account in the year in which it arises.

Sales of Shared Ownership Properties

Proceeds of sale of the initial tranche of shared ownership properties is credited against the cost of these properties in the Balance Sheet. Subsequent tranches sold are reflected in the income and expenditure account as a surplus or deficit after the operating results.

Designations

The Association designates those reserves which have been set aside for designated uses, which prevent them, in the judgement of the Committee of Management, from being regarded as part of the free reserves of the Association.

Reserves for Cyclical and Major Repairs

Designated reserves have been established to fund future cyclical and major repairs. Amounts are appropriated to these reserves annually at the discretion of the Committee of Management (see Note 14).

Apportionment of Management Expenses

Direct administration and operating costs have been apportioned to the Income and Expenditure Account on the basis of actual expenditure incurred. Finance and administration costs are further apportioned on the basis of charges levied by the Managing Agents.

Provisions

The use of provisions is restricted to situations where a liability exists but where there is some uncertainty as to the timing or amount of the expenditure or the identity of the creditor.

Works to Existing Housing Properties

The Association capitalises expenditure on housing properties which increases the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the rental income, a reduction in future maintenance costs, or a significant extension of the life of the property.

WARWICKSHIRE RURAL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

Loan Finance Issue Costs

These are written off evenly over the life of the related loan. Loans are stated in the Balance Sheet at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts written off.

(2) TURNOVER, OPERATING SURPLUS AND SURPLUS BEFORE TAXATION

	<u>General Needs</u>	<u>Shared Ownership</u>	<u>2006 Total</u>	<u>2005 Total</u>
Income from Lettings :				
Rents receivable net of service charges	778,174	56,598	834,772	760,856
Service charges receivable	12,949	6,918	19,867	33,372
Charges for support services	849	-	849	848
Gross rents receivable	<u>791,972</u>	<u>63,516</u>	<u>855,488</u>	<u>794,228</u>
Less : rent losses from voids	<u>(7,235)</u>	<u>-</u>	<u>(7,235)</u>	<u>(2,792)</u>
	784,737	63,516	848,253	791,436
Management fees	41,599	603	42,202	40,399
Other	3,306	-	3,306	6,587
Total income from lettings	<u>829,642</u>	<u>64,119</u>	<u>893,761</u>	<u>839,270</u>
Expenditure on Lettings Activities:				
Services	16,623	1,165	17,788	21,902
Management	171,550	39,035	210,585	237,535
Routine maintenance	87,330	287	87,617	50,392
Planned maintenance	60,893	1,510	62,403	59,681
Rent losses from bad debts	(245)	-	(245)	(1,700)
Development	65,799	14,972	80,771	(1,587)
Abortive development costs	-	-	-	-
Depreciation	30,927	7,198	38,125	33,167
Total expenditure on lettings	<u>432,877</u>	<u>64,167</u>	<u>497,044</u>	<u>399,390</u>
Operating surplus/(deficit)	<u>396,765</u>	<u>(48)</u>	<u>396,717</u>	<u>439,880</u>

WARWICKSHIRE RURAL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

(3) SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

Surplus on ordinary activities before taxation is stated after charging :

	<u>2006</u>	<u>2005</u>
Depreciation of housing properties	38,125	33,167
Auditors' remuneration in their capacity as auditors:		
Charge for year	3,231	3,240
Under provision in prior years	<u>255</u>	<u>303</u>

(4) COMMITTEE OF MANAGEMENT REMUNERATION

No remuneration was payable to members of the Committee of Management during the period (2005: nil).

The number of people serving on the Committee during the year was 10 (2005 : 12).

Total expenses reimbursed to Committee Members, not chargeable to United Kingdom income tax, was £797 (2005 : £602).

(5) EMPLOYEE INFORMATION

On 1 July 2002 the Association entered into Joint Contracts of Employment with staff previously employed by Midlands Rural Housing Association as sole employer. Prior to this arrangement the Association had no employees and Management and development services were provided under a management contract by Midlands Rural Housing and Village Development Association Limited. Payments to the agent during the period were as follows:

	<u>2006</u>	<u>2005</u>
Staff costs	161,018	173,194
Finance processing/accounting costs	29,935	27,933
Other recharges	44,123	42,829
	<u>235,076</u>	<u>243,956</u>

The average number of office staff employed during the year was 6 (2005 5).

WARWICKSHIRE RURAL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

(6) SALE OF PROPERTIES NOT DEVELOPED FOR OUTRIGHT SALE

	Shared Ownership Sales	
Proceeds of sales	-	92,125
Less: Costs of sales	-	(55,939)
Amount required to write down remaining property to nil net book value	-	-
Surplus	<u>-</u>	<u>36,186</u>

(7) INTEREST RECEIVABLE AND SIMILAR INCOME

Bank interest receivable	27,843	21,782
Interest receivable from Development Agents in respect of loan advances	<u>10,298</u>	<u>10,801</u>
	<u>38,141</u>	<u>32,583</u>

(8) INTEREST PAYABLE AND SIMILAR CHARGES

	<u>2006</u>	<u>2005</u>
Repayable to development agents	36,782	39,454
Recycled Capital Grant Fund	1,626	-
Repayable to banks and building societies: On loans repayable in more than 5 years	<u>250,816</u>	<u>232,604</u>
	<u>289,224</u>	<u>272,058</u>

(9) TAXATION ON SURPLUS ON ORDINARY ACTIVITIES

United Kingdom Corporation Tax at current rates :		
Current period	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

The Association has charitable status and is exempted from Corporation Tax.

WARWICKSHIRE RURAL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

(10) FIXED ASSETS

	Freehold Completed Schemes for Rent	Shared Ownership Properties	Schemes in Development	Total
Housing Properties:				
Cost:				
At 1 April 2005	9,719,820	1,529,780	97,798	11,347,398
Additions	524,140	109,270	2,010,526	2,643,936
Transfers	1,947,660	124,558	(2,072,218)	-
Disposals	-	-	-	-
At 31 March 2006	<u>12,191,620</u>	<u>1,763,608</u>	<u>36,106</u>	<u>13,991,334</u>
Social Housing Grant:				
At 1 April 2005	6,086,353	956,967	-	7,043,320
Received during period	1,570,610	314,309	-	1,884,919
At 31 March 2006	<u>7,656,963</u>	<u>1,271,276</u>	<u>-</u>	<u>8,928,239</u>
Other Grants:				
At 1 April 2005	27,900	-	-	27,900
Received during period	-	-	-	-
At 31 March 2006	<u>27,900</u>	<u>-</u>	<u>-</u>	<u>27,900</u>
Depreciation:				
At 1 April 2005	141,596	15,859	-	157,455
Charge for the period	30,927	7,198	-	38,125
On Disposal	-	-	-	-
At 31 March 2006	<u>172,523</u>	<u>23,057</u>	<u>-</u>	<u>195,580</u>
Net Book Value :				
At 31 March 2006	<u>4,334,233</u>	<u>469,275</u>	<u>36,106</u>	<u>4,839,615</u>
At 31 March 2005	<u>3,463,971</u>	<u>556,954</u>	<u>97,798</u>	<u>4,118,723</u>

Properties developed on behalf of the Association are to be included in the financial statements upon transfer of ownership, capital grant and residual loan. This treatment is in accordance with a ruling by the Housing Corporation.

At 31 March 2006, the development agents had incurred costs and received SHG as follows :

	Costs	SHG	Shared Ownership Sales Income	Net Cost
Mercian Housing Association Limited	1,057,000	428,916	166,000	462,084
Bromford Housing Group	225,106	25,000	195,000	5,106
	<u>1,282,106</u>	<u>453,916</u>	<u>361,000</u>	<u>467,190</u>

WARWICKSHIRE RURAL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

(11) DEBTORS

	<u>2006</u>	<u>2005</u>
Amounts falling due within one year :		
Amount owed by Mercian HA Ltd	92,673	95,248
Rent and service charge arrears	52,280	49,462
Less: provision for bad debts	(28,227)	(28,473)
Other debtors	55,301	147,168
	<u>172,027</u>	<u>263,405</u>

(12) CREDITORS : (amounts falling due within one year)

Payments of rent and service charge in Advance	24,083	19,305
Amount owed to Mercian HA Ltd	55,479	55,222
Housing loans	119,133	107,577
Amounts due to Midland Rural Housing and Village Development Association Limited	295	-
Accruals and other creditors	135,438	37,359
Interest payable to Development Agents	20,152	8,128
	<u>354,580</u>	<u>227,591</u>

(13) CREDITORS : (amounts falling due after more than one year)

Loans	3,571,252	3,254,250
Recycled Capital Grant Fund	24,041	22,415
	<u>3,595,294</u>	<u>3,276,665</u>

Analysis of Loans :

Greenwich Natwest Loans	143,761	146,061
Building Society loans	2,407,547	2,040,009
Bank loans	1,139,077	1,175,757
	<u>3,690,385</u>	<u>3,361,827</u>

Loans are repayable at varying rates of interest, in instalments due as follows :

In less than one year	119,133	107,577
In one to two years	127,762	115,592
In two to five years	441,900	401,349
In over five years	3,025,463	2,759,328
	<u>3,714,258</u>	<u>3,383,846</u>
Loan Amortisation	(23,873)	(22,019)
	<u>3,690,385</u>	<u>3,361,827</u>

All loans are secured by specific charges on the Association's housing properties.

WARWICKSHIRE RURAL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

(14) SHARE CAPITAL

	<u>2006</u>	<u>2005</u>
Shares of £1 each, fully paid and issued	<u>23</u>	<u>20</u>

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

(15) RESERVES

	<u>Revenue Reserve</u>	<u>Designated Major Repairs Reserve</u>	<u>Designated Cyclical Repairs Reserve</u>	<u>Total</u>
Balance at 1 April 2005	1,315,608	375,013	5,149	1,695,770
Transfers	380,162	(375,013)	(5,149)	-
Surplus for the period	145,634	-	-	145,634
Balance at 31 March 2006	<u>1,841,404</u>	<u>-</u>	<u>-</u>	<u>1,841,404</u>

The Committee has reviewed the need for designated reserves and decided that it is no longer necessary to separately designated funds for major and cyclical repairs. The opening designated reserves were therefore transferred to revenue reserves during the period.

(16) CAPITAL COMMITMENTS

In addition to the actual expenditure already incurred by the Development Agents (as disclosed in note 9) the Association had the following additional capital commitments as at 31 March 2006.

	<u>Cost</u>	<u>SHG and Shared Ownership Income</u>	<u>2006 Cost less SHG</u>	<u>2005 Cost less SHG</u>
Capital expenditure that has been contracted for	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,014,445</u>
Capital expenditure authorised by the Committee of Management	<u>-</u>	<u>-</u>	<u>-</u>	<u>484,195</u>

WARWICKSHIRE RURAL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

(17) PROPERTY NUMBERS

	<u>2006</u>	<u>2005</u>
	<u>No.</u>	<u>No.</u>
Housing Accommodation :		
Units in management at end of year :		
Owned by Association	234	207
Not yet transferred from Development		
Agents	19	26
Managed for other Housing Associations	81	81
	<u>334</u>	<u>314</u>
Units in development at end of year	-	-
	<u>334</u>	<u>314</u>
Shared Ownership :		
Units in management at end of year :		
Owned by Association	71	60
Not yet transferred from Development		
Agents	5	3
Managed for other Housing Associations	-	-
	<u>76</u>	<u>63</u>
Units in development at end of year	-	-
	<u>76</u>	<u>63</u>

(18) RELATED PARTIES

Mr Paul Harris is a member of the Committee of Management and is a tenant of the Association. Tenant Committee members are charged, and required to pay, rent on standard terms and cannot use their position to their advantage.

Committee Members, Mr David Hannon and Mr Rodney Perry, are also on the Board of Midlands Rural Housing and Village Development Association Limited.

Amounts due from/to Midlands Rural Housing and Village Development Association Limited are as disclosed in Notes 11 and 12 respectively.

Payments made during the year to Midlands Rural Housing and Village Development Association in respect of staff costs, finance processing, accounting, development and other recharges are as disclosed in Note 5.