

Somer Housing Group

Financial Statements for the year 1 April 2004 to 31 March 2005

Registered Company Number

4302179

Housing Corporation Registration Number

LH4336



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07/01/2006

Somer Housing Group

Financial Statements for the year 1 April 2004 to 31 March 2005

Contents

	Page
Board, Executive and Advisers	3
Report of the Board	4
Report of the Auditors	11
Consolidated Income and Expenditure Account	13
Consolidated Balance Sheet	14
Consolidated Cash Flow Statement	16
Consolidated Notes to the Financial Statements	17

Lantern Homes Ltd (previously SOMACO Limited)
Redland Housing Association
Registered Office

The Maltings
River Place
Lower Bristol Road
Bath
BA2 1EP

Auditors
PricewaterhouseCoopers LLP

Solicitors
Trowers & Hamlin
Withy King Solicitors
Eversheds

Bankers
Barclays Bank

Report of the Board

The Board presents its report and the audited financial statements for the year ended 31 March 2005.

Principal Activity

The principal activity of the Somer Housing Group is the provision of rented accommodation for people in housing need. Somer's vision is to support successful communities, through provision of housing, other quality services, and enhanced partnerships. The Group has adopted a business plan which sets the direction of its services and development.

Somer Housing Group Ltd is governed by its Memorandum and Articles of Association. It is a non-asset holding, not for profit organisation registered as a social landlord with the Housing Corporation. It provides strategic direction for the whole Somer Housing Group.

Review of the Business

Somer Housing Group made a surplus of £707,000 in the year which compares with a surplus of £189,000 in 2004. This was in line with the Group's business plan. During the year £13.9 million (2004 £14.2 million) was spent on programmed works to housing properties. This was a combination of major repairs and improvements. The works included the installation of replacement double glazing windows, new kitchens, bathrooms and central heating systems. In all our major programmes we have consulted with residents. The consultation process has contributed to the scheduling of major works programmes in line with residents' preferences. Residents' representatives have contributed to the evaluation of products and contractors to be used in major works programmes.

Somer Housing Group's housing asset base, at cost, increased by £14 million to £134 million. At 31 March 2005 Somer Housing Group had £110.5 million undrawn on its available loan facilities.

During the year 103 housing properties were disposed of through Right to Buy and Right to Acquire. 85 new housing properties were developed and transferred into management during the year.

Growth of the Group

On 2 April 2002 Somer Community Housing Trust and Bath Self Help Housing Association became founding members of the Somer Housing Group. On 20 May 2003 SOMACO Ltd joined the Somer Housing Group. It is a company limited by shares. It is a wholly owned subsidiary of Somer Housing Group Ltd. SOMACO carries out commercial activities. On 1 April 2005 SOMACO changed it's name to Lantern Homes Ltd.

On 1 April 2005 Redland Housing Association joined the Group. Redland Housing Association was formed in 1973 and has some 1,350 homes in management. The stock is in good condition with only 2% falling short of the Decent Homes Standard. The association has a turnover of £4m, and housing assets at cost of £40m. Redland's staffing establishment consists of 21 office-based staff and 4 resident managers. 45% of Redland's stock is in Bristol, with the rest located in North Somerset, Bath and NE Somerset, South Gloucestershire, W Somerset, Taunton Deane and Mid Devon.

Future Developments

As part of its overall Business Plan, Somer Housing Group has put in place a Strategic Business Development Plan. This plan sets a framework for the strategic direction of the Group in the development of its business. Through both care and diversified activities. Group member's have their own detailed strategies for developing their individual businesses which feed into this plan. Group business development is framed within the South West, excluding Devon And Cornwall.

Somer Housing Group will continue to focus on making significant investment in its housing stock improvement programme. The Group will expand its development programme to produce new social rented homes, shared ownership homes and homes for key workers. Lantern Homes Ltd will enable the delivery of activities which cannot be achieved by the charitable member organisations of the Group, including market renting. The Group will seek growth through expansion of Group membership.

Changes in Fixed Assets

Details of fixed assets are set out in note 9 to the Financial Statements.

Market Value of Land and Buildings

The existing use value – social housing (EUV-SH) of Somer Housing Group's housing stock for accounting purposes is estimated to be in the region of £206 million (2004 £212 million). The aggregate vacant possession value of the stock is estimated to be in the region of £1.1 billion (2004 £1 billion).

Board

The Board is the ultimate governing body of Somer Housing Group. It has met 9 times during the year ending 31 March 2005. Three of the Board Members are nominated by Somer Community Housing Trust; one Board Member is nominated by Bath Self Help Housing Association and three Board Members are independent of the member organisations. From 1st April 2005, a further 2 Members joined the Board being nominated by Redland Housing Association. All Board Members give their time voluntarily.

Delegation

The Board delegated some of its responsibilities to the Group Audit Committee during the year. This committee had clear terms of reference and delegated authority. It reported back to the Board following each of its meetings, where its recommendations were considered and approved, where appropriate.

Group Audit Committee

The role of the Group Audit Committee was to monitor and assess the internal controls of the Group and ensure it was operating at appropriate levels of risk. It met four times during the year to fulfil this role.

Executive Officers

The Executive Officers of the Group are listed on page 3. They are not members of Somer Housing Group Ltd. Although they do not have the legal status of directors, they act as executive officers within the authority delegated to them by the Board. They are remunerated out of Somer Housing Group Ltd and their emoluments for the year are presented in these financial statements, with the exception of the two Managing Director's of Somer Community Housing Trust and Redland Housing Association who are remunerated out of the respective member organisations. Their emoluments for the year are presented in the financial statements of these organisations.

Employees

Somer Housing Group aims to recruit, develop and reward high quality employees. It aims to keep employees informed on matters affecting them and on the business of Somer Housing Group as a whole. This is carried out in a number of ways including departmental meetings and formal and informal briefings. Somer Housing Group aims to be a good employer and is committed to equality of opportunity throughout the organisation. Somer Housing Group aims to develop a workforce which reflects the diversity of the community within which it works. Applications are encouraged from particular groups within the community. This involves providing training and development opportunities for employees from particular groups within the workforce. Training and development will therefore be provided to staff according to individual and organisational needs. With respect to the employment of disabled persons, Somer Housing Group will actively assist in addressing this issue to enable the employee to carry out their role. Somer Housing Group's equality policy addresses the recruitment of staff.

Revenue Reserves

All the Revenue Reserves of Somer Housing Group are invested in social housing. They finance the development of new homes, improvements and major repairs programmes to existing properties, provide working capital and help Somer Housing Group to maximise borrowing capital. The level of reserves is in line with Somer Housing Group's long term business plan.

Designated Reserve

Designated reserves have been established to:

- Ring fence sale proceeds from the disposal of specific pieces of land and property to finance future social housing development.
- Set aside funds to replace furniture and equipment at schemes in Bath Self Help
- Cover major repairs and planned improvements in Bath Self Help
- Cover potential interest liabilities in Bath Self Help

£192,000 (2004, £431,000) was transferred to designated reserves in the year.

Restricted Reserve

A restricted reserve in Somer Community Housing Trust of £1,530,000 (2004 £937,000) represents the net proceeds from the sales of property through the Right to Acquire process. The restricted reserve is known as the Disposal Proceeds Fund. It has had interest of £51,768 (2004 £7,395) applied to it during the year and will be used to develop new homes.

Charitable Donations

During the year Somer Housing Group made charitable donations of £800 (2004 £953) to the following charitable bodies:

- Southside Family Project - £200
- Julian House - £200
- Bath Women's Aid - £150
- Homeless International - £250

During the year Somer Housing Group Ltd made a gift aid donation of £7,000 to Somer Community Housing Trust. This transaction had no effect on the consolidated financial statements of Somer Housing Group

Going Concern

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

Statement of the Board's Responsibilities

Housing Corporation regulation requires the Board to prepare financial statements for each financial year which:

- Give a true and fair view of the affairs of the Group at the end of the financial year
- Show the surplus or deficit arising from income and expenditure of the Group for the period ending on that date

In preparing these Financial Statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently
- Make judgments and estimates that are reasonable and prudent
- State whether applicable accounting standards have been applied subject to any material departure disclosed and explained in the financial statements
- Prepare financial statements on the basis that the Group is a going concern unless it is inappropriate to make such a presumption

The Board is responsible for ensuring that arrangements are made for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and to ensure that its financial statements comply with:

- Part III of Schedule 1 of the 1996 Housing Act
- The Accounting Requirements for Registered Social Landlords General Determination 2000.
- The Companies Act 1985

The Board also has general responsibility for ensuring that there is a satisfactory system of internal controls over its transactions, its assets and liabilities and that such steps are taken as are reasonable to prevent and detect fraud and other irregularities.

Report of the Board on Internal Control

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This applies for all companies and subsidiaries within the group.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Group's assets and interests.

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

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

- *Identification and evaluation of key risks*
Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Group's activities. This process is coordinated through a regular reporting framework by the Group Audit Committee. This Committee established a Group Risk Management Panel to assist it in discharging this responsibility. The Group Executive regularly considers reports on significant risks facing the Group and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.
- *Monitoring and corrective action*
A process of control self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.
- *Control environment and control procedures*
The Board retains responsibility for a range of issues covering strategic, operational, financial and compliance issues including business planning. The Board has adopted, and disseminated to all employees, the code of governance *Competence and Accountability 2004*. This sets out the Board's policies with regard to the quality, integrity and ethics of its employees. It is supported by a framework of standing orders, financial regulations, policies and procedures with which employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection. An instance of theft was detected in the year, which had no material impact on the financial statements. It has been responded to by reviewing and enhancing control systems in the limited areas affected.
- *Information and financial reporting systems*
Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

The internal control framework and the risk management process are subject to regular review by the Group's internal auditors who are responsible for providing independent assurance to the Board via its Audit Committee. The Audit Committee considers internal control and risk at each of its meetings during the year.

The Board has received the Group Executive's annual report, has conducted its annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of the risk management and control process.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group. This process has been in place throughout the year under review, up to the date of the annual report, and is regularly reviewed by the Board.

External Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as the external auditors for Somer Housing Group Ltd will be proposed at the Annual General Meeting.

By order of the Board



A Trott
Chair

26 July 2005

Somer Housing Group

Independent Auditors' report to the Members of Somer Housing Group Limited

We have audited the financial statements of Somer Housing Group Limited for the year ended 31 March 2005 which comprise of the Income and Expenditure Account, the consolidated Income and Expenditure Account, the Balance Sheet, the consolidated Balance Sheet, the consolidated Cashflow Statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of the Board and Auditors

The Board's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the statement of Board's Responsibilities on page 8.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000. We also report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, 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.

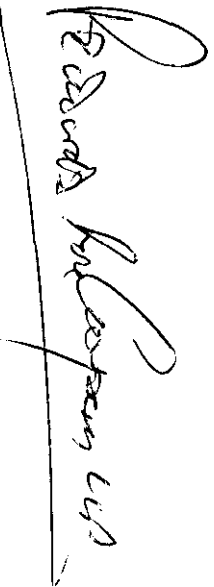
We read the other information contained in the Report of the Board and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Board and the statement of internal control. We review whether the statement of internal control has been prepared in accordance with Housing Corporation Circular 'R2 - 25/01 Internal controls assurance'. We are not required to consider whether the Board's statement on internal control fairly presents the Board's system of internal control, or to form an opinion on the effectiveness of the Board's system of internal control. 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 other information.

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 judgments made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to Registered Social Landlord's circumstances, consistently applied and adequately disclosed. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2005 and of its surplus and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985, Schedule 1 to the Housing Act 1996 and The Accounting Requirements for Registered Social Landlords General Determination 2000.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

One Kingsway,
Cardiff
CF10 3PW

26 July 2005

Income and Expenditure Account for the year 1 April 2004 to 31st March 2005

		Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Turnover	2(b)	29,391	27,638	2,544	2,394
Operating Costs	2(b)	(24,085)	(23,499)	(2,536)	(2,388)
Operating Surplus	2(b)	5,306	4,139	8	6
Surplus on sale of fixed assets	3	924	1,146	-	-
Surplus on ordinary activities before financing costs		6,230	5,285	8	6
Gift Aid		-	-	(7)	-
Interest receivable and other income	4	42	68	3,948	-
Interest payable and similar charges	5	(5,565)	(5,164)	(3,948)	-
Surplus for the year before taxation		707	189	1	6
Taxation	21	-	(2)	(1)	(1)
Surplus for the year after taxation		707	187	0	5
Transfer to designated reserve	15	(192)	(431)	-	-
Transfer to restricted reserve	15	(715)	(411)	-	-
Revenue reserve brought forward	15	5,877	6,532	5	-
Revenue reserve carried forward	15	5,677	5,877	5	5

All the Group's turnover and surplus disclosed above is derived from continuing activities.


The above surplus is based on historic costs.

There have been no gains or losses other than those recognised in the Income and Expenditure Account. Consequently no Statement of Total Recognised Gains and Losses has been produced.


Balance sheet at 31 March 2005

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Tangible Fixed Assets				
Housing Properties	9(a) 133,621	120,064	-	-
Social Housing Grant	9(a) (14,677)	(9,615)	-	-
Other Capital Grants	9(a) (36)	(36)	-	-
Depreciation	9(a) (8,515)	(6,260)	-	-
	9(a) 110,393	104,153	-	-
Other fixed assets	9(b) 5,332	5,721	-	-
Investment in Subsidiaries	27 -	-	-	-
	115,725	109,874	0	-
Debtors: amounts falling due after more than one year	11 -	-	99,500	-
Current assets				
Stocks	10 204	721	-	-
Debtors	11 2,225	1,845	29	10
Amounts owed from Group undertakings	11 -	-	317	144
Cash at bank and in hand	1,249	1,723	1	-
	3,676	4,289	347	154
Creditors: amounts falling due within one year	12 (11,017)	(15,616)	(342)	(149)
Net current assets	(7,339)	(11,327)	5	5
Total assets less current liabilities	108,386	98,547	99,505	5
Represented by				
Creditors: amounts falling due after more than one year	13 99,840	90,587	99,500	-
Revenue reserves	15 5,677	5,877	5	5
Designated reserves	15 1,339	1,146	-	-
Restricted reserves	15 1,530	937	-	-
	108,386	98,547	99,505	5

These financial statements together with the associated notes were approved by the Board on 26 July 2005 and signed on its behalf by:


Chair


Board Member


Group Director of Finance


Group Chief Executive

Cash flow statement for the year ending 31 March 2005

		Group 2005 £000	Group 2004 £000
Net cash inflow from operating activities	23	9,109	6,547
Returns on investment and servicing of finance			
Interest received		35	68
Interest paid		(5,547)	(5,145)
		3,597	1,470
Capital expenditure and financial investment			
Purchase of housing assets		(13,556)	(12,105)
Social housing grant received		2,743	5,101
Purchase of non housing assets	9b	(169)	(379)
Proceeds of sale of fixed assets		(2,182)	4,554
		(13,164)	(2,829)
Cash outflow before financing	24	(9,567)	(1,359)
Financing:			
New long term debt drawn		10,000	6,542
Long term debt repaid		(827)	(6,000)
New long term loans	13 & 25	9,173	542
Increase/(Decrease) in cash in the period		(394)	(817)

Proceeds of sale of fixed assets in the year are negative because of the payment to Bath & NE Somerset Council in the year ended 31 March 2005 exceeded cash received from sales in the year. The payment to Bath & NE Somerset Council in the year ended 31 March 2005 was in respect of sales made during the year ended 31 March 2004.

Notes to the financial statements for the year ended 31 March 2005

1. Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, the Statement of Recommended Practice for 'Accounting by Registered Social Landlords' issued in March 2002 and comply with the 'Accounting Requirements for Registered Social Landlords General Determination 2000' with the exception of the departure discussed in Note 26 "True and Fair Override statement."

Basis of accounting

Somer Housing Group Ltd is required by statute to prepare group accounts.

The results of Somer Community Housing Trust, Bath Self Help Housing Association and SOMACO Ltd have been consolidated under merger accounting principles as set out in Financial Reporting Standard No 6 'Acquisitions and Mergers' for the year 1 April 2004 to 31 March 2005.

Basis of consolidation

The group financial statements consolidate the financial statements of the Somer Housing Group and all its subsidiaries made up to 31 March 2005. The results of subsidiary undertakings acquired or disposed of are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Intra group sales and profits are eliminated fully on consolidation. The accounting treatment adopted for the merger of Somer Housing Group Limited, Somer Community Housing Trust, Bath Self Help Housing Association, and SOMACO Ltd and for the preparation of the consolidated financial statements is set out below.

Basis of Preparation

The financial statements have been prepared using the merger method of accounting in relation to the merger of Somer Housing Group Limited, Somer Community Housing Trust, Bath Self Help Housing Association and SOMACO Ltd. Under merger accounting, the results and cash flows of Somer Housing Group Limited, Somer Community Housing Trust, Bath Self Help Housing Association and SOMACO Ltd have been combined from the beginning of the financial period and their assets and liabilities combined at the amounts at which they were previously recorded.

There have been no accounting adjustments required to align the four entities' accounting policies.

Turnover

Turnover represents rental and service charge income receivable net of voids, and other miscellaneous income.

Housing Properties

As required by FRS 15 and the Statement of Recommended Practice for Accounting by Registered Social Landlords (RSL SORP 2002), depreciation on housing properties has been charged to reflect the consumption of their economic benefit. Freehold land used for housing purposes is not depreciated. Reviews of economic useful lives and impairments are carried out on an annual basis.

Fixed Assets

Housing properties are stated at cost as at March 2005.

Non housing fixed asset expenditure under £250 is not capitalised.

Depreciation

Tangible fixed assets, except freehold land, are stated at cost less accumulated depreciation and capital grants. Where the cost of the asset exceeds the residual value depreciation is charged on a straight line basis over the expected economic lives of the assets. The depreciation charge is commenced in the month of purchase

The following rates of depreciation have been applied:

General housing stock	1.0%
Precast reinforced concrete housing stock	5.0%
Georgian housing stock	0.7%
Improved BISF stock	2.5%
Capitalised improvements to housing properties	4.0%
Computer Equipment	33.3%
Furniture and equipment	12.5%

Where the Group's interest in a property is leasehold, depreciation is charged over the remaining period of the lease.

Works to Existing Properties

Expenditure on housing properties is capitalised where it increases the net rental stream over the useful life of the property. An increase in the net rental stream may arise through an increase in the rental income, a reduction in the future maintenance costs, or a significant extension in the life of the property.

Housing properties in the course of construction are stated at cost and are not depreciated. Housing properties are transferred to completed properties when they are available for letting.

Social Housing Grant and other grants

Social Housing Grant receivable is accounted for as a contribution towards the capital costs of housing schemes in accordance with the RSL SORP 2002. The gross historic cost of schemes and social housing grant are shown in note 9.

Other grants which are received in respect of capital costs are deducted from the costs and the fixed asset balance is shown net. 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.

Sale of Social Housing Properties

Under the terms of the transfer agreement, a proportion of the proceeds from Right to Buy sales made by Somer Community Housing Trust are shared with Bath & North East Somerset Council. On completion of a Right to Buy sales contract the full proceeds are credited to the income and expenditure account and the share payable to the Council is treated as a cost of sale.

On completion of a Right to Acquire sales contract the full proceeds are transferred to the Income and Expenditure Account and the net proceeds, after deducting Housing Corporation allowances, are transferred to the Restricted Reserve.

The sales proceeds from housing assets held as current assets for resale are included with the Group turnover.

Leased assets

The Group charges any rentals paid under operating leases to the Income and Expenditure Account. Operating lease payments are charged to the Income and Expenditure Account in the period they fall due. The Group has no finance lease obligations

Capitalisation of Development Interest and Development Overheads

Overhead costs relating to development activities are capitalised on an apportionment of the staff time spent on this activity. No interest on the Group's borrowings have been capitalised in fixed asset housing properties.

Provision for major repairs

Provision is only made for major repairs in Somer Community Housing Trust where a contractual obligation exists. Due to the Trust's programme of planned and cyclical maintenance based on a 30 year stock condition survey, no provision is made for these repairs. An appropriate proportion of actual costs are charged to the Income and Expenditure account.

Bad and doubtful debts

Provision is made against rent arrears for both current and former tenants and against sundry debts.

Pensions

The Group participates in a defined pension scheme (Avon Pension Fund). The scheme provides benefits based on an employee's final pensionable pay. The assets of the fund are kept separately from the Group and are invested in an independently managed superannuation fund. The employers' contribution is charged to the Income and Expenditure Account during the period of the employee's pensionable service.

Disclosure of FRS 17 'Retirement Benefits' will not be mandatory within the primary statements until the year ended 31 March 2006. The Financial Reporting Standard has an extended transitional period during which certain disclosures will be required in the notes to the financial statements. The Group has made these transitional disclosures in note 18.

Restricted Reserves

Restricted Reserves represent the Disposal Proceeds Fund that has arisen from tenants exercising the right to acquire their properties. The gross sale proceeds net of admissible expenses are credited to the reserve.

Designated Reserves

Designated reserves have been established to:

- Ring fence sale proceeds from the disposal of specific pieces of landlord property to finance future social housing development.
- Set aside funds to replace furniture and equipment at supported housing schemes
- Cover major repairs and planned improvements to the extent that they are not funded through existing loan facilities
- Cover potential interest liabilities

Taxation

Provision has been made for Corporation tax based upon the profits made in the year by Somer Housing Group Ltd and SOMACO Ltd. Somer Community Housing Trust and Bath Self Help Housing Association both have charitable status and are not liable for Corporation tax. The current charge or credit for taxation is based on the surplus or deficit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred Taxation

Deferred tax is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for in full. No deferred tax assets or liabilities have arisen for Somer Housing Group during the year.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exception:

- deferred tax assets are recognised only to the extent that the Board considers that it is more likely than not that there will be suitable taxable surpluses from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or subsequently enacted at the balance sheet date.

Value Added Tax (VAT)

The Group's primary income stream, rent, is exempt for VAT purposes. The vast majority of expenditure is subject to VAT which the Group is unable to reclaim and hence this expenditure is shown inclusive of VAT. Some VAT can be reclaimed under the partial exemption method; this is credited to the Income and Expenditure Account.

Service Charges

Service charges receivable represent income receivable from tenants and leaseholders in respect of services provided by Somer Community Housing Trust and Bath Self Help Housing Association. Service charge income is recognised in turnover and the costs of these services is recognised in operating costs.

Sinking Funds

Sinking funds represent contributions made by leaseholders in respect of future planned maintenance expenditure to their dwellings.

Stock

Stock is stated at the lower of cost and net realisable value.

Trade Creditors

The Group's policy on the payment of trade creditors is to make payments in line with the terms agreed with the supplier on an individual basis. A stratified sample of payments made to all trade creditors during the year ended 31 March 2005 was undertaken. The average time taken to pay creditors based on this sample was 28 days.

Comparative figures

Full comparative figures have been produced in the main financial statements for the year ending 31 March 2004.

Debt

Loans are recorded in the balance sheet at the capital value repayable to the lenders.

Related Party Transactions

Somer Housing Group Ltd has taken advantage of the exemption in FRS8 to not disclose intra group transactions. As required by the Statement of Recommended Practice for accounting by registered social landlords the material intra group transactions are disclosed in Note 19.

2 Turnover, operating costs and operating surplus for the year ended 31 March 2005
a) Consolidated income and expenditure from social housing lettings

	Housing accommodation 2005	Shared ownership 2005	Supported Housing 2005	Group Total 2005	Group Total 2004	Company 2005	Company 2004
	£000	£000	£000	£000	£000	£000	£000
Income from rents	25,448	24	358	25,830	24,559	-	-
Service charges receivable	678	41	128	847	1,708	-	-
Support charges receivable	973	-	-	973	-	-	-
Gross rent receivable	27,099	65	486	27,650	26,267	-	-
Less rent loss from voids	(376)	-	(41)	(417)	(478)	-	-
Other income from lettings	143	9	-	152	94	-	-
Revenue grants from Housing Corporation	-	-	-	-	18	-	-
Revenue grants from Local Authorities & other agencies	31	-	623	654	636	-	-
Total income from lettings	26,897	74	1,068	28,039	26,537	-	-
Expenditure on lettings							
Service costs	1,586	33	245	1,864	1,808	-	-
Management costs	3,729	8	663	4,400	4,376	-	-
Routine maintenance costs	5,197	-	47	5,244	5,403	-	-
Rent losses from bad debts	167	-	8	175	230	-	-
Major repairs expenditure	6,885	-	-	6,885	7,435	-	-
Loan Arrangement Fees	596	-	-	596	-	-	-
Depreciation on housing properties	2,279	-	4	2,283	2,004	-	-
Other expenditure	1,408	9	-	1,417	1,259	-	-
Total expenditure on lettings	21,847	50	967	22,864	22,515	-	-
Operating surplus on letting activities	5,050	24	101	5,175	4,022	-	-

2b) Other income and expenditure

	Group Turnover 2005 £000	Group Operating Costs 2005 £000	Group Operating Surplus 2005 £000	Group Operating Surplus 2004 £000	Company Turnover 2005 £000	Company Operating Costs 2005 £000	Company Operating surplus 2005 £000	Company Operating Surplus 2004 £000
Housing accommodation	26,897	21,847	5,050	3,852	-	-	-	-
Shared Ownership	74	50	24	20	-	-	-	-
Supported Housing	1,068	967	101	150	-	-	-	-
	<u>28,039</u>	<u>22,864</u>	<u>5,175</u>	<u>4,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Leasehold properties	563	563	0	-	-	-	-	-
Commercial properties	186	112	74	65	-	-	-	-
Repayment of discount	51	0	51	47	-	-	-	-
Other	552	546	6	5	2,544	(2,536)	8	6
Total	<u>29,391</u>	<u>24,085</u>	<u>5,306</u>	<u>4,139</u>	<u>2,544</u>	<u>(2,536)</u>	<u>8</u>	<u>6</u>

2c) Contribution from Group members

	Turnover 2005 £000	Operating Costs 2005 £000	Operating Surplus 2005 £000	Operating Surplus 2004 £000	Revenue Reserves 2005 £000	Revenue Reserves 2004 £000
Somer Community Housing Trust	27,713	22,540	5,173	3,933	5,640	5,842
Bath Self Help Housing Association	1,324	1,197	127	193	31	28
SOMACO Ltd	792	794	(2)	3	1	2
Total All Group Members	29,829	24,531	5,298	4,139	5,672	5,872

3 Consolidated sales of properties not developed for Outright Sale

	Right to buy sales	Right to acquire sales	Other	Group Total 2005	Group Total 2004	Company Total 2005	Company Total 2004
	£000	£000	£000	£000	£000	£000	£000
Proceed of sales	6,347	723	61	7,131	11,223	-	-
Less: cost of sales	(1,097)	(65)	(24)	(1,186)	(2,009)	-	-
Less: amount due to Bath & NE Somerset Council	(5,021)	-	-	(5,021)	(8,068)	-	-
Surplus on property not developed for outright sale	229	658	37	924	1,146	-	-

Cost of sales includes legal and valuation fees incurred in connection with the sale of properties as well as the net book value of the disposed properties.

Right to Buy is available to Somer Community Housing Trust tenants who transferred from Bath & North East Somerset Council and who hold an assured protected tenancy. These tenants are eligible for a percentage discount when applying to purchase their homes. Tenants applying under Right to Acquire are eligible for a lump sum discount. The levels of discount are governed by statute and contract.

4 Interest receivable

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Interest receivable from group organisations	42	68	3,948	-
	42	68	3,948	-

5 Interest payable

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Interest on loans wholly repayable in more than 5 years	5,328	4,935	3,948	-
Right to buy interest	219	220	-	-
Sinking fund interest	18	9	-	-
	<u>5,565</u>	<u>5,164</u>	<u>3,948</u>	<u>-</u>

6 Surplus for the Year

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
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This is stated after charging

Depreciation on tangible fixed assets	2,844	2,518	-	-
Auditors remuneration in their capacity as auditors	.26	24	1	3
Auditors remuneration for other services	6	-	-	-
Bad debt provision	173	228	-	-
Other operating lease rentals	270	231	-	-

7 Directors' emoluments

Directors are defined as Board Members and the Group Executive.

None of the Board Members receive an emolument; they are only entitled to claim expenses incurred in their capacity as Board Member. Expenses of £681 (2004, £630) were reimbursed to the Board members of Somer Housing Group Ltd in the year.

The aggregate amount of emoluments (including benefits in kind and employers' pension contribution) paid or receivable by the four executive directors in post during the year was £347,271 (2004 £290,288). The aggregate pension contributions paid for the executive directors (including the Chief Executive) during the year was £35,611 (2004 £32,293).

The emoluments (excluding pension contributions) paid to the Chief Executive in the year was £112,000 (2004 £98,369). The Chief Executive does not belong to the Avon Pension Fund. The Group makes a contribution to the Chief Executive's personal pension. The aggregate amount of contributions paid in the year was £12,971 (2004 £13,936).

8 Employee information

All staff employed by the Group are paid monthly.

The actual number of persons employed

	Group 2005	Group 2004	Company 2005	Company 2004
Office Staff	193	190	51	51
Direct maintenance staff	110	77	0	0
Wardens and caretakers	46	48	0	0
Total (full time and part time)	349	315	51	51

The actual number of full time equivalents employed (based on 35 hour week)

	353	323	54	54
Staff costs for the above employees	£000	£000	£000	£000
Wages and salaries	6,310	6,117	1,276	1,351
Social security costs	510	490	108	112
Pension costs	509	503	119	128
	7,329	7,110	1,503	1,591

9 Consolidated Tangible Fixed Assets
a) Housing Properties

	Housing properties completed freehold £000	Housing properties completed leasehold £000	Housing properties under construction £000	Total property shared ownership £000	Housing Property Held as Investment £000	Group Total 2005 £000	Group Total 2004 £000	Company Total 2005 £000	Company Total 2004 £000
Cost									
At 1 April 2004	117,596	817	1,521	131	-	120,065	110,022	-	-
Additions	8,160	3	6,586	-	88	14,837	12,104	-	-
Disposals	(1,281)	-	-	-	-	(1,281)	(2,062)	-	-
Transfer	5,953	-	(6,139)	-	186	-	-	-	-
At 31 March 2005	130,428	820	1,968	131	274	133,621	120,064	-	-
Social housing									
Grant									
At 1 April 2004	7,807	288	1,521	-	-	9,616	6,542	-	-
Additions	-	-	5,061	-	-	5,061	3,073	-	-
Disposals	-	-	-	-	-	-	-	-	-
Transfer	4,614	-	(4,614)	-	-	-	-	-	-
At 31 March 2005	12,421	288	1,968	-	-	14,677	9,615	-	-
Other grants									
At 1 April 2004	-	36	-	-	-	36	36	-	-
Additions	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-	-	-
At 31 March 2005	-	36	-	-	-	36	36	-	-
Depreciation									
At 1 April 2004	6,212	44	-	4	-	6,260	4,305	-	-
Charge in the year	2,263	13	-	1	9	2,286	2,006	-	-
Disposals	(31)	-	-	-	-	(31)	(51)	-	-
Transfer	(9)	-	-	-	9	-	-	-	-
At 31 March 2005	8,435	57	-	5	18	8,515	6,260	-	-
Net book value as at 1 March 2005	109,572	439	-	126	256	110,393	104,153	-	-
Net book value as at April 2004	103,577	449	-	127	-	104,153	99,139	-	-

9b) Other fixed assets

Cost	Computer equipment and IT software £000	Office premises (freehold) £000	Other £000	Group Total 2005 £000	Group Total 2004 £000	Company Total 2005 £000	Company Total 2004 £000
At 1 April 2004	1,593	4,925	721	7,239	6,860	-	-
Additions	112	22	35	169	379	-	-
Disposals	(268)	-	-	(268)	-	-	-
At 31 March 2005	1,437	4,947	756	7,140	7,239	-	-
Grants received							
At 1 April 2004	-	-	67	67	67	-	-
Additions	-	-	-	-	-	-	-
At 31 March 2005	-	-	67	67	67	-	-
Depreciation							
At 1 April 2004	999	126	326	1,451	937	-	-
Charge for the period	391	75	92	558	514	-	-
Disposals	(268)	-	-	(268)	-	-	-
At 31 March 2005	1,122	201	418	1,741	1,451	-	-
Net book value as at 31 March 2005	315	4,746	271	5,332	5,721	-	-
Net book value as at 1 April 2004	594	4,799	328	5,721	5,856	-	-

The total number of properties in management at 31 March 2005 was 9,091. This included 71 shared ownership flats and 85 development units that have transferred into management during the period.

All leasehold properties are held on long term leases.

All properties that transferred from Bath and North East Somerset Council in 1999 and which remain in Somer Community Housing Trust's ownership were subject to a fixed charge at 31 March 2005.

No assets were held under finance leases at 31 March 2005.

The average weighted assured tenancy weekly net rent at 31 March 2005 was £53.25. This compares with £49.97 at 31 March 2004. The basic rent increase on 1 April 2004 was 3.3%. Average rents have increased because of rent increases for improvements and re-let rent differentials.

Social Housing Grant is potentially repayable on the disposal of properties which were partially funded by Social Housing Grant.

10 Stock

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Consumable maintenance stock	70	63	-	-
Plant stock	111	90	-	-
Shared ownership stock for resale	115	660	-	-
	296	813	-	-
Less provision	(92)	(92)	-	-
Total stock held	204	721	-	-

11 Debtors

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Amounts falling due within one year				
Rental arrears	1,319	1,424	-	-
Less provision for bad debts	(795)	(904)	-	-
	524	520	-	-
Prepayments and accrued income	686	609	15	8
Social housing grant receivable	2	2	-	-
Other debtors	1,013	714	14	2
Amounts owed by Group undertakings	-	-	317	144
Staff car loans	-	-	-	-
	2,225	1,845	346	154
Amounts falling due after more than one year				
Amounts owed by Group undertakings			99,500	-
			99,500	-

12 Creditors: amount falling due within one year

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Bank overdraft	45	125	-	1
Rent paid in advance	637	642	-	-
Trade creditors	747	1,743	32	64
Other creditors	87	68	-	-
SHG received in advance	234	2,445	-	-
Interest accruals	201	183	200	-
Other Taxation and Social Security	218	129	34	1
Accruals and deferred income	3,267	1,811	76	83
Right to buy accruals	5,158	8,233	-	-
Provision for sinking fund liabilities	74	84	-	-
Retentions	349	153	-	-
	11,017	15,616	342	149

13 Creditors: falling due after more than one year

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Leaseholder sinking fund liabilities	325	299	-	-
Banks & mortgages amounts falling due:				
Between one and two years	-	13	-	-
Between two and five years	-	38	-	-
Over five years	99,515	90,237	99,500	-
	<u>99,840</u>	<u>90,587</u>	<u>99,500</u>	<u>-</u>

Housing Loans

At 31 March 2005 the Group had a borrowing facility of £210 million of which an amount of £99.5 million had been drawn at the year end.

The interest rate profile of the Group's financial liabilities was:

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Variable Rate	40,500	31,300	-	-
Fixed Rate	59,000	59,000	-	-
	<u>99,500</u>	<u>90,300</u>	<u>-</u>	<u>-</u>

A 6.75% cap is in place on £10 million of the variable rate loan for the period 31 March 2004 to 31 March 2007. An RPI link is also in place on £5 million of the variable rate loan for the period from 22 March 2001 to 21 March 2011.

The housing loans of Somer Community Housing Trust are secured by a fixed charge over all remaining properties that transferred from Bath & North East Somerset Council.

There is a floating charge over all the assets of Somer Community Housing Trust in favour of Somer Community Housing Trust's lenders.

The weighted average period of fixing was 5 years and 8 months and the weighted average fixed interest rate was 5.65%.

Leasehold Sinking Funds

Provision has been made representing the value of contributions paid in advance by leaseholders at 31 March 2005 in respect of their share of future planned maintenance.

The total planned maintenance charged to sinking funds for the year was £163K

14 Membership of Somer Housing Group Ltd

Somer Housing Group Ltd is limited by guarantee and thus has no share capital. Subscribing members of the Group are required to contribute £10 in the event of a winding up. Members are entitled to vote at General Meetings of the Group in accordance with the proportional voting rights granted to Members.

15 Reserves

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Revenue reserves				
Balance at 1 April 2004	5,877	6,532	5	-
Surplus/(deficit) for the year	707	187	-	5
Transfer to designated reserve	(192)	(431)	-	-
Transfer to restricted reserve	(715)	(411)	-	-
	5,677	5,877	5	5
Designated reserves for New Development				
Balance at 1 April 2004	751	502	-	-
Transfer during the year	71	249	-	-
Balance at 31 March 2005	822	751	-	-
Designated reserves for Repairs				
Balance at 1 April 2004	48	48	-	-
Transfer during the year	-	-	-	-
Balance at 31 March 2005	48	48	-	-
Designated reserves for Furniture				
Balance at 1 April 2004	7	7	-	-
Transfer during the year	-	-	-	-
Balance at 31 March 2005	7	7	-	-
Designated reserves for Major Works				
Balance at 1 April 2004	320	138	-	-
Transfer during the year	122	182	-	-
Balance at 31 March 2005	442	320	-	-
Designated reserves for Interest				
Balance at 1 April 2004	20	20	-	-
Transfer during the year	-	-	-	-
Balance at 31 March 2005	20	20	-	-

Restricted reserves

Balance at 1 April 2004
Purchase of new property
Transfer during the year
Balance at 31 March 2005

	937	526	-	-
	(122)	-	-	-
	715	411	-	-
	1,530	937	-	-
Total reserves	8,546	7,960	5	5

Restricted Reserves represent the Disposal Proceeds Fund that has arisen from tenants exercising their right to acquire properties. The gross sale proceeds net of admissible expenses are credited to the reserve.

16 Capital commitments

Capital expenditure that has been contracted for but has not been provided for in the financial statements
Capital expenditure that has been authorised by the Board but not yet contracted for

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
	7,777	10,672	-	-
	32,345	20,866	-	-
	40,122	31,538	-	-

The Board expects the expenditure authorised to be fully financed by the Group's loan facility.

17 Operating leases

The Group holds vehicles on non-cancelable operating leases. At 31 March 2005 the Group had the following commitments under these leases:

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Leases expiring within one year	1	-	-	-
Leases expiring between two and five years	337	497	-	-
	<u>338</u>	<u>497</u>	<u>-</u>	<u>-</u>

18 Pensions

The Group operates a defined benefit pension scheme (Avon Pension Fund). The scheme provides benefits based on an employee's final pensionable pay. The assets of the fund are kept separately from the Group and are invested in an independently managed superannuation fund. The employer's contribution is charged to the Income and Expenditure Account during the period of the employee's pensionable service.

An actuarial valuation of the defined benefit scheme was carried out on 31 March 2005 by Mercer Human Resource Consulting Ltd. The major assumptions used by the actuary were:

	31 March 2005	31 March 2004
Discount rate	5.40%	5.50%
Inflation rate	2.90%	2.80%
Increase to pensions in payments	2.90%	2.80%
Salary Increases	4.15%	3.80%

The defined benefit method has been used to calculate the assets and liabilities of the scheme.

The assets in the scheme and the expected rate of return were:

	Long term rate of return expected at 31 March 2005 %	Value at 31 March 2005 £000	Long term rate of return expected at 31 March 2004 %	Value at 31 March 2004 £000
Equities	7.50	7,361	7.50	6,411
Government Bonds	4.70	1,918	4.70	1,244
Other Bonds	5.50	319	5.50	850
Property	6.50	-	6.50	-
Cash/liquidity	4.75	87	4.00	77
Total market value of assets		9,685		8,582
Present value of scheme liabilities		13,520		12,052
Net pension liability		<u>(3,835)</u>		<u>(3,470)</u>

Movement in deficit during the year

	2005 £000
Deficit at start of the period	(3,470)
Movement during the year	
Other finance income	(73)
Actuarial Gain/(Loss)	(156)
Current service cost	(638)
Employer Contributions paid	502
Deficit at the end of the period	<u>(3,835)</u>

The following disclosures are required by the transitional arrangements contained in FRS17. They are not recognised in the primary financial statements.

Analysis of the amount charged to operating profit in respect of defined benefit schemes

	£000
Current service cost	(638)
Total operating charge (net of employee contributions)	(638)

Analysis of the amount credited to other finance income

	£000
Expected return on assets	609
Interest on liabilities	(682)
Net finance income	(73)

In this case these items give rise to a net pension cost.

Analysis of amount recognized in statement of total recognized gains and losses

	£000
Differences between actual & expected return on scheme assets	774
Changes in actuarial assumptions	(930)
Recognised actuarial gain/(loss)	(156)

History of experience gains and losses

	31 March 2005	
Difference between actual and expected return on plan amounts	Amount (£000)	(248)
	% of plan assets	2.56%
Experience gains and losses on plan activities	Amount (£000)	526
	% of plan liabilities	3.89%
Total amount recognized in statement of total recognized gains and losses	Amount (£000)	(156)
	% of plan liabilities	1.15%
	31 March 2005	31 March 2004
	£000	£000
Net assets		
Net assets excluding pension liability	8,546	7,530
Pension liability	(3,835)	(3,470)
Net assets including pension liability	4,711	4,060
Reserves		
Profit and loss reserve excluding pension liability	5,677	5,842
Pension liability	(3,835)	(3,470)
Profit and loss reserve including pension liability	1,842	2,372

Note 8 shows the current period cost to the Group of providing contributions to the scheme of 11.5%. The Group intends to continue to make contributions at this rate until the next actuarial valuation date. Total outstanding contributions at 31 March 2005 were £55,479 (employees and employers).

19 Related party transactions

The Board members who are tenants hold assured tenancy agreements and are required to fulfill the same obligations and receive the same benefit as other tenants. There are no significant rent arrears to report at 31 March 2005.

The material financial transactions between the organisations which are members of Somer Housing Group are as follows:

Service provided by	Service provided to	Nature of service	Charge for service
Somer Housing Group Ltd	Somer Community Housing Trust	Central services	£2,272,000
Somer Community Housing Trust	Somer Housing Group Ltd	Office accommodation	£357,000
SOMACO Ltd	Somer Community Housing Trust	Repairs service	£322,000
Somer Housing Group Ltd	Bath Self Help Housing Association	Central services	£41,000
Bath Self Help Housing Association	Somer Community Housing Trust	Housing management services	£79,000
Somer Community Housing Trust	Bath Self Help Housing Association	Repairs service	£52,000
Somer Community Housing Trust	Bath Self Help Housing Association	Office accommodation	£26,000

20 Legislative provision

Somer Housing Group Ltd is a company limited by guarantee and registered with the Housing Corporation under the Housing Act 1996.

21 Taxation

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Current Tax:				
UK corporation tax on profits of the period	-	2	1	1
Deferred Tax				
	-	2	1	1

22 Units / Bed spaces

General needs housing
Supported housing
Shared bed spaces
Warden staff units
Shared ownership units

	31 March 2005	31 March 2004
General needs housing	8,813	8,830
Supported housing	146	140
Shared bed spaces	24	24
Warden staff units	37	38
Shared ownership units	71	71
	<u>9,091</u>	<u>9,103</u>

There were 129 housing properties in the course of development at 31 March 2005, this compares with 144 at the start of the year.

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

	31 March 2005 £000	31 March 2004 £000
Operating surplus	5,306	4,139
Depreciation of tangible fixed assets	2,844	2,518
(Increase)/Decrease in stocks	517	(495)
(Increase)/Decrease in debtors	(377)	365
Increase/(Decrease) in trade creditors	(996)	(1,080)
Increase in accruals and provisions	1,815	1,100
Net cash inflow/(outflow) from operating activities	9,109	6,547

24 Reconciliation of net cash flow to movement in net debt

	31 March 2005 £000	31 March 2004 £000
Increase/(Decrease) in cash in the period	(394)	(817)
Cash outflow from increase in liquid resources	-	-
Cash inflow from increase in debt	9,173	542
Change in net debt	(9,567)	(1,359)
Net debt at 1 April	(88,744)	(87,385)
Net debt at 31 March	(98,311)	(88,744)

25 Analysis of changes in net debt during the period

	As at 31 March 2004 £000	Cash Flows £000	As at 31 March 2005 £000
Cash at bank and in hand	1,723	(474)	1,249
Bank overdraft	(125)	80	(45)
Debt due after one year	(90,342)	(9,173)	(99,515)
Net debt	(88,744)	(9,567)	(98,311)

26 True and fair override statement

UK Accounting Standards and the Statement of Recommended Practice for Accounting by Registered Social Landlords (SORP) require that the results of Bath Self Help Housing Association be consolidated into the consolidated financial statements of the Somer Housing Group Limited using the acquisition method of accounting as set out in Financial Reporting Standard 2 "Subsidiary Undertakings." The Board considers that consolidating the results of Bath Self Help Housing Association using the merger accounting method of consolidation per Financial Reporting Standard 6, "Acquisitions & Mergers," shows a more true and fair view of the Group's financial results and financial position for the period.

Adoption of the acquisition method of accounting would not show a true and fair view of the Group's financial position at the balance sheet date on the basis that a material value of negative goodwill would arise upon consolidation in the group balance sheet when no consideration was paid for the Group members.

Adopting the acquisition method of accounting for the consolidation of the Group members into the consolidated financial statements of the group would have resulted in generation of negative goodwill of £3.8 million arising upon consolidation.

27 Investment in Subsidiaries

Somer Housing Group Ltd owns a single £1 share in Bath Self Help Housing Association. The Association is a non-profit making Industrial and Provident Society whose principal activity is the provision of rented accommodation for people in housing need. Bath Self Help Housing Association had issued share capital at 31 March 2005 to the value of £25. The other share holding members of Bath Self Help Housing Association have no rights to economic benefits, may only hold a single £1 share, may not transfer their share (unless they are

holding the share as a nominee of an unincorporated body) and may not hold shares in joint names. Bath Self Help Housing Association became a subsidiary of Somer Housing Group Ltd by amending its Rules.

Somer Housing Group Ltd is a member of Somer Community Housing Trust and has agreed to contribute £10 in the event of the winding up of Somer Community Housing Trust. Somer Community Housing Trust became a subsidiary of Somer Housing Group Ltd by amending its Memorandum and Articles of Association.

Somer Housing Group Ltd exercises control over Somer Community Housing Trust and Bath Self Help Housing Association by virtue of its right to appoint the Board members of both organisations.

Somer Housing Group Limited owns the two shares which form the total issued share capital of SOMACO Limited.

28 Group Members

Somer Housing Group's constituent members at 31 March 2005 were:

- Somer Community Housing Trust – a company limited by guarantee, a Registered Social Landlord and a Registered Charity.
- Bath Self Help Housing Association Ltd – an Industrial and Provident Society and a Registered Social Landlord.
- Somer Housing Group Ltd – a company limited by guarantee and a Registered Social Landlord.
- SOMACO Limited – a company limited by shares

Somer Housing Group Ltd is the ultimate parent of Somer Community Housing Trust, Bath Self Help Housing Association and SOMACO Limited. It has the right to appoint their Board Members.

^p The material financial transactions between the organisation are disclosed in Note 19.