

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

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**SPA HOUSING ASSOCIATION LIMITED
EXECUTIVE OFFICERS AND ADVISRS
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006**

The following Directors served throughout the year: -

Chair:	Jeanette Weir	
Board of Management:	Cllr Don Lawley Dana Broad Royston Foster Elaine Ganderton Martin Jones Neil Mocroft	Betty Watson Eileen Hope Jenny O'Shea Richard Brighton John Reader
Secretary:	Guy Weston	
Executive Officer:	Clare Huyton	— Executive Director Festival Housing Group
Registered Office:	The Royal Exchange 9 Queen Street Droitwich Spa Worcestershire WR9 8LA	
Registered Number:	27787R	
Registered Auditors:	BDO Stoy Hayward LLP 125 Colmore Row Birmingham West Midlands B3 3SD	
Bankers:	Barclays Bank Plc Midlands Corp Banking PO Box 3333 15 Colmore Row Birmingham B3 2WN	
Solicitors:	Cobbetts LLP One Colmore Square Birmingham B4 6AJ	
	Trowers & Hamlin Sceptre Court 40 Tower Hill London EC3N 4DX	
	Needham & James 25 Meer Street Stratford Upon Avon Warwickshire CV37 6QB	

**SPA HOUSING ASSOCIATION LIMITED
EXECUTIVE OFFICERS AND ADVISERS
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006 (continued)**

Lenders:

Bradford and Bingley Building Society
P.O. Box 88
Crossflatts
Bingley
West Yorkshire
BD16 2UA

The Housing Finance Corporation
21/23, Ironmonger Lane
London
EC2V 8EY

<p style="text-align: center;">SPA HOUSING ASSOCIATION LIMITED BOARD REPORT</p>

The Board presents its report and the audited financial statements for the year ended 31 March 2006.

The Association was established in October 1994 following the transfer of housing stock from Wychavon District Council. The Association remains the largest Registered Social Landlord in Droitwich and its core business is the management and development of high quality affordable homes for local people in need.

Festival's Corporate Plan

The Board of the Festival Housing Group has approved a new Corporate Plan, which sets out the Vision, Values and Goals for the Group over the next 3 years. Spa Housing Association has produced its own Corporate Plan which contributes to the Group Plan.

Financial and Operational Performance

During 2005/2006 the Association delivered a strong financial performance, achieving the majority of its key business service and targets and out-performed its Business Plan.

The accounts for the year show a deficit of £78,000 compared with the original 2005/2006 budget deficit of £779,000.

For 2005/2006 rents increased by 4.8% for all existing tenants. -

The Association's strategy for rents has been superceded by the Government's rent restructuring framework which requires all housing associations and local authorities to introduce target rents over a 10 year timescale, ending in 2012.

Best Value

The Board has embraced the principles of Best Value and the Housing Corporation's current guidance on Best Value, and an ongoing programme of reviews is underway.

Investment

The Association's investment in the maintenance of its housing stock was £4.4 million in the year. £1.5 million was spent on responsive maintenance, £2.9 million on programmed works.

Approximately 8,900 responsive repairs were carried out.

Contractors performance was 95.2% for emergency repairs (within 24 hours), 95.4% urgent repairs (within 7 days) and 90.8% for routine repairs (within one month).

In total, over 1,500 - enhancements such as: window replacements; new central heating; new kitchens and bathrooms; electrical upgrades and internal or external decoration were made to homes.

A total of 82 new homes were built or acquired by the Association during 2005/2006.

SPA HOUSING ASSOCIATION LIMITED
BOARD REPORT (continued)

The Association had a further pipeline consisting of 150 properties at the year-end, including a committed SHG allocation which will support 46 properties.

Fixed Assets

During the year expenditure on housing properties amounted to £5.8 million of which £1.3 million was funded with Social Housing Grant.

Market Renting

The Association has cancelled the management agreement in respect of market rented housing with another group company, namely Spa Homes, and now undertakes the management on an inhouse basis.

Risk Management

Following a detailed Business Risk Review, the Board has carried out a six monthly review of the progress in taking action to address the identified risks.

The risk management framework will also be used on all new initiatives under consideration by the Association.

The Board accept their responsibility for the Association's risk management framework and its systems and materially comply with Housing Corporation Circular 25/01.

Key Policies and Strategies

The Board maintains key policies in respect of matters relating to treasury, rent, maintenance and repairs and reserves. The Board reviews performance on these at regular times.

Governance

The Board has overall responsibility for control and direction of the Association.

The Board Members of Spa Housing Association Limited in the year to 31 March 2006, were as follows:-

<u>Board Member</u>	<u>Status</u>
Jeanette Weir (Chairperson)	Current
Cllr Don Lawley (Vice Chairperson)	Current
Dana Broad	Current
Elaine Ganderton	Current
Royston Foster	Current
Martin Jones	Current
Betty Watson	Current
Eileen Hope	Current
Jenny O'Shea	Current
Richard Brighton	Appointed – March 2006
John Reader	Appointed – March 2006
Neil Mocroft	Resigned – March 2006
John Wade	Resigned – March 2006
Jean Collins	Deceased – November 2005

**SPA HOUSING ASSOCIATION LIMITED
BOARD REPORT (continued)**

The Board has adopted the NHF Code of Governance and where practicable achieved all the recommendations of the Code.

The Board has undertaken a review of member skills prior to filling vacant positions.

Statement of Compliance with the Housing Corporation's Regulatory Code

The Board has fully endorsed the Housing Corporation's approach to Regulation and the requirements of the Housing Corporation's Regulatory Code and Guidance.

The Board has approved its Statement of Compliance against the Regulatory Code which confirms that the requirements of the Code are met in most areas. Where there are areas of weakness, the Board has approved an action plan to rectify this.

Going Concern

Under the governance requirements, the Board confirms that, after making enquiries, it has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the adoption of the going concern basis in preparing the accounts is continued.

Statement of Internal Controls

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

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, but not absolute, 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 information and the safeguarding of the Association's assets and interests.

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

Internal Controls Assurance

Board meetings are held regularly and there is a defined schedule of matters reserved for decision by the Board. The process adopted by the Board in reviewing the effectiveness of the systems of internal control, together with some of the key elements of the control framework, include:

Control environment

The Board retains responsibility for a schedule of matters covering strategic, operational, financial, and compliance issues including treasury, strategy and new investment projects. The Board has adopted a code of governance based on the National Housing Federation's recommendations. This sets out the Association's policies with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which employees must comply. This, together with the governance arrangements in place, which cover issues such as delegated authority,

SPA HOUSING ASSOCIATION LIMITED
BOARD REPORT (continued)

segregation of duties, accounting, treasury management, health and safety, data and asset protection, and fraud prevention and detection.

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 on-going process of management review in each area of the Association's activities. This process is co-ordinated through a reporting framework to the Association's Board. The corporate management team regularly considers reports on significant risks facing the Association and the Group 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.

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 risk management process are subject to regular review by Internal Auditors who are responsible for providing independent assurance to the Board. The Board reviews reports received from internal auditors on the extent to which internal controls continue to take account of the major risks facing the Association. A formal process exists for the reporting and correction of significant control weaknesses.

The Board has received the Internal Auditors' 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 on-going process for identifying, evaluating and managing significant risks faced by the Association. This process has been in place throughout the year under review, up to the date of the annual report, and it is regularly reviewed by the Board. The Board also relies on the Group Audit Committee to assure the Board that Internal Controls are appropriate and in place.

**SPA HOUSING ASSOCIATION LIMITED
BOARD REPORT (continued)**

Statement of the Responsibilities of the Board for the Financial Statements

The Board are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Legislation requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Association and of the surplus or deficit of the Association for that year. In preparing those financial statements, the Board are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The Board 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 financial statements comply with the appropriate legislation. 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.

Post Balance Sheet Event

Spa Homes and Partnership Care Services

The activities of these two Festival Group subsidiaries have been subsumed from 1st October 2005 and 1st April 2006 respectively into the Registered Social Landlords, namely Elgar and Spa Housing Associations.

Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to reappoint them as auditors will be proposed at the next annual general meeting.

**Approved by the Board on 17th July 2006
and signed on its behalf by:**

**Guy Weston
SECRETARY**

**SPA HOUSING ASSOCIATION LIMITED
REPORT OF THE INDEPENDENT AUDITORS TO
SPA HOUSING ASSOCIATION LIMITED**

We have audited the financial statements of Elgar Housing Association for the year ended 31 March 2006 which comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Total Recognised Surplus and Deficits, Note of Historical Costs Surplus and Deficits and the related notes. These financial Statements have been prepared under the accounting policies set out therein

Respective responsibilities of the Board and auditors

As described in the Statement of Board Responsibilities on page 7 the Association's Board is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements 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, a satisfactory system of control over transactions has not been maintained, 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 other information contained in the Report of the Board and consider whether it is consistent with the audited financial statements. This other information comprises the Board report, the Chairman's Statement and Chief Executive's Report. 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.

Our report has been prepared pursuant to the requirements of Schedule 1 paragraph 16 to the Housing Act 1996 and Section 9 of the Friendly and Industrial and Provident Societies Act 1968 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the above statutes or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing 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 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.

**SPA HOUSING ASSOCIATION LIMITED
REPORT OF THE INDEPENDENT AUDITORS TO
SPA HOUSING ASSOCIATION LIMITED (continued)**

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Association's affairs as at 31 March 2006 and of its results 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.

BDO Stoy Hayward LLP
*Chartered Accountants
and Registered Auditors*
Birmingham

17th July 2006

SPA HOUSING ASSOCIATION LIMITED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006
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	Note	2006 £'000	2005 £'000
Turnover	2	11,312	10,212
Operating costs	2	(9,091)	(7,936)
		-----	-----
Operating surplus		2,221	2,276
Surplus on sale of properties	20	357	591
Surplus on sale of other assets		20	-
Interest receivable and similar income		129	44
Interest payable and similar charges	4	(2,805)	(2,500)
		-----	-----
Surplus/(Deficit) on ordinary activities before taxation	18	<u>(78)</u>	<u>411</u>

The Association's results all relate to continuing activities.

The notes on pages 13 to 30 form part of the financial statements.

SPA HOUSING ASSOCIATION LIMITED
STATEMENTS OF SURPLUSES AND DEFICITS FOR THE YEAR ENDED 31 MARCH 2006

	Note	2006 £'000	2005 £'000
Statement of total recognised surpluses and deficits			
Surplus/(deficit) for the year	18	(78)	411
Unrealised surplus/(deficit) on revaluation of housing properties and investments	18	(10,345)	5,291
Social Housing Grant in relation to housing properties sold during the year	18	-	-
Total recognised surplus/(deficit) for the year		<u>(10,423)</u>	<u>5,702</u>

	Note	2006 £'000	2005 £'000
Statement of historical cost surpluses and deficits			
Surplus/(deficit) on ordinary activities	18	(78)	411
Realisation of property revaluation gains of previous years	18	63	126
Difference between historical cost depreciation charge and the actual charge based on the revalued amount	18	512	483
Historical cost surplus on ordinary activities		<u>497</u>	<u>1,020</u>

SPA HOUSING ASSOCIATION LIMITED
BALANCE SHEET AT 31 MARCH 2006

	Note	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Fixed assets					
Tangible assets					
Housing properties – cost or valuation	9		98,103		106,845
Homebuy Loans	11	650		696	
Less Homebuy Grant	11	(650)	-	(696)	-
Other fixed assets	10		763		858
			98,866		107,703
Current assets					
Stock	12		1,468		-
Debtors	13		1,916		1,972
Investments	14		891		871
Cash at bank and in hand			203		166
			4,478		3,009
Creditors : amounts falling due within one year	15		(2,123)		(1,120)
Net current assets			2,355		1,889
Total assets less current liabilities			101,221		109,592
Creditors : amounts falling due after more than one year	16		49,716		47,654
Capital and reserves					
Share capital	17		-		-
Revaluation reserves	18		51,746		62,676
Accumulated deficit	18		(241)		(738)
Total members funds			51,505		61,938
			101,221		109,592

The notes on pages 13 to 30 form part of these financial statements.

The financial statements on pages 10 to 30 were approved by the Board of Management on 17th July 2006 and were signed on its behalf by:-

_____ Member of the Board of Management

_____ Member of the Board of Management

_____ Secretary

SPA HOUSING ASSOCIATION LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable financial reporting standards and comply with the Accounting Requirements for Registered Social Landlord's General Determination 2000 and with the Statement of Recommended Practice "Accounting by Registered Social Landlord's" update 2005.

Accounting Convention

The financial statements are prepared under the historical cost convention, modified by the policy of revaluing the Association's housing properties on an annual basis.

Cash Flow Statement

A cash flow statement has not been prepared as the Association is not required to do so under the Statement of Recommended Practice "Accounting by registered Social Landlords" as a member of the Festival Housing Group, for which consolidated financial statements are prepared.

Turnover

Turnover represents rents and revenue grants receivable in respect of tenanted properties, and amounts invoiced in respect of the provision of services.

Valuation of Housing Properties

Completed housing properties are shown on the balance sheet at valuation. The aggregate surplus or deficit on the property revaluation is transferred to a revaluation reserve. On the disposal of revalued properties, any unrealised reserves are released and transferred to realised reserves.

Capitalisation of Housing Properties

Housing properties in the course of construction are stated at cost of works, plus related management costs and interest capitalised during the construction of the property up to the date of practical completion. Only specific and directly attributable management costs are capitalised.

All interest capitalised is calculated by reference to the Association's cost of borrowing.

Improvements of Existing Housing Properties

Expenditure on housing properties that adds to the value of the property or extends its useful life or increases the previously assessed performance of the asset is capitalised. Other expenditure on housing properties is written off as it is incurred.

Depreciation

Depreciation is calculated to write off the cost of fixed assets on a straight-line basis over their estimated useful economic lives.

<p>SPA HOUSING ASSOCIATION LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006 (continued)</p>
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1 ACCOUNTING POLICIES (continued)

Housing Properties

Freehold land is not depreciated.

Depreciation is charged so as to write down the valuation of freehold properties, other than freehold land, to their estimated residual values on a straight line basis over their expected useful economic lives at the following annual rates: -

General needs housing properties	1.33%
Sheltered housing schemes	1.33%
Residential care home	5%
Pre-reinforced concrete properties	5%
Market Rented Accommodation	1.33%

Other Tangible Fixed Assets

The principal annual rates of depreciation used for other fixed assets are: -

Office premises	1%
Office furniture, fixtures and fittings	20%
Electrical and mechanical equipment	20%
Computer equipment	33%
Computer software	20%

Impairment of tangible fixed assets

Where the Association believes that the carrying value of a property has been permanently reduced then the reduction in value is recognised through the income and expenditure account.

Social Housing Grant (SHG) and other grants

Grants for capital expenditure are deducted from the cost of the fixed assets to which they relate as they become receivable. SHG is recyclable or repayable under certain circumstances, primarily following sale of a property, but the amount recyclable or repayable will normally be restricted to net proceeds of sale. If SHG becomes recyclable, it is included as a creditor due either within one year or due after more than one year as appropriate to the circumstances.

Grants received in advance of the relevant expenditure are included in short-term creditors and represent amounts to be utilised in the next accounting period.

SPA HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2006 (continued)

1 ACCOUNTING POLICIES (continued)

Grants for revenue expenditure are credited to the income and expenditure account as they become receivable.

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value. Any investments listed on a recognised stock exchange are stated at market value.

Operating leases

Rentals payable under operating leases are charged on a straight-line basis over the term of the lease.

Stock

Work in progress comprises work on properties held for resale. They are valued at the lower of cost and net realisable value. Cost comprises the cost of raw material, direct labour and attributable overhead.

Homebuy loans

Under these arrangements the Association receives social housing grant representing 25% of the purchase price in order to advance interest free loans to homebuyers. The buyer meets the balance of the purchase price from a personal mortgage and savings.

Loans advanced by the Association under these arrangements are disclosed as fixed asset investments with a linked presentation to the social housing grant received to fund these loans.

In the event that a property is resold, the Association recovers 25% of the value of the property at the time of the resale. The grant becomes recyclable when the loans are repaid up to the amount of the original grant and the extent the proceeds permit. The Association is able to retain any surplus proceeds attributable to the 25% share of the value of the property. If there is a fall in the value of the property the shortfall of proceeds is offset against the recycled grant. There are no circumstances in which the Association will suffer any loss.

Interest and finance costs

Interest on borrowings of the Association as a whole, after deduction of interest on SHG in advance, is capitalised, to the extent that it is deemed to be financing the development programme. All other interest is charged to the Income and Expenditure Account in the year in which it is incurred.

Costs directly connected with the raising of finance are deducted from loans and written off evenly over the life of the loan in the income and expenditure account. All other refinancing costs are written off as incurred.

SPA HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2006 (continued)

1 ACCOUNTING POLICIES (continued)

Pension costs

The Association is a contributing member of the Local Government Pension Scheme and the Social Housing Pension Scheme. The schemes are multi-employer defined benefit schemes and therefore the amount charged to the income and expenditure account represents the contributions payable to the schemes for the year. The assets of these schemes are held separately from those of the Association in independently administered funds.

Property Revaluation reserve

The Association's policy is to revalue its properties on an annual basis based on external professional advice. Any surplus or deficit on revaluations is adjusted through the revaluation reserve account.

Value Added Tax

The Association is VAT registered, but the majority of its income, being housing rents, is exempt for VAT purposes. This gives rise to a recovery of VAT through a partial exemption calculation each year. In the year 14% (2005 - 14%) of partially exempt VAT was reclaimed in this way. Expenditure is therefore shown gross of the relevant VAT within the Financial Statements.

Property Sales

Under shared ownership arrangements, the Association disposes of a long lease of shared ownership housing units to persons who occupy them, at a lease premium equal to between 25% and 75% of open market value. The occupier has the right to purchase further proportions at the then current valuation up to 100%. Proceeds of sale of first tranches are shown as a deduction under shared ownership housing properties in fixed assets. Subsequent tranches sold ("staircasing sales") are reflected in the income and expenditure account as a surplus or deficit on sale of fixed assets.

Under right to buy arrangements the Association disposes of properties outright to qualifying tenants. There is a clawback agreement with Wychavon District Council.

Haven Bond Premium

The premium on the issue of the Haven Bond is included in creditors and is being written off over the period of the loan.

Leased Assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

SPA HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006(continued)

2 PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Turnover £'000	2006 Operating Costs £'000	Operating Surplus £'000	Turnover £'000	2005 Restated Operating Costs £'000	Operating Surplus £'000
Social Housing Lettings (See note 3)	9,994	(8,696)	1,298	9,416	(7,589)	1,827
Other Social Housing						
Supporting People Contract Income	134	(134)	-	108	(93)	15
Other	749	(91)	658	238	(15)	223
	883	(225)	658	346	(108)	238
Non Social Housing Activities (see below)	435	(170)	265	450	(239)	211
Total	11,312	(9,091)	2,221	10,212	(7,936)	2,276

Total development administration costs capitalised are £146,000 (2005 - £111,000).

Particulars of turnover from non-social housing activities

	2006 £'000	2005 £'000
Internal Lease Income	97	97
Market Rents	298	294
Other Income	40	59
Total	435	450

SPA HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006 (continued)

3 INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	2006				
	General Needs Housing £'000	Supported Housing (VSU) £'000	Sheltered £'000	Shared Ownership £'000	Total £'000
Rent receivable net of identifiable service charges	8,015	100	1,028	53	9,196
Charges for support services	-	115	206	-	321
Service Income	102	78	278	19	477
Net Rental Income	8,117	293	1,512	72	9,994
Housing Corporation and other grants	-	-	-	-	-
Turnover From Social Housing Lettings	8,117	293	1,512	72	9,994
Management	1,981	30	322	38	2,371
Services	248	52	617	11	928
Routine Maintenance	1,718	40	294	1	2,053
Planned Maintenance	1,966	39	209	-	2,214
Bad Debts Provision Adjustment	14	-	3	1	18
Depreciation on housing properties	900	71	91	10	1,072
Other Costs	26	3	11	-	40
Operating Costs On Social Housing Lettings	6,853	235	1,547	61	8,696
Operating Surplus On Social Housing Lettings	1,264	58	(35)	11	1,298
Void Income included in Net Rental Income above	(69)	(3)	(37)	(10)	(119)

SPA HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006 (continued)

3 INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS (continued)

	General Needs Housing	Supported Housing (VSU)	2005 Sheltered	Restated Shared Ownership	Total
	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	7,568	124	964	31	8,687
Charges for support services	-	31	200	30	261
Service Income	82	88	281	17	468
Net Rental Income	<u>7,650</u>	<u>243</u>	<u>1,445</u>	<u>78</u>	<u>9,416</u>
Housing Corporation and other Grants	-	-	-	-	-
Turnover From Social Housing Lettings	<u>7,650</u>	<u>243</u>	<u>1,445</u>	<u>78</u>	<u>9,416</u>
Management	1,916	38	345	38	2,337
Services	700	13	120	13	846
Routine Maintenance	1,669	32	226	1	1,928
Planned Maintenance	1,305	4	50	-	1,359
Bad Debts provision adjustment	124	2	20	2	148
Depreciation of housing properties	795	-	138	3	936
Depreciation of other Fixed Assets	11	7	17	-	35
Operating Costs On Social Housing Lettings	<u>6,520</u>	<u>96</u>	<u>916</u>	<u>57</u>	<u>7,589</u>
Operating Surplus On Social Housing Lettings	<u>1,130</u>	<u>147</u>	<u>529</u>	<u>21</u>	<u>1,827</u>
Void Income included in Net Rental Income above	<u>(37)</u>	<u>(6)</u>	<u>(35)</u>	<u>(6)</u>	<u>(84)</u>

SPA HOUSING ASSOCIATION LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006 (continued)

	2006 £'000	2005 £'000
4 INTEREST PAYABLE AND SIMILAR CHARGES		
Loans repayable after 5 years	2,860	2,506
Costs of arranging finance	15	45
Other Interest	13	8
	2,888	2,559
Interest capitalised in housing properties	(83)	(59)
Total	2,805	2,500

5 SURPLUS ON ORDINARY ACTIVITIES

Surplus on ordinary activities for the year is stated after charging:

Depreciation on tangible fixed assets		1,094
	1,189	
Hire of motor vehicles – operating lease	3	3
	3	3

Audit fees are paid by the parent undertaking Festival Housing Limited.

6 TAXATION

The Association adopted charitable rules on 29th March 2004 and is, therefore, not liable to corporation tax.

SPA HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2006 (continued)

	2006 £'000	Restated 2005 £'000
7 STAFF COSTS		
Wages and salaries	686	687
Social security costs	43	45
Other pension costs	71	82
Total	801	814

	2006 Number	2005 Number
Average number of full time equivalent persons (including the Executive Officer) employed during the year was:		
Office staff	23	20
Site-based staff	15	15
Total employees	38	35

Central functions such as human resources, information technology and financial services are provided by the parent and are recharged at cost.

8 DIRECTORS EMOLUMENTS

The executive director was paid emoluments of £NIL (2005: £NIL) and received contributions of £NIL (2005: £NIL) to a pension scheme.

The executive director is remunerated through the Association's parent undertaking, Festival Housing Limited in respect of services performed for this Association.

No payments or benefits, other than those permitted, were made to persons referred to in Part 1 of Schedule 1 to the Housing Act 1996.

Board Members are remunerated through the Association's parent undertaking Festival Housing Limited in respect of services performed for the Association.

SPA HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006 (continued)

9 TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

(a) Summary	Housing Properties Held For Letting	Housing Properties In The Course Of Construction	Completed Shared Ownership Housing Properties	Residential Care Home	Total
	£'000	£'000	£'000	£'000	£'000
COST OR VALUATION					
At 1 April 2005	103,505	1,432	900	1,950	107,787
Additions	-	5,760	-	-	5,760
Disposals	(80)	-	(329)	-	(409)
Schemes completed	2,774	(3,598)	824	-	-
Adjustment on revaluation	(13,009)	-	195	(443)	(13,257)
Reclassification	-	(1,254)	-	-	(1,254)
At 31 March 2006	93,190	2,340	1,590	1,507	98,627
SOCIAL HOUSING AND OTHER GRANTS					
At 1 April 2005	-	942	-	-	942
Received during year	-	1,325	-	-	1,325
Schemes completed	1,705	(1,743)	38	-	-
Adjustment on revaluation	(1,705)	-	(38)	-	(1,743)
At 31 March 2006	-	524	-	-	524
DEPRECIATION					
At 1 April 2005	-	-	-	-	-
Charge for the year	1,066	-	10	63	1,139
Adjustment on revaluation	(1,066)	-	(10)	(63)	(1,139)
At 31 March 2006	-	-	-	-	-
NET BOOK VALUE					
At 31 March 2006	93,190	1,816	1,590	1,507	98,103
At 31 March 2005	103,505	490	900	1,950	106,845
(b) (i) Cost or valuation at 31 March 2006 is represented by:					
Cost (net of Social Housing Grant)	47,201	1,816	1,355	1,795	52,167
Valuation Adjustment	45,989	-	235	(288)	45,936
	93,190	1,816	1,590	1,507	98,103
(b) (ii) Additions are represented by:					
	2006	2005			
	£'000	£'000			
New development	5,760	5,438			
Work on existing properties	-	333			
	5,760	5,771			

SPA HOUSING ASSOCIATION LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006 (continued)

9 TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (continued)

- (c) Freehold housing properties were revalued at existing use value for social housing (EUV-SH) as at 31 March 2006 by Mazars Property Consultancy Limited, Chartered Surveyors, in accordance with the RICS Appraisal and Valuation Standards. In determining this valuation, the valuers made use of discounted cash flow methodology and key assumptions made concerned the level of future rents, level of future expenditure on repairs and maintenance, the rate of turnover of existing tenants, the level of right to buy sales and the discount rate. The valuation is prepared on a rolling basis.
- (d) Additions to housing properties include development administrative costs of £146,000 (2005 - £111,000) which have been capitalised. A rate of 5.5% has been used to capitalise interest.
- (e) Housing properties held for letting include 57 properties rented at market rates.
- (f) The total social housing grant receivable to date is £13,708,000 (2005 -£12,234,000) of which £13,608,000 (2005 - £12,134,000) was in respect of capital funding.
- (g) If housing properties had not been revalued, they would have been included at the following amounts:-

	2006 £'000	2005 £'000
Cost	65,525	59,943
Social Housing Grant	(13,358)	(12,134)
	<u>52,167</u>	<u>47,809</u>
Accumulated Depreciation	(3,850)	(3,223)
	<u>48,317</u>	<u>44,586</u>

- (h) Housing properties comprises:

Freehold	<u>98,103</u>	<u>106,845</u>
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SPA HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2006 (continued)

10 TANGIBLE FIXED ASSETS - OTHER

	Freehold Offices £'000	Office Furniture, Fixtures, Fittings And Equipment £'000	Scheme Furniture, Fixtures, Fittings And Equipment £'000	Total £'000
COST				
At 1 April 2005	916	158	74	1,148
Additions	-	-	33	33
Disposals	(81)	-	-	(81)
Group transfer	-	(3)	-	(3)
At 31 March 2006	835	155	107	1,097

DEPRECIATION

At 1 April 2005	150	104	36	290
Charge for year	23	7	20	50
Disposals	(6)	-	-	(6)
At 31 March 2006	167	111	56	334

NET BOOK VALUE

At 31 March 2006	668	44	51	763
At 31 March 2005	766	54	38	858

Included in Freehold Offices is freehold land amounting to £72,500 (2005 - £107,500) which is not depreciated.

	2006 £'000	2005 £'000
11 HOMEBUY LOANS		
Grants received from the Housing Corporation	<u>649</u>	<u>696</u>
Loans made by the Association	<u>649</u>	<u>696</u>

The Association has received grants in total up to 31 March 2006 of £715,000 (2005 - £766,000) which have been loaned to people qualifying under the Homebuy scheme. Income from the administration of the scheme of £NIL (2005 - £NIL) has been credited to the income and expenditure account during the year. Total income credited to the income and expenditure account since the scheme was introduced amounts to £65,000 (2005 - £70,000). 3 subsequent disposal transactions took place during the year on which income of £5,000 (2005 - £7,000) previously taken to income and expenditure has been reversed.

SPA HOUSING ASSOCIATION LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006 (continued)

	2006 £'000	2005 £'000
12 STOCK		
Properties for resale - work in progress	<u>1,468</u>	<u>1,254</u>
13 DEBTORS		
Amounts falling due within one year		
Rental debtors	496	548
Less : provision for bad debts	<u>(294)</u>	<u>(293)</u>
	202	255
Prepayments and accrued income	28	27
Other debtors	29	104
Amounts due from group undertakings	<u>1,657</u>	<u>1,586</u>
Total	<u>1,916</u>	<u>1,972</u>
14 INVESTMENTS		
Cost	911	911
Revaluation	<u>(20)</u>	<u>(40)</u>
Total	<u>891</u>	<u>871</u>
The investments at market value are as follows:		
UK treasury bonds 8%	127	127
Other listed bonds	461	459
Long term bank deposits	<u>303</u>	<u>285</u>
Total	<u>891</u>	<u>871</u>

SPA HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2006 (continued)

15 CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)	2006 £'000	2005 £'000
Other taxation and social security costs	-	2
SHG in Advance	250	-
Amounts due to group undertakings	798	53
Accruals and deferred income	667	655
Recycled Capital Grant	78	76
Other creditors	330	334
Total	<u>2,123</u>	<u>1,120</u>
 16 CREDITORS (AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR)		
Housing finance not repayable by instalments, due after more than five years		
Building Society funding	<u>42,025</u>	<u>40,025</u>
Housing finance repayable by instalments, due after more than five years		
Haven Bond funding	7,000	7,000
Premium on issue of Bond	285	297
	<u>7,285</u>	<u>7,297</u>
Total housing finance due after more than five years	49,310	47,322
Recycled Capital Grant Fund	132	225
Retentions	153	-
Funds held in trust	121	107
Total	<u>49,716</u>	<u>47,654</u>

The Building Society loan is repayable by 22nd November 2025 and is secured by fixed charges on certain housing properties. Interest is payable for 1, 3 or 6 month periods at the option of the Association. £22.78 million of the drawn loan facility is fixed for between 3 and 18 years at rates that vary between 5.84% and 7.58%. Other loans bear interest at rates linked to Libor. The undrawn loan facility (£15.28 million at 31 March 2006) is made available to finance the future development requirements of the Association.

The Haven Bond is redeemable in 2032 and is secured by fixed charges on certain housing properties and the fixed asset investment. Interest is payable at 7%.

The funds held in trust represent the element of the service charge to residents at the properties at Priory Gardens, Festival Court, Charland Court and The Worcestershire, Droitwich. They are required to fund future repairs to those properties.

SPA HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2006 (continued)

17 SHARE CAPITAL	2006	2005
	£	£
At 1 April 2005	98	100
Issued during the year	-	-
Cancelled during the year	(6)	(2)
At 31 March 2006	92	98

The shares have a nominal value of £1 each and provide members with the right to vote at general meetings, but do not provide a right to dividends or distributions on winding up. The issue of shares is authorised as required throughout the year. Shares in issue cannot be repaid or transferred, and when a shareholder ceases to be a member, the share is cancelled and the amount paid up becomes the property of the Association. Therefore, all shareholdings relate to non-equity interest.

18 RESERVES	Investment Revaluation Reserve £'000	Property Revaluation Reserve £'000	Income & Expenditure £'000	Total £'000
At 1 April 2005	(40)	62,716	(738)	61,938
Surplus for the year	-	-	(78)	(78)
Revaluation in the year	20	(10,375)	-	(10,355)
Transfers	-	(575)	575	-
At 31 March 2006	(20)	51,766	(241)	51,505

19 STATEMENT OF GRANT MOVEMENTS	2006 Capital £'000	2006 Revenue £'000	2005 Capital £'000	2005 Revenue £'000
At 1 April 2005	12,134	100	10,747	100
Social Housing Grant received	1,499	-	1,387	-
Transfer to recycled capital grant fund	-	-	-	-
Transfer from recycled capital grant fund	76	-	-	-
Movement in debtors	-	-	-	-
Movement in creditors	(250)	-	-	-
At 31 March 2006	13,459	100	12,134	100

20 SALE OF PROPERTIES	2006 £'000	2005 £'000
Proceeds of sale	1,897	2,225
Less : carrying value	(1,383)	(1,504)
: RTB clawback on disposals	(157)	(130)
Surplus for the year	357	591

SPA HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2006 (continued)

	2006 Number	Restated 2005 Number
21 UNITS/BED SPACES		
Under development/refurbishment at end of year		
<u>Social Housing Properties</u>		
Rented units	45	49
Shared ownership	10	13
	55	62
<u>Non Social Housing Properties</u>	10	10
Under management at end of year		
<u>Social Housing Properties</u>		
General needs	2,310	2,252
Sheltered housing	406	417
Residential care home	50	51
Shared ownership	49	43
Other	14	14
Total	2,829	2,777
<u>Non Social Housing Properties (all rented)</u>	57	57
	2006	2005
	£'000	£'000
22 CAPITAL COMMITMENTS		
Capital expenditure contracted for but not provided for in the financial statements	2,839	6,243
Capital expenditure authorised but not yet contracted for in the financial statements	5,300	1,069
The Association expects to finance the expenditure above by loans or from the Association's own resources.		

SPA HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2006 (continued)

23 PENSION OBLIGATIONS

Festival Housing Limited participates in two defined benefit schemes for staff as contributing member. The assets of the schemes are held in separately administered funds under (i) the Local Government Pension Scheme by Worcester County Council and (ii) the Social Housing Pension scheme operated by the Pensions Trust. Contributions to the Schemes are determined by a qualified actuary on the basis of triennial valuations using the "projected unit credit method". Under FRS 17, both schemes are defined as multi employer defined benefit schemes.

The Local Government Pension Scheme is a group scheme and it is not possible to allocate the deficit on this scheme to subsidiaries within Festival.

The **Local Government Pension Scheme** is a group scheme and it is not possible to allocate the deficit on this scheme to subsidiaries within Festival. The last formal valuation was carried out on 31 March 2004 and the current estimated deficit for Festival Group is £6,679,000.

It is also not possible to identify the share of the underlying assets and liabilities belonging to individual participating employers for the **Social Housing Pension Scheme**. The last formal valuation was carried out on 30 September 2005, the results of which will be made known in September 2006. The current deficit on the scheme relating to all employers, based on the previous formal valuation on 30 September 2002, was £117 million.

Therefore, due to the nature of the schemes, the income and expenditure charge for the period under both SSAP 24 and FRS 17 represents the employer contributions payable.

The total charge to the Company in respect of pension contribution for the year was £59,000 for the Local Government Pension Scheme and £12,000 for the Social Housing Pension Scheme (2005: £69,000 and £8,000) covering 23 and 9 employees in each scheme respectively (2005: 18 and 7). The contribution rate of the Company for the year ended 31 March 2005 was 13.4% for Local Government Pension Scheme and 11.7% for the Social Housing Pension Scheme and for the employees at rates varying between 3.1% and 6.1% depending on their age at the date of joining either Scheme.

Accordingly this note is provided for information only and any future financial impact will be absorbed within the Festival Group accounts. The full report for Schemes are also reflected within the Festival Group accounts.

SPA HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2006 (continued)

24 OPERATING LEASES

At 31 March the Association was committed to making lease payments as follows:-

	2006 £'000	2005 £'000
On Leases Expiring In:-		
0 - 1 year	-	-
2 - 5 years	<u>3</u>	<u>1</u>
	<u><u>3</u></u>	<u><u>1</u></u>

25 LEGISLATIVE PROVISIONS

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Housing Corporation under the Housing Act 1996.

26 ULTIMATE PARENT UNDERTAKING

The Association's parent undertaking is Festival Housing Limited which is incorporated in Great Britain and registered in England and Wales under the Industrial and Provident Societies Act.

Copies of the group financial statements of Festival Housing Group are available to the public and may be obtained from Partnership House, Grovewood Road, Malvern, Worcestershire, WR14 1GD.

27 RELATED PARTY TRANSACTIONS

The Association has taken advantage of the exemption conferred by FRS 8 not to disclose transactions with members of the group headed by Festival Housing Limited on the grounds that at least 90% of the voting rights in the Association are controlled within that group and the Association is included in consolidated financial statements.

28 POST BALANCE SHEET EVENTS

Subsequent to year-end, the activities of Partnership Care Limited and Spa Homes Limited have been subsumed into Spa Housing Association, and a fellow subsidiary Elgar Housing Association with both companies having now ceased trading.