



**Financial Statements
for the year ending
31 March 2004**

**Muir Group
Housing Association
Limited**

**Financial Statements
for the year ending
31 March 2004**

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Board

Chairman	Mr. A. M. Diggle FRICS
Deputy Chairman	Cllr B. J. Bailey BSC (Hons), MBA
Members	<p>Mrs. A. J. Berkson Mr. D. Booth Mr. J. F. Cheshire MA(Cantab) Ms. C. Gilham BA (Hons)(Oxon),Solicitor* Mrs. M. J. Griffiths MBA, RGN, RHV Ms. D. Jonas# (from 15th April 2003) Mr. C. Mosley (from 15th April 2003) Cllr. L. Patterson B.Ed (Hons) Mrs. E. Webb (from 15th April 2003) Mr. J. R. Bellis FCCA, FCMA co-opted (from 22nd April 2004)</p> <p>(* Resigned 16th September 2003) (# Resigned 15th January 2004)</p>

Senior Staff

Chief Executive and Secretary	Mr. J. R. Bellis FCCA,FCMA
Director of Housing Services	Mr. S. Scott BSc (Hons),MCIH (started 1st April 2003)
Director of Finance and Central Services	Mr. A. R. D. Hunt
Director of Property Services	Mr. D. Robinson MA, MCIH (started 21st April 2003)
Director of Community Development	Mr. C. Moorhouse FCIH, AIMBM

Advisers and Bankers

Auditors	Beever & Struthers Chartered Accountants St George's House 215-219 Chester Road Manchester M15 4JE
Solicitors	Piper Smith Watton 31 Warwick Square London SW1V 2AF Devonshires Salisbury House London Wall London EC2M 5QY Brabners 1 Dale Street Liverpool L2 2ET Howarth Goodman 25B Winckley Square Preston PR1 3JJ
Principal Bankers	Lloyds TSB Bank plc 8 Foregate Street Chester CH1 1XP
Registered Office	Old Government House Dee Hills Park Chester CH3 5AR

Registered under the Industrial & Provident Societies Act 1965 (Number 18632R)

Registered with the Housing Corporation (Number L2194)

Affiliated to the National Housing Federation.

Muir Group is an exempt charity.

Report of the Board

The Board presents its report and audited financial statements for the year ended 31 March 2004.

Legal Status

The Association is registered under Section 5 of the Housing Associations Act 1985 and under the Industrial and Provident Societies Act 1965. The Association received charitable status during the previous financial year.

Principal Activities

The principal activity of the Association continues to be the provision of affordable housing to people in housing need, either by way of rent or by sale on shared ownership terms. Provision of housing to individuals requiring additional support continued to be an important activity within the business.

Review of the Year

The Group made a surplus for the year, after tax of £3.04m, compared to a surplus of £1.98m in the previous year.

Turnover for the year was £14.8m compared to £15m in the previous year. The reduction in turnover was principally due to income that was previously received by the Group under transitional arrangements for supporting people now being paid directly to support providers rather than to the Group. Operating costs have also reduced as a result of this change. During the course of the year the Group merged its Chester and Warrington area offices into a new North West regional office located in Helsby, Cheshire.

In line with the recommendations of the Housing Corporation the Group has transferred £299,000 to a restricted reserve. This amount represents the contribution from rental surpluses to future major repairs. The Board does not propose to make any other specific transfer to reserves.

The Group has continued its programme of major repairs to its housing stock. The Board approved expenditure of £2.2m for the year under review, however, £470k of this programme was not completed by the end of March and as a result, is not included in the financial statements. If this expenditure has been incurred as planned the surplus would have been reduced to £2.5m. The £470k was expended in the first few months of the new financial year.

Group Companies

On 16 February 1998 the Association formed a wholly controlled subsidiary, Ashmuir Housing Association Limited. Ashmuir is registered under the Industrial and Provident Societies Act 1965 under charitable rules and is registered with the Housing Corporation.

The Association has two further wholly controlled subsidiaries: Future Plus Homes Limited to handle

development activities and Friends of Muir Group to carry out fund raising and community projects. Whilst Future Plus Homes remains dormant, Friends of Muir Group has made charitable donations of £14k, funded partly by Ashmuir and partly by Muir Group.

Consolidated financial statements have therefore been prepared for the Group.

Performance for the Year

The Group's surplus for the year after transfers to and from restricted and designated reserves was £2.5m compared with a surplus of £4.3m in the previous year. Revenue reserves now stand at £18.2m and restricted and designated reserves at £5.8m.

Future Developments

The Association is committed to developing quality housing to meet demand. It expects that development will continue across the range of needs currently provided for. At 31 March 2004 the Association had the following number of housing units in development: general rented 254, shared ownership 60 and supported housing 18.

Housing Properties

The Association incurred over £6.5m of expenditure on the acquisition and development of housing properties and has received over £4.2m in social housing and other grants to assist with funding this. 36 units were disposed of under the right to buy and right to acquire legislation respectively.

During the year the Association brought into management 65 new or rehabilitated homes for general rent and provided 5 new supported housing bed spaces.

Other Fixed Assets

The changes in other fixed assets during the year are summarised in note 11 to the financial statements.

Members of the Board and Senior Officers

The present members of the Board and Senior Officers are set out on pages 2 – 3. The Association maintains Board Members' and Officers' liability insurance.

Employment and Equal Opportunities

The Association considers that employee involvement is essential to the continuing development and success of its business and uses a variety of methods to inform, consult and involve its employees. The Association is committed to equality of opportunity and its employment policies reflect this.

Health and Safety and the Environment

The Board and Officers of the Association are aware of their responsibilities in relation to all matters of health, safety and

the environment. Detailed policies have been prepared on health and safety and provide for staff training and education on such matters.

The Association aims to manage its activities so that adverse effects on the environment are minimised.

Going Concern

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

Code of Governance

The Association welcomes the publication by the National Housing Federation of its Code of Governance. The Association has adopted the Code of Governance and complies with it in all material respects.

Reserves

It is the Board's intention to retain levels of reserves, which allow for the ongoing provision of quality housing and supported housing at affordable rents. The level of reserves also provides sufficient funding for investment in future repairs. A budget has been agreed for the forthcoming year to achieve these goals.

Statement of the Responsibilities of the Board for the Financial Statements

The Housing Act 1996 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 Association and of the surplus of the Association for that period.

The Board confirms that in preparing the financial statements for the year ended 31 March 2004 suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made. The Board also confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The Board is also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure the financial statements comply with the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords, General Determination 2000. It is 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.

Auditors

The Auditors, Beever and Struthers, are willing to continue in office, and a resolution to reappoint them will be proposed at the annual general meeting.

The report of the Board was approved on 21st July 2004 and signed on its behalf by:

A. M. Diggle
Chairman

Statement on Internal Control

The Board has overall responsibility for establishing and maintaining the whole system of internal control and reviewing its effectiveness. This applies to the Association and its subsidiaries.

The Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss, or eliminate all risks of failure to achieve business objectives. The system of internal control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the 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 Turnbull principles as incorporated in the Housing Corporation's circular R2-25/01: internal controls assurance.

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

Identification and Evaluation of Key Risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Association's activities. The executive team regularly considers and receives reports on significant risks facing the Association 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 that may have a material impact on the financial statements and delivery of our services.

Control Environment and Procedures

The Board retains responsibility for a defined range of issues covering strategic, operational, and financial and compliance issues including treasury strategy and new investment projects. The Board has adopted and disseminated to all employees a Code of Conduct for Employees. 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, procedures and standing orders 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.

Information and Financial Reporting Systems

Financial reporting procedures include detailed budgets for the years ahead and detailed quarterly management accounts. These are reviewed in detail by the executive directors and are considered and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

Internal Audit Assurance

The internal control framework and the risk management process are subject to regular review by internal auditors who advise the executive directors and report to the Audit Committee. The Audit Committee considers internal control and risk at each of its meetings during the year.

The Audit Committee conducts an annual review of the effectiveness of the system of internal control and takes account of any changes that may be needed to maintain the effectiveness of the risk management and controls process. The Audit Committee makes an annual report to the Board. The Board has received this report.

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

The Chief Executive reports annually to the Board on behalf of the Executive team on material changes in the business and the external environment that affect significant risks.

J. R. Bellis
Secretary

Report of the Independent Auditors to the Members of Muir Group Housing Association Limited

We have audited the financial statements on pages 8 to 25 which have been prepared on the basis of the policies set out on pages 11 and 12.

This report is made solely to the Association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken, so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report or for the opinions we have formed.

Respective Responsibilities of the Board and Auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial & Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, schedule 1 of the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000. We also report to you if the Association has not kept proper accounting records, if the Association has not maintained a satisfactory control over its transactions, if the financial statements are not in agreement with the books of account, and if we have not received all the information and explanations, which are necessary for the purpose of our audit.

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

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an 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 our audit so as to obtain all information and explanations which we consider 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, irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Association and of the Group as at 31 March 2004 and of their surpluses for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, schedule 1 of the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000.

Beever and Struthers
Chartered Accountants
Registered Auditors

St. George's House
215-219 Chester Road
Manchester
M15 4JE

21 July 2004

Consolidated Income and Expenditure Account For The Year Ended 31 March 2004

	Note	GROUP 2004 £'000	MUIR 2004 £'000	GROUP 2003 £'000	MUIR 2003 £'000
Turnover	2	14,764	14,736	14,999	14,999
Operating costs	2	(9,757)	(9,722)	(10,978)	(10,978)
Cost of property sales	2	(768)	(768)	(359)	(359)
Operating surplus before interest	2	4,239	4,246	3,662	3,662
Surplus on sale of properties not developed for outright sale	25	422	422	311	311
Interest receivable and similar income	5	138	106	54	40
Interest payable and similar charges	6	(1,702)	(1,702)	(1,788)	(1,788)
Gift aid payment		-	-	-	(640)
Surplus on ordinary activities before taxation	4	3,097	3,072	2,239	1,585
Tax on surplus on ordinary activities	9	(60)	(60)	(263)	(263)
Surplus for the financial year		3,037	3,012	1,976	1,322
Transfer (to)/from restricted reserves	19	(299)	(299)	2,673	2,673
Transfer (to) designated reserves	18	(206)	(206)	(390)	(390)
Surplus for the financial year after transfers		2,532	2,507	4,259	3,605
Revenue reserves at 1 April		15,697	14,693	11,438	11,088
Revenue reserves at 31 March	20	18,229	17,200	15,697	14,693

There were no recognised gains and losses other than those included in the income and expenditure account and therefore no separate statement of total recognised gains and losses has to be presented.

All amounts relate to continuing activities.

There is no difference between the surplus on ordinary activities before taxation and the retained surplus for the year stated above and their historical cost equivalents.

The notes on pages 11 to 25 form an integral part of these financial statements.

Consolidated Balance Sheet as at 31 March 2004

	Note	GROUP 2004 £'000	MUIR 2004 £'000	GROUP 2003 £'000	MUIR 2003 £'000
Tangible Fixed Assets					
Housing properties	10	123,928	123,928	118,370	118,370
Social housing and other grants	10	(75,471)	(75,471)	(71,419)	(71,419)
		48,457	48,457	46,951	46,951
Other fixed assets	11	1,108	1,108	1,037	1,037
		49,565	49,565	47,988	47,988
Current Assets					
Debtors due within one year	12	1,400	1,400	1,247	1,247
Investments	13	3,158	3,158	2,856	2,856
Cash at bank and in hand		1,053	15	1,044	41
		5,611	4,573	5,147	4,144
Creditors					
Amounts falling due within one year	14	(3,795)	(3,786)	(4,325)	(4,326)
Net Current Assets / (Liabilities)		1,816	787	822	(182)
Total Assets less Current Liabilities		51,381	50,352	48,810	47,806
Creditors					
Amounts falling due after one year	15	27,377	27,377	27,857	27,857
Capital and Reserves					
Share capital	17	-	-	-	-
Restricted reserves	19	334	334	36	36
Designated reserves	18	5,441	5,441	5,220	5,220
Revenue reserves	20	18,229	17,200	15,697	14,693
		51,381	50,352	48,810	47,806

The notes on pages 11 to 25 form an integral part of these financial statements.

The financial statements were approved by the Board on 21st July 2004 and signed on its behalf by:

A. M. Diggle
Chairman

B. J. Bailey
Deputy Chairman

J. R. Bellis
Secretary/Chief Executive

Consolidated Cash Flow Statement For the Year Ended 31 March 2004

	Note	2004 £'000	2003 £'000
Net Cash Inflow From Operating Activities	22	4,567	4,650
Returns On Investment and Servicing of Finance			
Interest received		138	57
Interest paid		(1,678)	(2,075)
Net Cash Outflow From Returns on Investments and Servicing of Finance		(1,540)	(2,018)
Taxation Paid			
Corporation tax paid		(279)	(535)
Grants received		-	-
		(279)	(535)
Investing Activities			
Purchase and construction of housing properties		(7,675)	(6,195)
Purchase of other fixed assets		(390)	(282)
Social housing grants received		4,089	3,724
Sales of housing properties		1,941	1,076
Sales of other fixed assets		32	34
Net Cash Outflow From Investing		(2,003)	(1,643)
Net Cash Inflow Before Financing	24	745	454
Financing			
Housing loans received		-	2,000
Housing loans repaid		(548)	425
	23	(548)	1,575
Management of Liquid Resources	24	(302)	(1,397)
		(105)	632
Change In Liquid Resources			
Cash	24	9	656
Overdraft	24	(114)	(24)
		(105)	632

Notes to the Financial Statements 31 March 2004

1 Principal Accounting Policies

The financial statements have been prepared in accordance with applicable Accounting Standards and Statements of Recommended Practice in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of Accounting

The financial statements are prepared under the historical cost convention and comply with the Housing Act 1996, the Accounting Requirements for Registered Social Landlords General Determination 2000 and the Statement of Recommended Practice published by the National Housing Federation in February 1999 and updated in 2002.

Consolidation

The group financial statements have been prepared by consolidating the results of Muir Group Housing Association Ltd, Ashmuir Housing Association Ltd and Friends of Muir Group. Unless otherwise stated, the notes to the financial statements relate to both the Group and the Association.

Supported Housing Projects Managed by Agencies

Social Housing Grants and other revenue grants are claimed by the Association, as owner of the projects. The grants are included in the income and expenditure account and balance sheet of the Association. The treatment of other income and expenditure in respect of projects depends upon whether the Association carries the financial risk.

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

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

Turnover

Turnover represents rental income receivable, grants from local authorities and the Housing Corporation, proceeds from property developed for outright sale, management services and other income.

Interest Payable and Interest Receivable

Interest is capitalised on capital borrowed to finance developments to the extent that it accrues in respect of the period of development if it represents either:

a) interest on borrowings specifically financing the development programme after deduction of interest on Social

Housing Grant (SHG) in advance; or
b) interest on borrowings of the Association as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Interest payable is allocated at a constant rate on the carrying amount over the period of the borrowing. Other interest payable/receivable is charged to the income and expenditure account in the year.

Operating Lease Payments

Rentals paid under operating leases are charged to the Income and Expenditure Account as incurred.

Pensions

The Association participates in the SHPS defined benefit final salary pension scheme. Contributions are based on pension costs across the various participating Associations taken as a whole. The assets of the scheme are invested and managed independently of the finances of the Association. Pension costs are assessed in accordance with the advice of an independent qualified actuary. Costs include the regular cost of providing benefits, which it is intended should remain a substantially level percentage of current and expected future earnings of the employees covered. Variations from the regular pensions costs are spread evenly through the income and expenditure account over the average remaining service lives of the current employees.

Taxation

The charge for taxation is based on surpluses arising until the date of the Association receiving charitable status on the 12 December 2002. No provision for Deferred tax has been made in the accounts due to the change to charitable status.

Housing Properties

Housing properties are principally properties available for rent and are stated at cost less Social Housing Grant. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development periods, and expenditure incurred in respect of improvements, which comprise the modernisation and extension of existing properties.

Development costs include the cost of salaries and direct expenses of the development department.

As required by FRS 15, the Association has reviewed the economic useful lives of its housing properties and depreciates the property cost less grants and freehold land. Depreciation is charged on a straight-line basis over the expected economic useful lives of the properties. The

economic useful life for the majority of properties has been determined to be 100 years, though a number of properties have been considered to have a shorter life.

Depreciation rates charged range between 1% and 20%. Depreciation is first charged in the year following the year in which a property is completed, no charge is made in the year of disposal.

All properties are reviewed for impairment annually.

Social Housing Grant

Social Housing Grants (SHG) is receivable from the Housing Corporation and local authorities and are utilised to reduce the capital costs of housing properties. SHG receivable is calculated on a fixed basis depending on the size, location and type of housing property.

SHG due from the Housing Corporation and local authorities or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

Where, following the sale of a property, SHG becomes repayable; it is included as a current liability until it is repaid. SHG is subordinated in respect of loans on agreement with the Housing Corporation.

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

Other Tangible Fixed Assets and Depreciation

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to the estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold buildings and long leasehold buildings	1%
Short leasehold property	over the life of the lease
Furniture, fixtures and fittings	20%
Computer equipment	33%
Motor vehicles	25%

A full year's depreciation is charged on assets in the year of purchase, but no charge is made in the year of disposal.

Investments

Investments are valued at the lower of cost and net realisable value.

Loan Set Up Costs

Costs arising from the setting up of loans are capitalised and amortised through the income and expenditure account over the term of the particular loan. The costs are shown in the balance sheet against the outstanding loans.

Cyclical Repairs and Equipment Replacement

The Association's commitment to a planned programme of cyclical repairs and maintenance and equipment replacement is recognised by the transfer of accumulated surpluses to the cyclical repairs and equipment replacement reserve.

Major Repairs Reserve

The Association's commitment to fund major repairs is recognised by the transfer of accumulated surpluses to the major repairs reserve. The amount is based on the current replacement values of those schemes with an allowance for expenditure incurred.

The balance on the reserve is uplifted each year to reflect the impact of inflation.

Landscaping Reserve

The Association's commitment to fund landscaping costs connected with properties which have been sold under the Right to Buy legislation and for which the Association does not receive income, is recognised by the transfer of accumulated surpluses to the landscaping reserve. Annual contributions are based on the expected future costs associated with the relevant element of landscaping.

Restricted Reserves - RSF Reinvestment Fund

The Housing Corporation requires the Association to show accumulations of RSF as a reinvestment fund in a restricted reserve. This fund can only be used in accordance with the Housing Corporation's directions.

Recycling of Capital Grant

Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund, which appears as a creditor until spent.

2 Turnover, Operating Costs and Operating Surplus

	Turnover £,000	Operating Costs £,000	Cost of Sales £'000	2004 Operating Surplus £'000
Income and Expenditure from Social Housing lettings				
Housing accommodation	11,537	(7,591)	-	3,946
Supported housing accommodation	1,139	(1,088)	-	51
Shared ownership accommodation	187	(44)	-	143
	12,863	(8,723)	-	4,140
Other Social Housing Activities				
Supporting people contract income	384	(369)	-	15
Other supporting people income	465	(404)	-	61
	13,712	(9,496)	-	4,216
Other Income and Expenditure				
Management services	87	(87)	-	-
Development for sale	768	-	(768)	-
Other*	169	(139)	-	30
	14,736	(9,722)	(768)	4,246
Turnover and Operating Costs - Muir				
Other subsidiaries	28	(35)	-	(7)
	14,764	(9,757)	(768)	4,239
Turnover and Operating Costs - Group				
	14,764	(9,757)	(768)	4,239
				2003
	Turnover	Operating	Cost of	Operating
	£'000	Costs	Sales	Surplus/
		£'000	£'000	(Deficit)
				£'000
Income and Expenditure from Social Housing lettings				
Housing accommodation	11,712	(8,139)	-	3,573
Supported housing accommodation	2,452	(2,517)	-	(65)
Shared ownership accommodation	172	(55)	-	117
	14,336	(10,711)	-	3,625
Other Income and Expenditure				
Management services	81	(81)	-	-
Development for sale	359	-	(359)	-
Other*	223	(186)	-	37
	14,999	(10,978)	(359)	3,662

* Included within other operating costs is £126k relating to costs of the Association's development department, which have not been capitalised (2003 £54k).

See Note 3 for a detailed analysis of the income and expenditure from lettings.

3 Particulars of income and Expenditure From Social Housing Lettings

	Housing Accommodation £'000	Supported Housing £'000	Shared Ownership £'000	2004 TOTAL £'000	2003 TOTAL £'000
Income					
Rents	10,998	736	158	11,892	11,673
Charges for support services	210	(83)	-	127	-
Service charges	521	436	29	986	2,589
Gross rents receivable	11,729	1,089	187	13,005	14,262
Less: Rent losses from voids	(192)	(45)	-	(237)	(307)
Net Rents Receivable	11,537	1,044	187	12,768	13,955
Revenue grants from local authorities and other agencies	-	95	-	95	132
Revenue grants from the Housing Corporation	-	-	-	-	249
Total Income from lettings	11,537	1,139	187	12,863	14,336
Expenditure					
Services	810	191	-	1,001	931
Management	1,947	695	35	2,677	2,755
Care and support	72	(77)	-	(5)	1,434
Routine maintenance	1,714	96	-	1,810	1,610
Planned maintenance	408	88	-	496	442
Rent losses from bad debts	207	16	-	223	281
Major repairs expenditure	1,699	47	-	1,746	2,516
Depreciation	450	20	9	479	438
Lease costs	284	12	-	296	304
Total Expenditure on Lettings	7,591	1,088	44	8,723	10,711
Operating Surplus on Letting Activities	3,946	51	143	4,140	3,625

	2004 £'000	2003 £'000
4 Operating Surplus		
This is arrived at after charging/(crediting):		
Bad debts - rents and general	223	422
Depreciation of tangible fixed assets	791	706
Profit on sale of fixed assets	(16)	(7)
Auditors' remuneration (including VAT)		
- for audit services	11	13
- for internal audit services	15	17
- for other services	-	8
Other revenue grants	(286)	(312)
Operating lease payments	126	118

	2004 £'000	2003 £'000
5 Interest Receivable and Other Income		
Interest receivable and similar income	147	43
Interest receivable credited to cost of housing properties under construction	(41)	(3)
	106	40
Interest receivable and similar income subsidiaries	32	14
	138	54

	2004 £'000	2003 £'000
6 Net Interest Payable and Similar Charges		
Interest on loans repayable in more than five years by instalments	1,760	1,825
Interest payable capitalised on housing properties under construction	(58)	(37)
	-	-
	1,702	1,788

The weighted average interest on borrowings at 4.7% (2003: 5.0%) was used for calculating capitalised interest

	2004	2003
7 Employees (and other Full Time Equivalents)		
Average weekly number of employees:		
Office staff	107	96
Wardens, caretakers and cleaners	15	15
	122	111

	2004 £'000	2003 £'000
Staff Costs		
Wages and salaries	2,516	2,158
Social security costs	196	151
Other pension costs	173	126
	2,885	2,435

Other Pension Costs

The Association participates in the Social Housing Pension Scheme (SHPS). SHPS is a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme.

The last formal actuarial valuation of the Scheme was performed at 30 September 2002 using the 'projected unit credit' method. The market value of the Scheme's assets at this date was £650 million.

The Association paid contributions at the rate of 10.6% during the accounting period. Member contributions vary between 2% and 5% depending on their age

It is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers.

Due to the nature of the Scheme, the income and expenditure account charge for the period under both SSAP24 and FRS17 represents the employer contributions payable.

The financial assumptions underlying the valuation were as follows:

	% Pa
• Rate of return on future contributions	6.6
• Rate of return on accumulated assets	7.2
• Rate of salary increases	4.5
• Rate of pension increases	2.5
• Rate of price inflation	2.5

The accumulated assets of the scheme were assumed to earn the same return as if they had been invested in a portfolio comprising 100% UK equities for non-pensioner liabilities and 25% UK equities / 75% gilts for pensioner liabilities.

The valuation revealed a shortfall of assets compared with liabilities of £117 million (equivalent to a past service funding level of 85%).

The long-term joint contribution rate required from employers and members to meet the cost of future benefit accrual was assessed as 15% of pensionable salaries.

Following consideration of the results of the actuarial valuation it has been agreed that from 1 April 2004:

- The standard employer contribution rate will be increased from 10.6% to 11.7% of pensionable salaries.
- Member contributions will also be increased by 1.1% from 2.0-5.0% to 3.1-6.1% of pensionable salaries depending on age.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit by 31 March 2017.

The next valuation will be as at 30 September 2005.

The charge to the Association for the year was £173,000 (2003 £126,000).

8 Directors Remuneration and Payments to Members

The directors are defined as the members of the Board, the Chief Executive and the Executive Officers with Director in their job title. None of the Board received any remuneration.

	2004 £'000	2003 £'000
The aggregate emoluments paid to or receivable by Directors	302	267
The emoluments paid to the highest paid Director of the Association excluding pension contributions	71	66

The Chief Executive is an ordinary member of the pension scheme which is a final salary scheme funded by annual contributions from the employer and employee. No enhanced or special terms apply and there are no additional pension arrangements. A contribution by the Association of £6,824 (2003 £6,360) was paid in addition to the Chief Executive's own personal contributions.

	2004 £'000	2003 £'000
9 Tax on Surplus on Ordinary Activities		
(a) Current Tax:		
UK Corporation Tax charge for the year	-	230
Under/(over) provision in previous years	60	(91)
Total current tax	60	139
Deferred tax:		
Origination and reversal of timing differences	-	124
Tax on surplus on ordinary activities	60	263
(b) Factors affecting tax charge for the period		
Surplus on ordinary activities before tax	-	1,585
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 0% (2003: 30%)	-	476
Effects of:		
Expenses not deductible for tax purposes (primarily property depreciation and development expenditure)	-	187
Movement on deferred tax other than fixed assets	-	(12)
Rollover relief on profit on disposal of property	-	(58)
Adjustments to tax change in respect of previous periods	60	(91)
Capitalised interest	-	(8)
Non taxable profits arising in the period	-	(355)
Current tax charge for the period	60	139

(c) Factors that may affect future tax charges

The Association became an unregistered charity on 13th December 2002.

10 Tangible Fixed Assets - Housing Properties

	Housing Properties held for letting £'000	Housing Properties under construction £'000	Completed Shared Ownership Properties £'000	Shared Ownership Properties under construction £'000	TOTAL £'000
Cost					
At 1 April 2003	114,660	1,405	3,412	738	120,215
Schemes completed in year	2,132	(2,132)	593	(593)	-
Additions to cost	137	6,293	12	99	6,541
Interest capitalised (net)	-	-	-	16	16
Disposals	(381)	-	(139)	-	(520)
At 31 March 2004	116,548	5,566	3,878	260	126,252
SHG and Other Grants					
At 1 April 2003	67,061	1,995	2,013	350	71,419
Schemes completed in year	682	(682)	237	(237)	-
Additions	53	4,191	-	-	4,244
Disposals	(113)	-	(79)	-	(192)
At 31 March 2004	67,683	5,504	2,171	113	75,471
Depreciation					
At 1 April 2003	1,800	-	45	-	1,845
Charge for year	476	-	12	-	488
Disposals	(6)	-	(3)	-	(9)
At 31 March 2004	2,270	-	54	-	2,324
Net Book Value					
At 31 March 2003	45,799	(590)	1,354	388	46,951
At 31 March 2004	46,595	62	1,653	147	48,457

Housing properties comprise:

	2004 £'000	2003 £'000
Freehold land and buildings	45,416	45,024
Short leaseholds	862	523
Long leasehold land and buildings	2,179	1,404
	48,457	46,951

Development administration costs capitalised in the year amounted to £286,000 (2003: £310,000)

11 Tangible Fixed Assets - Other

	Freehold Offices £'000	Long Leashold Properties £'000	Commercial Property £'000	Furniture Fixtures & Fittings £'000	Computer & Office Equipment £'000	Motor Vehicles £'000	Total £'000
Cost							
At 1 April 2003	226	693	32	549	701	423	2,624
Additions	-	-	-	43	184	171	398
Disposals	-	-	-	(273)	-	(108)	(381)
At 31 March 2004	226	693	32	319	885	486	2,641
Depreciation							
At 1 April 2003	50	212	3	494	592	236	1,587
Charged in Year	5	16	-	40	129	122	312
Disposals	-	-	-	(273)	-	(93)	(366)
At 31 March 2004	55	228	3	261	721	265	1,533
Net Book Value							
At 31 March 2003	176	481	29	55	109	187	1,037
At 31 March 2004	171	465	29	58	164	221	1,108

12 Debtors

	2004 £'000	2003 £'000
Due Within One Year		
Arrears of rent and service charges	1,013	957
Less: provision for bad debts	(305)	(289)
	708	668
	567	323
Other debtors	125	256
Prepayments and accrued income	1,400	1,247

13 Current Asset investments

	2004 £'000	2003 £'000
Money market deposits	3,158	2,856

14 Creditors: Amounts Falling Due Within one Year

	Group 2004 £'000	Muir 2004 £'000	Group 2003 £'000
Debt (note 16)	436	436	467
Rent and service charges received in advance	294	294	297
Bank overdraft	173	173	59
Corporation tax	10	10	230
Other taxation and social security	62	62	72
Trade creditors	594	594	422
Other creditors	775	766	396
Accruals and deferred income	1,451	1,451	2,382
	3,795	3,786	4,325

The average number of days between receipt and payment of invoices during the year was 24 (2003 25)

15 Creditors: Amounts Falling Due After More Than One Year

	2004 £'000	2003 £'000
Debt (note 16)	26,876	27,393
Recycled capital grant fund	426	464
RTA disposal proceeds fund	75	-
	27,377	27,857

16 Debt Analysis	2004 £'000	2003 £'000
Due Within One Year		
Bank and building society loans	431	463
Local authority loans	5	4
	436	467
Due After More Than One Year		
Bank and building society loans	20,980	21,488
Local authority loans	1,395	1,404
Other loans	4,501	4,501
	26,876	27,393
Debt is repayable as follows:		
Between one and two years	461	492
Between two and five years	1,566	1,651
After five years	25,016	25,421
less: loan set up costs	(167)	(171)
	26,876	27,393

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

Bank and building society loans are repayable by instalment, apart from a Newcastle Building Society loan, which has a bullet repayment due in 2041. Final settlements of all loans are due between 2014 and 2041. Rates of interest charged vary between 4.48% and 11.185%.

Local authority loans are repayable by instalment with final instalments falling between 2031 and 2038. Rates of interest charged vary between 5.69% and 15.5%.

Other loans are repayable by a single amount in 2019 the interest rate charged being 8.375%.

17 Share Capital	Muir 2004 £	Muir 2003 £
Authorised, issued and fully paid:		
At 1 April	96	96
Shares issued during the year	7	-
Shares surrendered during the year	(4)	-
At 31 March	99	96

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

18 Designated Reserves

At 1 April 2003	
Transfers from income & expenditure account	
Transfer from other creditors	
At 31 March 2004	

19 Restricted Reserve - RSF Reinvestment Fund

At 1 April	
Transfer out in respect of previous years	
Transfer out for the current year	
Transfer in for the current Year	
At 31 March	

Net rental income under Section 55 (3) Housing Act 1988

20 Group Revenue Reserves

At 1 April	
Surplus after designations for the year	
At 31 March	

21 Financial Commitments

The Association's capital expenditure commitments are as follows:

Expenditure contracted for but not provided in the accounts	
Expenditure authorised by the board but not contracted	

The Association expects to finance the above commitments from sales proceeds, Social Housing Grant and loans.

At 31 March 2004 the Association had contracted loan facilities of £6 million at its disposal, of which £4.5 million was fully secured and available for draw-down on 2 days' notice.

At 31 March 2004 the Association also had an overdraft facility of £1 million.

Cyclical Repairs and Equipment Replacement £'000	Landscaping £'000	Major Repairs £'000	Total £'000
1,137	317	3,766	5,220
66	62	78	206
-	-	15	15
1,203	379	3,859	5,441

2004 £'000	2003 £'000
36	2,709
-	(2,147)
-	(757)
299	231
334	36

2004 £'000	2003 £'000
332	257

2004 £'000	2003 £'000
15,697	11,438
2,532	4,259
18,229	15,697

2004 £'000	2003 £'000
7,564	3,796
5,586	13,681
13,150	17,477

22. Reconciliation of Operating Surplus to Net Cash Inflow From Operating Activities

	2004 £'000	2003 £'000
Operating surplus	4,239	3,662
Depreciation of tangible fixed assets	791	705
Profit on disposal of assets	(16)	(7)
Working capital movements	5,014	4,360
Debtors	(153)	(310)
Creditors	(294)	600
Net cash inflow from operating activities	4,567	4,650

23. Reconciliation of Net Cash Flow to Movement in Net Debt

	2004 £'000	2003 £'000
Change in cash in the period	9	656
Change in bank overdraft	(114)	(24)
Change in investments	302	1,397
Cash used to repay loans	548	425
Cash introduced from loan facilities	-	(2,000)
Change in net debt	745	454
Net Deb at 1 April	(24,019)	(24,473)
Net Debt at 31 March	(23,274)	(24,019)

24. Analysis of Changes in Debt

	1 April 2003 £'000	Cashflows £'000	Other Changes £'000	31 March 2004 £'000
Cash and bank	1,044	9	-	1,053
Bank overdraft	(59)	(114)	-	(173)
Debt due within one year	(467)	467	(436)	(436)
Debt due after one year	(27,393)	81	436	(26,876)
Current asset investment	2,856	302	-	3,158
	(24,019)	745	-	(23,274)

25. Sale of Properties not developed for Outright Sale

	Shared Ownership £'000	Others £'000	Total 2004 £'000	Total 2003 £'000
Proceeds of sales	365	666	1,031	748
Less: costs of sales	(191)	(418)	(609)	(437)
	174	248	422	311

26. Group Companies

The Association has three wholly controlled subsidiaries: Ashmuir Housing Association providing housing, associated facilities and amenities for people in hardship or for the relief of aged, disabled, handicapped or chronically sick people. Future Plus Homes to handle development activities and Friends of Muir Group to carry out fund raising and community projects.

27. UNITS / BED SPACES

	2004	2003
Under Development at end of Year		
Housing accommodation	254	81
Supported housing accommodation	18	-
Shared ownership accommodation	60	31
	332	112
Under Management at end of Year		
Housing accommodation	3,539	3,520
Supported housing accommodation	246	235
Shared ownership accommodation	159	146
Leashold schemes	23	23
Private sector leasing	158	177
	4,125	4,101
Total	4,457	4,213

28. Units Owned by Muir but Managed by Others

As at the balance sheet date, there were 102 bed spaces owned by Muir but managed by third parties.

29. Operating Lease Commitments

The Association has the following annual operating lease commitments at 31 March 2004 in respect of land and buildings:

	2004 £'000	2003 £'000
Expiring within one year	-	5
Expiring within two and five years	32	29
Expiring in over five years	94	84
	26	11

30 Housing Corporation Grant Receivable During the Year

Capital grants receivable during the year amounted to £4,243,880.

31 Related Parties

During the year three tenants have served on the Board of Muir Group one of whom resigned on 15 January 2004. Each of the tenants hold tenancy agreements on normal terms and cannot use their position to their advantage. Fees and expenses payable to firms providing professional services to the Association in which members of the Association have a business interest, but such members are neither members of the Board nor any Committee nor Officers or employees of the Association: £7,637 (2003 £50,992).

The only payments made, or benefits granted to the persons referred to in Section 1(2) of the Housing Act 1996 as stated above, being permitted by Section 1(3).

Under Financial Reporting Standard 8 disclosure is not required of transactions within the Group as the results of the subsidiaries are included within these financial statements.

Organisation	Status	Principal Activity	Basis of Control
Ashmuir HA Ltd	Industrial & Provident Society Act	Registered Social Landlord	Control Over Board Membership
Friends of Muir Group	Companies Act Registered Charity	Fund Raising and Community Projects	Control Over Board Membership
Future Plus Homes Ltd	Industrial & Provident Society Act	Development Activities	Control Over Board Membership

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The Housing Corporation No L2194
Member of the National Housing Federation
Muir Group HA Ltd is an exempt charity

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