

**Mossbank Homes Limited**

Report of the Board and financial statements

For the year ended 31 December 2008

Industrial and Provident Societies Registration Number: 24178R

Registered Housing Association Number: SL3447

## Financial statements

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## Board, Executive Directors, Advisors and Bankers

<b>Board</b>	<b>Appointed</b>	<b>Resigned</b>
Mr R Flynn, Chair	2007	
Mr G Morton	2007	
Mr L Pawlik	2007	
Ms P Martin	2007	31/12/07
Ms P Schwarz, Secretary	2007	
Mr M Thrasher	2007	
Mr P Porgess	2007	
Mr Z Amin	2007	
Mr R Johnson	2007	11/04/08
Ms D Hampton Wild	2007	
Ms L Woods	2007	
Ms S Thompson	2007	
Mrs S Burden	01/01/08	
Mr P Donohue	11/04/08	

Secretary Ms P Schwarz

### **Executive Directors:**

Chief Executive and Secretary Ms P Schwarz

Deputy Chief Executive /  
Housing Services Director Mr R Ferguson

Finance Director Mr V Ormrod

Technical Services Director Mr P Nolan

**Registered office:** 101 Great Western Street  
Moss Side  
Manchester M14 4AA

**External auditors:** BDO Stoy Hayward LLP  
Commercial Buildings  
11-15 Cross Street  
Manchester M2 1WE

**Principal solicitors:** Trowers & Hamlins  
Heron House  
Albert Square  
Manchester M2 5HD

**Principal bankers:** Barclays PLC  
51 Mosley Street  
Manchester M60 3DQ

## **Report of the Board**

The Board presents its report and the audited financial statements of Mossbank Homes Limited for the year ended 31 December 2008.

## **Report of the Board**

The Board presents its report and the association's audited financial statements for the year ended 31 December 2008.

## **Principal activities**

Mossbank Homes Limited ("the association") is a not-for-profit organization administered by a voluntary Board. The association provides social housing for rent, including associated management services, following the transfer of eight estates in Stockport from Manchester City Council in April 2008.

The association is a member of the Mosscares Housing Group ("the group") as a subsidiary of Mosscares Housing Ltd ("the parent"). Corporate services are provided to the association by the parent under Service Level Agreements.

## **Business review**

The association has focused its activities on providing high quality housing management and stock improvements. Work began immediately after transfer on a five year stock upgrade programme.

The extraordinary global economic conditions are affecting the association in many ways. Our rental waiting lists are up as fewer people can buy their homes but many tenants are suffering their own difficulties and struggling to pay rents on time. However, we were fortunate to arrange finance to fund the transfer and improvements before the credit crunch and are saving from the falls in interest rates since October 2008.

Our rents are tied to inflation via a formula set by the government. As the key rate is the September RPI our April 2009 rent rises were based on the 2008 high point and averaged over 5%. In consultation with tenants we capped their rises to a maximum of £4 a week to help maintain affordability. However, with inflation falling our April 2010 rent changes are likely to be much lower and may see some rent falls.

Overall the association is successfully weathering these difficult times and expects to continue delivering its services and upgrade programme as planned and as promised in the pre-transfer Offer Document.

## **Results for the period**

The results for the period are set out in the financial statements following this report. The surplus for the financial period was £502,000 (2007 deficit £74,000). Operating surplus was £411,000 (2007 deficit £74,000).

## **Reserves**

After transfer of the surplus for the year of £502,000 (2007 deficit £74,000), at the year end association reserves amounted to £428,000 (2007 deficit : £74,000).

## **Report of the Board (continued)**

### **Financing and treasury management**

The association borrowed a net £5 million during the year.

The Board's approach to risk and treasury management is outlined below. The Board monitors our position through quarterly treasury reports.

The association borrows at both fixed and floating rates of interest. The association's policy is to keep up to 80% of its borrowings at fixed rates of interest. At year end 19% of the association's borrowings were at fixed rates, though forward fixes were in place for April and October 2009.

### **Payment of creditors**

In line with government guidance, our policy is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the suppliers.

### **Board and Executive Directors**

The present Board members and the Executive Directors of the association are set out on page 1. Board members are drawn from a wide variety of backgrounds, bringing together community, commercial and professional experience. Board members co-opted by the Board must retire at the next annual general meeting. At such meetings one third of the ordinary Board members retire and are eligible under our rules for re-election without nomination. Tenant Board members are elected from the Tenant's Communication Group.

The Executive Directors are the Chief Executive and any other person who is a member of the association's senior management team. The Executive Directors (other than the Chief Executive) hold no interest in the association's shares and act as executives within the authority delegated by the Board.

The association has insurance policies that indemnify its Board members and Executive Directors against liability when acting for the association.

### **Remuneration of Executive Directors**

#### **Policy**

The Executive Directors are employed and paid by the parent. The Group Remuneration Committee working with the Staff Association through a Joint Negotiating Body is responsible for setting the group's remuneration policy for its Executive Directors as well as making appointments. Attention is paid to remuneration levels in the sector in determining the remuneration packages of the Executive Directors.

#### **Pensions**

The Executive Directors are members of the Social Housing defined benefit final salary pension scheme. They participate in the scheme on the same terms as all other staff. The group contributes to the scheme on behalf of its employees.

## **Report of the Board (continued)**

### **Service contracts and benefits**

The Executive Directors are employed on the same terms as other staff, their notice periods ranging from one to three months. Details of Executive Directors' aggregate remuneration are included in note 11 to the audited financial statements. The Executive Directors are entitled to other benefits including the provision of a car or a car allowance. Directors emoluments in these financial statements are included at 25% of their total cost, which represents the proportion of their time spent working on the association.

### **Other Employees**

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

The association continues to provide information on its objectives, progress and activities through regular office and team meetings. A union recognition agreement in place establishes principles and practice for the Union and Board, through the Group Remuneration Committee, to work together. A Joint Negotiating Committee of elected staff representatives, Board members of the parent and Executive Directors meets from time to time to discuss issues relevant to staff.

The association is committed to equal opportunities for all its employees. It is the association's policy to give equal consideration to all job applicants and employees, irrespective of gender, race, creed or disability. Applicants for jobs are monitored to ensure that this policy is adhered to. We are also committed to the retention of employees who become disabled whilst in the employment of the association.

### **Health and Safety**

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

### **NHF Code of Governance**

The association complies with the principal recommendations of the NHF Code of Governance (revised 2004). The ways in which we seek to achieve good housing association governance are outlined below:

### **Board**

The Board comprises up to 12 members and is responsible for managing the affairs of the association. The Board meets, formally, at least four times a year for regular business.

The Board is responsible for the association's strategy and policy framework. Day-to-day management and implementation of that framework is delegated to the Chief Executive and other Executive Directors who meet at least fortnightly and attend Board meetings.

## **Report of the Board (continued)**

### **NHF Code of Governance (continued)**

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

### **Tenant Involvement**

We actively encourage tenants' involvement in decision-making by promoting tenant participation. We have up to four tenant Board members on the association's Board and clear reporting arrangements between tenant groups and the Board.

Tenant participation is highly valued in the association and a variety of methods are used to obtain not only their views and ideas about our services and activities, but also those of the wider community in which we work, especially the representatives of the diverse cultures present in the Greater Manchester area.

The association is developing comprehensive strategy described in a Resident Involvement Agreement, which has the following key elements:

An elected group of Tenant Representatives

The Tenants' Communications Group nominates tenant members to the association's Board

An annual tenants' meeting to which all tenants are invited

A resident inspector and mystery shopper initiative

Extensive use of Estate Panels and Forums to ensure continued improvement in service delivery

Establishing and developing methods of resident monitoring of the improvement contract and provision of services

To offer opportunities for employment through the development contracts

### **Internal controls assurance**

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

In meeting its responsibilities, the Board has adopted a risk-based approach to establishing and maintaining internal controls that are embedded within day-to-day management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the association is exposed and is consistent with the principles outlined in the Tenant Services Authority Circular 07/07 Internal Controls Assurance.

The process for identifying, evaluating and managing the significant risks faced by the association is ongoing and has been in place throughout the period commencing 1 January 2008 up to the date of approval of the annual report and financial statements. The Board and the Group Audit Committee receive and consider reports from management on these risk management and control arrangements at their meetings during the year.

The Board cannot delegate ultimate responsibility for the system of internal control but it can, and has, delegated authority to the Group Audit Committee to regularly review the effectiveness of the system of internal control. The Group Audit Committee has received the Chief Executive's annual review of the effectiveness of the system of internal control for the association and the rest of the group, and the annual report of the internal auditor, and has reported its findings to the Board of the parent.

## **Report of the Board (continued)**

### **Internal controls assurance (continued)**

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

Identifying and evaluating key risks, including fraud

The association's risk management strategy, setting out the Board's attitude to risk in the achievement of its objectives, underpins the risk management, business planning and control arrangements. These arrangements clearly define management responsibility for the identification, evaluation and control of significant risks.

The association's arrangements for managing the risk of fraud are underpinned by the development and maintenance of an anti-fraud culture, the introduction of effective controls to prevent fraud and detect fraud, prompt and vigorous investigations, and the application of effective sanctions and redress. The association meets Money Laundering Regulations by having preventative measures in place, knowing customers – including conducting customer identification and verification and undertake ongoing monitoring where applicable, keeping records of identity and training staff on the requirements of the regulations.

The Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

### **Control environment and internal controls**

The processes to identify and manage the key risks to which the association is exposed are an integral part of the internal control environment. Such processes, which are reviewed annually and revised where necessary, include strategic planning, the recruitment of Executive Directors and senior staff, regular performance monitoring, control over developments and the setting of standards and targets for health and safety, data protection, fraud prevention and detection, and environmental performance.

### **Information and 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 and monitored throughout the year.

Board members regularly receive reports on key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes. The outcomes of these reviews are reported to the Board at each meeting throughout the year.

### **Monitoring arrangements**

Regular management reporting on control issues provides assurance to successive levels of management and to the Board. It is supplemented by regular reviews by internal audit that provide independent assurance to the Board. The arrangements include a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues.

## **Report of the Board (continued)**

### **Political and Charitable Contributions**

During the year, the association made no political donations (2007: £Nil). Any charitable contributions are made within the association's normal activities.

The Board is very grateful to all persons and organizations that have made charitable contributions to its work during the period.

### **Single European currency**

The association's accounting system is capable of accommodating the euro.

### **Post balance sheet events**

The association considers that there have been no events since the financial year end that have had a significant effect on the financial position of the association.

### **Going concern**

After making enquiries, the Board has a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

### **Annual general meeting**

The annual general meeting will be held on 5 May 2009.

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

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

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

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- followed applicable United Kingdom Accounting Standards and the Statement of Recommended Practice: "Accounting by Registered Social Landlords" (Update 2008); and
- prepared the financial statements on a going concern basis.

## **Report of the Board (continued)**

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the association and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, paragraph 16 of Schedule 1 to the Housing Act 1996 (as amended by the Housing Act 2004) and the Accounting Requirements for registered social landlords General Determination 2006. It is also responsible for maintaining an adequate system of internal control and safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice: "Accounting by Registered Social Landlords" (Update 2008).

### **Auditors**

A resolution to re-appoint BDO Stoy Hayward LLP as external auditors will be proposed at the forthcoming Annual General Meeting.

All of the current board members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The board members are not aware of any relevant audit information of which the auditors are unaware.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

The report of the Board was approved on 24 March 2009 and signed on its behalf by:

Ms P Schwarz  
Secretary

## **Independent Auditor's Report to Mossbank Homes Limited**

We have audited the financial statements of Mossbank Homes Limited for the year ended 31 December 2008 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement 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 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 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 2006. We also report to you if, in our opinion, the Report of the Board is not consistent with the financial statements, a satisfactory system of control over transactions has not been maintained, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Report of the Board and consider the implications for our report if we become aware of any apparent misstatements within it.

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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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.

## **Independent Auditor's Report to Mossbank Homes 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 December 2008 and of its results for the year then ended;
- the financial statements have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 the financial statements and the Accounting Requirements for Registered Social Landlords General Determination 2006; and
- the information given in the Report of the Board is consistent with the financial statements.

### **BDO Stoy Hayward LLP**

Chartered Accountants and Registered Auditors  
Manchester

Date: 21 April 2009

<b>Income and expenditure account for the year ended 31 December 2008</b>		<b>Year to December 2008 £'000</b>	Year to December 2007 £'000
<b>Turnover: continuing activities</b>	3	<b>2,479</b>	-
Operating costs	3	<b>(2,068)</b>	(74)
<b>Operating surplus / (deficit): continuing activities</b>		<b>411</b>	(74)
Surplus on sales of tangible fixed assets	7	<b>167</b>	-
<b>Surplus / (deficit) on ordinary activities before interest</b>		<b>578</b>	(74)
Interest receivable	8	<b>32</b>	-
Interest payable and similar charges	9	<b>(108)</b>	-
<b>Surplus / (deficit) on ordinary activities before taxation</b>	6	<b>502</b>	(74)
Tax on surplus on ordinary activities		-	-
<b>Surplus / (deficit) for the financial period</b>		<b>502</b>	(74)

All amounts relate to continuing activities

Other than the surplus / (deficit) for the year there are no other recognized gains or losses.

The notes on pages 14 to 25 form an integral part of these financial statements.

**Balance Sheet as at 31 December 2008**

	Note	31 December 2008	31 December 2007
		£'000	£'000
<b>Tangible fixed assets</b>			
Housing properties	12	<b>6,541</b>	-
<b>Current assets</b>			
Debtors	13	<b>893</b>	122
Investments	14	<b>40</b>	-
Cash at bank and in hand	15	<b>77</b>	-
		<b>1,010</b>	122
<b>Creditors : amounts falling due within one year</b>	16	<b>(1,873)</b>	(196)
<b>Net current liabilities</b>		<b>(863)</b>	(74)
<b>Total assets less current liabilities</b>		<b>5,678</b>	(74)
<b>Creditors : amounts falling due after more than one year</b>	17	<b>5,250</b>	-
<b>Capital and reserves</b>			
Called up share capital	19	-	-
Accumulated surplus / (deficit)	20	<b>428</b>	(74)
<b>Accumulated funds / (deficit)</b>		<b>428</b>	(74)
		<b>5,678</b>	(74)

The financial statements were approved by the Board on 24 March 2009 and were signed on its behalf by:

**Mr R Flynn**  
*Chairman*

**Mr L Pawlik**  
*Board Member*

**Ms P Schwarz**  
*Secretary*

The notes on pages 14 to 25 form an integral part of these financial statements.

**Cash flow statement for the year ended 31 December 2008**

	Note	Year to 31 December 2008 £'000	Year to 31 December 2007 £'000
<b>Net cash inflow from operating activities</b>	22	1,423	-
<b>Returns on investments and servicing of finance</b>			
Interest received		32	-
Interest paid		(97)	-
		<u>(65)</u>	<u>-</u>
<b>Capital expenditure</b>			
Purchase and construction of housing properties		(6,414)	-
Proceeds on sales of housing properties		170	-
Proceeds on sales of other fixed assets		-	-
		<u>(6,244)</u>	<u>-</u>
<b>Management of liquid resources</b>			
Cash (deposited in) / withdrawn from money market investments		(40)	-
<b>Financing</b>			
Loans received		5,300	-
Issue costs incurred		(299)	-
		<u>5,001</u>	<u>-</u>
Increase in cash	23	<u>75</u>	<u>-</u>

The notes on pages 14 to 25 form an integral part of these financial statements.

## Notes

### 1 Legal status

The association is registered under the Industrial and Provident Societies Act 1965 and is registered with the Tenant Services Authority as a Registered Provider of Social Housing.

### 2 Accounting policies

#### ***Basis of accounting***

The financial statements of the association have been prepared in accordance with applicable accounting standards and the Statement of Recommended Practice: accounting by Registered Social Landlords, update issued in 2008, and comply with the Accounting Requirements for Registered Social Landlords General Determination 2006. The accounts are prepared on the historical cost basis of accounting. The Board is satisfied that the current accounting policies are the most appropriate for the association.

#### ***Basis of Preparation***

The Board have prepared detailed cash flow forecasts for the association covering the 12 month period from the date of approval of these financial statements. These forecasts indicate that the association has sufficient facilities in place to fund its business plan and to meet its liabilities as they fall due. On this basis the Board continue to prepare the financial statements on a going concern basis.

#### ***Turnover***

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

#### ***Value added tax***

The association charged value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure relating to major repair works on its stock. The financial statements include VAT to the extent that it is suffered by the association and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the period-end is included as a current liability or asset.

#### ***Loan finance issue costs***

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

#### ***Provisions***

The association only provides for contractual liabilities.

#### ***Housing Properties***

Housing properties are properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, and expenditure incurred in respect of improvements. Housing properties are transferred to completed properties when they are ready for letting.

Improvements are works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only the direct overhead costs associated with new developments or improvements are capitalised.

## 2 Accounting policies (continued)

### **Depreciation of housing properties**

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

- housing properties	2%
- improvements	2% - 7%
- fixtures and furniture	15%

### **Impairment**

Housing properties that are depreciated over a period in excess of 50 years are, in accordance with Financial Reporting Standard No 11 and the SORP (Update 2008), subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to the recoverable amount. Any such write down would be charged to operating surplus unless it was a reversal of a past revaluation surplus in which case it would be taken to the statement of total recognised gains and losses.

### **Current asset investments**

Investments are stated at market value.

### **Liquid Resources**

Liquid resources are readily disposable current asset investments. They include some money market deposits, held for more than 24 hours, that can only be withdrawn without penalty on maturity or by giving notice of more than one day.

### **Taxation**

As an exempt charity, the association is not liable to United Kingdom Corporation Tax.

### 3 Turnover, operating costs and operating surplus

	Year to 31 December 2008			Year to 31 December 2007	
	Turnover	Operating Costs	Operating Surplus	Turnover	Operating Deficit
	£'000	£'000	£'000	£'000	£'000
<b>Social housing lettings</b>					
General needs housing	2,479	(2,068)	411	-	(74)
	<b>2,479</b>	<b>(2,068)</b>	<b>411</b>	<b>-</b>	<b>(74)</b>

The association has not earned revenue or incurred cost from any other social housing activities or non-social housing activities.

### 4 Particulars of income and expenditure from social housing lettings

	Year to 31 December 2008	Year to 31 December 2007
	£'000	£'000
<b>Turnover from social housing lettings</b>		
Rents receivable net of identifiable service charges	2,444	-
Service charges receivable	14	-
<b>Net Rental Income</b>	<b>2,458</b>	<b>-</b>
Other Income	21	-
<b>Turnover from social housing lettings</b>	<b>2,479</b>	<b>-</b>
<b>Operating cost of social housing lettings</b>		
Management	408	74
Services	83	-
Routine maintenance	895	-
Planned maintenance	388	-
Bad debts	224	-
Depreciation of housing properties	68	-
Other costs	2	-
<b>Operating cost of social housing lettings</b>	<b>2,068</b>	<b>74</b>
<b>Operating surplus / (deficit) on social housing lettings</b>	<b>411</b>	<b>(74)</b>
<b>Void losses</b>	<b>136</b>	<b>-</b>

## 5 Accommodation in management and development

At the end of the year accommodation in management for each class of accommodation was as follows:

	<b>31 December 2008 number</b>	31 December 2007 number
<b>Social housing</b>		
General housing	<u>1,132</u>	<u>-</u>

## 6 Surplus on ordinary activities before taxation

This is stated after charging:

	<b>31 December 2008 £'000</b>	31 December 2007 £'000
Depreciation of housing properties	68	-
Auditors' remuneration (including VAT)	<u>5</u>	<u>5</u>

## 7 Sales of tangible fixed assets and properties held for resale

	<b>Properties not developed for outright sale £'000</b>	<b>Other tangible fixed asset sales £'000</b>	<b>31 December 2008 £'000</b>	31 December 2007 £'000
Proceeds	203	-	203	-
Cost of sales	(3)	-	(3)	-
Depreciation	-	-	-	-
Direct expenses	(33)	-	(33)	-
	<u>167</u>	<u>-</u>	<u>167</u>	<u>-</u>

**8 Interest receivable**

	<b>31 December 2008</b>	31 December 2007
	<b>£'000</b>	£'000
Bank interest receivable	<b>32</b>	-

**9 Interest payable and similar charges**

	<b>31 December 2008</b>	31 December 2007
	<b>£'000</b>	£'000
Loans and bank overdrafts	<b>108</b>	-

**10 Employees**

	<b>31 December 2008</b>	31 December 2007
The average monthly number of employees (full time equivalents) was as follows:		
Administration	<b>4</b>	-
Maintenance	<b>3</b>	-
Housing services	<b>6</b>	-
Wardens and cleaners	<b>2</b>	-
	<b>15</b>	-

	<b>31 December 2008</b>	31 December 2007
	<b>£'000</b>	£'000
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	<b>273</b>	-
Social security costs	<b>18</b>	-
Pension contributions	<b>27</b>	-
	<b>318</b>	-

Employees are paid by parent undertaking Mosscares Housing Limited and the cost is recharged to the association.

## 11 Executive directors

	Basic salary	Benefits in kind	Pension contributions	Year to December	Year to December
	2008	2008	2008	2008	2007
	£	£	£	£	£
Aggregate emoluments	74,293	2,355	10,232	<b>86,880</b>	-

Directors emoluments are included at 25% of their total cost, which represents the proportion of their time spent working on the association.

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £86,640 (2007: £84,465). The Chief Executive is an ordinary member of the Social Housing Pension Scheme. No enhanced or special terms apply. Parent undertaking Mosscares Housing Limited does not make any further contribution to an individual pension arrangement for the Chief Executive.

## 12 Housing properties

	Social housing properties completed
	£'000
<b>Cost</b>	
At beginning of period	-
Additions during the period	1,115
Works to existing properties	5,497
Disposals	(3)
<b>At end of period</b>	<b>6,609</b>
<b>Depreciation</b>	
At beginning of period	-
Charge for period	68
<b>At end of period</b>	<b>68</b>
<b>Cost less depreciation</b>	
<b>At 31 December 2008</b>	<b>6,541</b>
At 31 December 2007	-

**12 Housing properties (continued)**

**Expenditure on works to existing properties:**

	<b>31 December 2008</b>	<b>31 December 2007</b>
	<b>£'000</b>	<b>£'000</b>
Amounts capitalised	5,497	-
Amounts charged to income and expenditure account	-	-
<b>Total</b>	<b>5,497</b>	<b>-</b>

**Housing properties book value, net of depreciation and grants comprises:**

	<b>31 December 2008</b>	<b>31 December 2007</b>
	<b>£'000</b>	<b>£'000</b>
Freehold land and buildings	1,044	-
Reimprovements	5,497	-
	<b>6,541</b>	<b>-</b>

**13 Debtors**

	<b>31 December 2008</b>	<b>31 December 2007</b>
	<b>£'000</b>	<b>£'000</b>
<b>Due within one year</b>		
Arrears of rent and service charges	402	-
Provision for bad and doubtful debts	(248)	-
	<b>154</b>	<b>-</b>
Taxation	697	-
Other debtors	12	123
Prepayments and accrued income	30	-
	<b>893</b>	<b>123</b>

**14 Short term investments**

	<b>31 December 2008</b>	<b>31 December 2007</b>
	<b>£'000</b>	<b>£'000</b>
Money market deposits	40	-

There are no balances in the above charged to lenders.

**15 Cash at bank and in hand**

	<b>31 December 2008 £'000</b>	31 December 2007 £'000
Cash at bank and in hand	<b>77</b>	-

**16 Creditors: amounts falling due within one year**

	<b>31 December 2008 £'000</b>	31 December 2007 £'000
Bank overdraft	2	-
Rents and service charges received in advance	49	-
Amounts owed to Group Undertakings	592	196
Other creditors	347	-
Accruals and deferred income	883	-
	<b>1,873</b>	196

**17 Creditors: amounts falling due after more than one year**

	<b>Association</b>	
	<b>31 December 2008 £'000</b>	31 December 2007 £'000
Debt	5,001	-
Retentions	135	-
Funds held on behalf of others	114	-
	<b>5,250</b>	-

## 18 Debt analysis

	<b>31 December 2008</b>	31 December 2007
	<b>£'000</b>	£'000
<b>Due after more than one year</b>		
Bank loans	<b>5,001</b>	-
Debt is repayable as follows:		
	<b>31 December 2008</b>	31 December 2007
	<b>£'000</b>	£'000
Loans repayable by instalments		
After five years	<b>5,001</b>	-

The loans are secured by fixed charges on all the association's properties. The loans repayable by instalments will be repaid by quarterly instalments after the association reaches its peak debt position and are at fixed or variable rates of interest ranging from 2.45% to 5.1%. The final instalments fall to be repaid in the period 2035 to 2039.

In addition to the above debt, at 31 December 2008 the association had undrawn loan facilities of £25.7m (2007: £nil).

## 19 Non equity share capital

	<b>31 December 2008</b>	31 December 2007
	<b>£</b>	£
<b>Shares of £1 each issued and fully paid</b>		
At beginning of period	<b>12</b>	-
Shares issued during the period	<b>2</b>	12
Shares surrendered during the period	<b>(2)</b>	-
At end of period	<b>12</b>	12

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

## 20 Reserves

	<b>2008 Total</b>	2007 Total
	<b>£'000</b>	£'000
01 January	<b>(74)</b>	-
Surplus for the financial period	<b>502</b>	(74)
31 December	<b>428</b>	(74)

## 21 Ultimate controlling party

The ultimate holding association is Mosscares Housing Limited which is a Housing Association registered in England under the Industrial and Provident Societies Act 1965 to 2002 and with the Tenant Services Authority under the Housing Act 1996 (as amended by the Housing Act 2004).

Mosscares Housing Limited has the right to appoint members to the Board of the association and thereby exercises control over it.

## 22 Reconciliation of operating surplus to net cash inflow from operating activities

	<b>31 December 2008</b>	31 December 2007
	<b>£'000</b>	£'000
Operating surplus	<b>411</b>	<b>(74)</b>
Depreciation charges	<b>68</b>	-
	<b>479</b>	(74)
<b>Working capital movements</b>		
Increase in debtors	<b>(770)</b>	(123)
Increase in creditors	<b>1,714</b>	197
<b>Net cash inflow from operating activities</b>	<b>1,423</b>	-

## 23 Reconciliation of net cash flow to movement in net debt

	<b>31 December 2008 £'000</b>	31 December 2007 £'000
(Increase)/decrease in cash at bank and bank overdrafts	(75)	-
(Increase) / decrease in money market investments	(40)	-
Cash inflow/(outflow) from increase/(decrease) in debt and lease finance	<b>5,001</b>	-
Change in net debt (note 24)	<b>4,886</b>	-
Net debt at 31 December 2007	-	-
<b>Net debt at 31 December 2008</b>	<b>4,886</b>	-

## 24 Analysis of net debt

	<b>31 December 2008 £'000</b>	31 December 2007 £'000
Cash at bank and in hand	77	-
Bank overdraft	(2)	-
Money market investments	40	-
Debts due within one year	-	-
Debts due after one year	<b>(5,001)</b>	-
	<b>(4,886)</b>	-

## 25 VAT on stock transfer

Immediately prior to entering into the stock transfer agreement, the Council contracted with the association to complete the refurbishment works required to bring the properties up to an agreed state of repair. The contract was for a fixed sum equal to the expected cost of the refurbishment works (£38.16m). At transfer the association contracted with the Council to acquire the benefit of the Council's obligation to carry out the refurbishment works less the housing properties at a price equal to the agreed value of the property in its un-enhanced condition (£1.0m). The nature of the works under the initial agreement has not been specified and a right of set off exists between the contracts. These contracts have enabled the association to recover VAT on improvement costs that would otherwise have been expensed.

At the time of the transfer the association paid a net cash amount of £1.0m to the Council, representing the value of the properties in their un-enhanced condition (£1.0m) and the value of the Council's obligation to carry out the refurbishment works (£38.16m), less the amount due to be incurred by the association under the development agreement in relation to the anticipated cost of the improvements (£38.16m).

At 31 December 2008 £5.5m of the refurbishment works had been completed.

## 26 Related Parties

There are four tenant members on the Mossbank Board; Peter Donohue, Delia Hampton Wild, Lorna Woods and Susan Thompson. Their tenancies are on normal commercial terms and they are not able to use their position to their advantage.

Mossbank Board has one Councillor for Stockport Metropolitan Borough Council, Mr Paul Porgess, and a Salford City Council employee, Zahid Amin.

Any transactions with the above Local Authorities (and other related or commercial entities) are made at arm's length, on normal commercial terms and they cannot use their position to their advantage

Recharges from the parent to the association during the year in respect of Service Level Agreements amounted to £310,262 (2007: £nil).