

Mosscare Housing Limited

Report of the Board and group financial statements

For the year ended 31 December 2008

Industrial and Provident Societies Registration Number: 18877R

Registered Housing Association Number: L0975

Report of the Board and group financial statements

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Board, Executive Directors, Advisors and Bankers

| Board | Appointed | Resigned |
|--------------------------|------------------|-----------------|
| Leszek Pawlik (Chair) | 1989 | |
| Frank Jones (Vice Chair) | 2000 | |
| George Morton | 1984 | |
| Margaret Heeney | 1993 | |
| Roy Walters | 2003 | |
| Paul Shannon | 2005 | |
| Paulette Martin | 2006 | |
| Sarah Evans | 2006 | March 2009 |
| Sheila Burden | 2007 | |
| Howard Totty | 2007 | |
| Paul Hammersley | 2007 | |
| Ian Pownall | 2007 | |
| Jeannie Packer | 11/04/08 | |
| Jan Tasker | 11/06/08 | |
| Zahid Amin | 09/09/08 | |

Executive Directors:

Chief Executive and Secretary Pamela Schwarz

Deputy Chief Executive /
Housing Services Director Robert Ferguson

Finance Director Vincent Ormrod

Technical Services Director Patrick 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 & Hamblins
Heron House
Albert Square
Manchester M2 5HD

Principal bankers:

Barclays PLC
51 Mosley Street
Manchester M60 3DQ

Registered as a charitable social landlord under the Industrial and Provident Societies Acts No. 18877R. Registered by the Tenant Services Authority No. L0975.

Report of the Board

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

Principal activities

MossCare Housing Limited ("the association") is a not-for-profit registered provider of social housing administered by a voluntary board. It controls two organisations, Mossbank Homes Limited, which is also a not-for-profit registered provider of social housing, and MossCare Developments Limited, a registered company limited by guarantee. It also has a one third share in a joint venture company, Reviva Urban Renewal Limited ("Reviva").

The principal activity of the group is the provision of social housing for rent, including associated management services and supported housing for a variety of client groups. The group aims to be a quality housing organisation committed to communities and individuals.

Business review

The group has continued its focus on providing high quality housing management and area regeneration in Greater Manchester. The group has consistently applied strategies and policies formulated in previous years, concentrating on its core business of social housing activities.

In April 2008 subsidiary undertaking, Mossbank Homes Limited, took over 1,135 homes in Stockport as a stock transfer from Manchester City Council. Mossbank Homes now own the stock and have responsibility to deliver housing management and maintenance services. Work began soon after the transfer on a five year stock improvement programme. Corporate services are provided to the subsidiary by the parent association.

The extraordinary global economic conditions are affecting the group 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. We are finding it difficult to sell shared ownership properties or surplus houses as possible buyers find it hard to get mortgages. However, we were fortunate to refinance our loans onto cheaper terms 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 tenant groups both our housing associations capped their rises to a maximum of £4 or £5 a week to assist maintain affordability. However, with inflation falling our April 2010 rent changes are likely to be much lower and may see some rent falls.

With future growth of income from rents and asset sales likely to be limited the group is exploring new income sources from the sale of its housing management and gas servicing teams. We also continue to explore ways of making efficiency savings.

Overall the group is successfully weathering these difficult times and expects to come out of them fitter to gain from the economic recovery when it comes.

Report of the Board (*continued*)

Results for the period

The consolidated results for the period are set out in the financial statements following this report. The group surplus for the financial period was £579,000 (2007 deficit £776,000). Operating surplus was £3,040,000 (2007 £3,083,000).

Reserves

After transfer of the surplus for the year of £579,000 (2007 deficit £776,000), at the year end group reserves amounted to £3.5 million (2007: £2.9 million).

Significant changes in fixed assets

The movement in fixed assets are set out in notes 13 and 14 of the financial statements. These movements reflect the group's asset management strategy to develop new social housing units and to effect re-improvements, including security and energy efficiency measures, to our older housing properties to ensure they meet and exceed the Decent Homes Standard. This strategy will continue into the future and to facilitate that, the association commissioned a stock condition survey in 2007 to identify units needing re-improvement. The programme of works based on that survey commenced in 2008, and will continue in the coming years.

Financing and treasury management

The group borrowed a net £6.6 million during the year. The association completed its refinancing exercise during the year by repaying £19.3 million of old loans from a new, cheaper facility to develop and improve its housing properties. A specific new facility was arranged to fund the Stockport transfer. At the year end gearing had risen to 57.6% (2007: 52.7%).

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

The group borrows, principally from banks, at both fixed and floating rates of interest. The group's policy is to keep at least 55% and up to 85% of its borrowings at fixed rates of interest. At year end 75% of the group's borrowings were at fixed rates (2007: 64%).

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 group 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 Panel.

Report of the Board *(continued)*

Board and Executive Directors *(continued)*

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

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

Remuneration of Executive Directors

Policy

The Board through its Group Remuneration Committee and 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. The Board pays attention 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.

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.

Other Employees

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

The group continues to provide information on the group's 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 its Group Remuneration Committee, to work together. A Joint Negotiating Committee of elected staff representatives, Board members and Executive Directors meets from time to time to discuss issues relevant to staff.

Report of the Board *(continued)*

Other Employees *(continued)*

The group is committed to equal opportunities for all its employees. It is the group'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 group.

Health and Safety

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

NHF Code of Governance

The group 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 fifteen non-executive members (reducing to twelve after the 2009 AGM) and is responsible for managing the affairs of the group. The Board meets, formally, at least four times a year for regular business.

The Board is responsible for the group'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 and sub-committee meetings.

Committees

In 2008, the Committee structure was reviewed, and the following Committees were agreed.

The Group Audit Committee comprises up to up to five members, has a quorum of three and meets three times per year. It considers the appointment of internal auditors, the scope of their work and their reports. It also reports to the Board on the effectiveness of the group's internal control arrangements and risk strategy.

Group Remuneration Committee comprises of up to four members with a quorum of two, and meets twice a year. This Committee deals with remuneration, target setting and appraisal for the Chief Executive, pay and conditions for Directors, terms and conditions for other employees, and Board member remuneration.

Mossclare Housing Delivery Committee comprises of up to eight members with a quorum of four, and meets four times a year. The Committee deals with all service delivery matters, excluding those of Mossbank Homes.

Report of the Board *(continued)*

NHF Code of Governance *(continued)*

The Board and its sub-committees 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 three tenant Board members on the associated Board and clear reporting arrangements between tenant groups and the Board.

Tenant participation is highly valued in the group 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 has a comprehensive strategy described in a Resident Involvement Agreement, which has the following key elements:

- An elected Panel of Tenant Representatives
- The Tenants' Panel nominates three 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 focus groups to ensure continued improvement in service delivery
- Support for innovative tenant management organisations and models for involving residents in neighbourhood management

Mossbank Homes has its own similar arrangements for tenants' involvement including a Tenants' Communications Group and four tenant Board members.

Internal controls assurance

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This responsibility applies for all organisations within the group, including those not registered with the Tenant Services Authority (TSA). 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 group is exposed and is consistent with the principles outlined in the TSA Circular 07/07 *Internal Controls Assurance*.

Report of the Board *(continued)*

Internal controls assurance *(continued)*

The process for identifying, evaluating and managing the significant risks faced by the group 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 its Group Audit Committee receive and consider reports from management on these risk management and control arrangements at their meeting 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 its subsidiaries, and the annual report of the internal auditor, and has reported its findings to the Board.

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 group'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 group'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 group 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 group 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.

All committees 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.

Report of the Board *(continued)*

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 via its Group Audit Committee. The arrangements include a rigorous procedure, monitored by the Group Audit Committee, for ensuring that corrective action is taken in relation to any significant control issues.

Political and Charitable Contributions

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

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

Single European currency

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

Post balance sheet events

The group 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 or group.

Going concern

After making enquiries, the Board has a reasonable expectation that the group 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 13 May 2009.

Auditors

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

The report of the Board was approved on 1 April 2009 and signed on its behalf by:

Pamela Schwarz
Secretary

Group Highlights, five-year summary

| Periods ending | December 2008 | December 2007 | December 2006 | December 2005 15 months | September 2004 |
|---|------------------|------------------|------------------|-------------------------------|-------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Group income and expenditure account | | | | | |
| Turnover | 14,766 | 11,817 | 11,174 | 14,611 | 9,685 |
| Income from lettings | 14,493 | 11,603 | 11,045 | 13,184 | 9,415 |
| Operating surplus | 3,040 | 3,083 | 2,911 | 3,492 | 3,121 |
| Interest payable | (3,694) | (3,795) | (3,171) | (3,853) | (2,730) |
| Surplus / (deficit) for the period | 579 | (776) | 840 | (166) | 511 |
| Group balance sheet | | | | | |
| Housing properties, net of depreciation | 162,145 | 151,687 | 147,688 | 140,719 | 128,162 |
| SHG and other capital grants | (98,596) | (96,062) | (93,165) | (91,984) | (83,899) |
| Housing properties, net of capital grants and depreciation | 63,549 | 55,625 | 54,523 | 48,735 | 44,263 |
| Net current liabilities | (1,042) | (227) | (2,630) | (5,279) | (4,416) |
| Loans (due over one year) | 58,896 | 52,082 | 47,230 | 39,418 | 35,929 |
| Pension liability | - | - | 1,953 | 2,173 | 1,460 |
| Reserves | | | | | |
| Restricted or designated | 130 | 129 | 128 | 485 | 579 |
| Accumulated surplus | 3,345 | 2,767 | 3,348 | 1,824 | 2,457 |
| Total reserves | 3,475 | 2,896 | 3,476 | 2,309 | 3,036 |
| Accommodation figures | | | | | |
| | Number | Number | Number | Number | Number |
| Total stock managed at period end: | | | | | |
| Social housing | 4514 | 3359 | 3346 | 3333 | 3278 |
| Non-social housing | 14 | 14 | 14 | 14 | 14 |
| | 4528 | 3373 | 3360 | 3347 | 3292 |
| Statistics | | | | | |
| Operating surplus as % of turnover | 20.6% | 26.1% | 26.1% | 23.9% | 32.2% |
| Surplus / (Deficit) for the period as % of turnover | 3.9% | (6.6%) | 7.5% | (1.1%) | 5.3% |
| Rent losses (<i>voids and bad debts as % of rent and service charges receivable</i>) | 5.3% | 4.8% | 3.4% | 6.3% | 6.3% |
| Rent arrears (<i>gross arrears as % of rent and service charges receivable</i>) | 10.5% | 8.1% | 9.2% | 11.2% | 11.6% |
| Interest cover (<i>surplus before interest payable, including property sales, divided by interest payable and capitalised interest</i>) | 1.16 | 1.39 | 1.24 | 0.96 | 1.21 |
| Liquidity (<i>current assets divided by current liabilities</i>) | 0.81 | 0.97 | 0.64 | 0.28 | 0.43 |
| Gearing (<i>total loans as % of capital grants plus reserves</i>) | 57.7% | 52.7% | 49.2% | 42.0% | 41.5% |
| Gearing reserves (<i>total loans as % of capital grants plus loans plus reserves</i>) | 36.6% | 34.5% | 33.0% | 29.6% | 29.3% |
| Total reserves per unit managed | £767 | £859 | £1,035 | £690 | £922 |

Statement of Responsibilities of the Board

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 year which give a true and fair view of the state of affairs of the group and association and of the surplus of the group and association for that period.

In preparing these financial statements the Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable United Kingdom accounting standards and the Statement of Recommended Practice: "Accounting by registered social landlords" (Update 2008).

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and 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 group and 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).

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

The Board is responsible for the maintenance and integrity of the corporate and financial information on the group's website. 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.

Independent Auditors' Report to the members of MossCare Housing Limited

We have audited the financial statements of MossCare Housing Limited for the year ended 31 December 2008 which comprise the Income and Expenditure Accounts and the Balance Sheets for the Group and Association, the Consolidated Cash Flow Statement, the Statement of Total Recognised Surpluses 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 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 Industrial & Provident Societies (Group Accounts) Regulations 1969, 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, 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 only the Report of the Board. 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 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 Auditors' Report to the members of MossCare Housing 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 Group and Association's affairs as at 31 December 2008 and of the 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 Industrial & Provident Societies (Group Accounts) Regulations 1969, the Housing Act 1996 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 : 28 April 2009

**Consolidated income and expenditure account
for the year ended 31 December 2008**

| | Note | Year to December 2008 | Year to December 2007 |
|---|------|-----------------------------|-----------------------------|
| | | £'000 | £'000 |
| Turnover: Group including share of joint venture turnover | | 15,918 | 12,608 |
| Less: Share of joint venture turnover | | <u>(1,152)</u> | <u>(791)</u> |
| Turnover: continuing activities | 3 | 14,766 | 11,817 |
| Operating costs | 3 | <u>(11,726)</u> | <u>(8,734)</u> |
| Operating surplus: continuing activities | | 3,040 | 3,083 |
| Share of operating gain in joint venture | 15 | 17 | 22 |
| Surplus on sales of tangible fixed assets | 7 | <u>1,220</u> | <u>2,093</u> |
| Surplus on ordinary activities before interest | | 4,277 | 5,198 |
| Interest receivable | 8 | 136 | 313 |
| Interest payable and similar charges | 9 | (3,694) | (3,795) |
| Loan breakage cost | 9 | (140) | (2,444) |
| Other finance costs | 10 | - | (48) |
| Surplus / (Deficit) on ordinary activities before taxation | 6 | <u>579</u> | <u>(776)</u> |
| Tax on surplus on ordinary activities | 12 | - | - |
| Surplus / (Deficit) for the financial period | 26 | <u>579</u> | <u>(776)</u> |

The notes on pages 19 to 51 form an integral part of these financial statements.

All of the income and expenditure for the period relates to continuing activities.

**Association income and expenditure account
for the year ended 31 December 2008**

| | Note | Year to December 2008 £'000 | Year to December 2007 £'000 |
|---|------|--------------------------------------|--------------------------------------|
| Turnover: continuing activities | 3 | 12,589 | 11,809 |
| Operating costs | 3 | (9,960) | (8,652) |
| Operating surplus: continuing activities | | 2,629 | 3,157 |
| Surplus on sales of tangible fixed assets | 7 | 1,053 | 2,093 |
| Surplus on ordinary activities before interest | | 3,682 | 5,250 |
| Interest receivable | 8 | 104 | 312 |
| Interest payable and similar charges | 9 | (3,586) | (3,795) |
| Loan breakage cost | 9 | (140) | (2,444) |
| Other finance costs | 10 | - | (48) |
| Surplus / (Deficit) on ordinary activities before taxation | 6 | 60 | (725) |
| Tax on surplus on ordinary activities | 12 | - | - |
| Surplus / (Deficit) for the financial period | 26 | 60 | (725) |

The notes on pages 19 to 51 form an integral part of these financial statements.

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

All of the income and expenditure for the period relates to continuing activities.

**Statement of total recognised surpluses and deficits
in the year ended 31 December 2008**

| | Note | Year to 31 December 2008 | Year to 31 December 2007 |
|---|------|--------------------------------|--------------------------------|
| Group | | £'000 | £'000 |
| Surplus / (Deficit) for the financial period | | 579 | (776) |
| Actuarial gain on pension scheme | 10 | - | 195 |
| Total recognised surpluses and deficits relating to the year | | 579 | (581) |
| Association | | | |
| Surplus / (Deficit) for the financial period | | 60 | (725) |
| Actuarial gain on pension scheme | 10 | - | 195 |
| Total recognised surpluses and deficits relating to the year | | 60 | (530) |

**Reconciliation of movements in Group and Association funds
for the year ended 31 December 2008**

| | Group | | Association | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 31 December 2008 | 31 December 2007 | 31 December 2008 | 31 December 2007 |
| | £'000 | £'000 | £'000 | £'000 |
| Opening total funds | 2,896 | 3,476 | 2,906 | 3,435 |
| Transfers | - | 1 | 1 | 1 |
| Total recognised surpluses and deficits relating to the year | 579 | (581) | 60 | (530) |
| Closing total funds | 3,475 | 2,896 | 2,967 | 2,906 |

Consolidated balance sheet as at 31 December 2008

| | 31 December | 31 December |
|---|-------------|----------------|
| | Note | 2007 |
| | | 2008 |
| | | £'000 |
| | | £'000 |
| Tangible fixed assets | | |
| Housing properties | 13 | 162,145 |
| Social Housing Grant | 13 | (93,728) |
| Other grants | 13 | (4,868) |
| | | <u>63,549</u> |
| Other tangible fixed assets | 14 | 2,009 |
| | | <u>65,558</u> |
| Investments | 15 | 10 |
| Share of gross assets of joint venture | 15 | 180 |
| Share of gross liabilities of joint venture | 15 | (147) |
| | | <u>65,601</u> |
| | | <u>57,071</u> |
| Current assets | | |
| Properties held for sale or demolition | 16 | 1,268 |
| Debtors | 17 | 1,981 |
| Investments | 18 | 1,143 |
| Cash at bank and in hand | 19 | 177 |
| | | <u>4,569</u> |
| Creditors : amounts falling due within one year | 20 | (5,611) |
| | | <u>(1,042)</u> |
| Net current liabilities | | <u>(227)</u> |
| Total assets less current liabilities | | <u>64,559</u> |
| | | <u>56,844</u> |
| Creditors : amounts falling due after more than one year | 21 | 61,084 |
| | | 53,948 |
| Capital and reserves | | |
| Called up share capital | 25 | - |
| Designated reserves | 26 | 130 |
| Accumulated surplus | 26 | 3,345 |
| | | <u>3,475</u> |
| Consolidated funds | | <u>2,896</u> |
| | | <u>64,559</u> |
| | | <u>56,844</u> |

The financial statements were approved by the Board on 1 April 2009 and were signed on its behalf by:

Leszek Pawlik
Chairman

Frank Jones
Board member

Pamela Schwarz
Secretary

Association balance sheet at 31 December 2008

| | Note | 31 December 2008 £'000 | 31 December 2007 £'000 |
|---|------|------------------------------|------------------------------|
| Tangible fixed assets | | | |
| Housing properties | 13 | 155,603 | 151,687 |
| Social Housing Grant | 13 | (93,728) | (91,194) |
| Other grants | 13 | (4,868) | (4,868) |
| | | 57,007 | 55,625 |
| Other tangible fixed assets | 14 | 2,009 | 1,420 |
| | | 59,016 | 57,045 |
| Investments in group undertakings | 15 | 10 | 10 |
| | | 59,026 | 57,055 |
| Current assets | | | |
| Properties held for sale or demolition | 16 | 1,268 | 358 |
| Debtors | 17 | 1,637 | 1,246 |
| Investments | 18 | 1,103 | 4,430 |
| Cash at bank and in hand | 19 | 100 | 498 |
| | | 4,108 | 6,532 |
| Creditors : amounts falling due within one year | 20 | (4,334) | (6,736) |
| | | (226) | (204) |
| Net current liabilities | | (226) | (204) |
| Total assets less current liabilities | | 58,800 | 56,851 |
| Creditors : amounts falling due after more than one year | 21 | 55,834 | 53,945 |
| Capital and reserves | | | |
| Called up share capital | 25 | - | - |
| Designated reserves | 26 | 130 | 129 |
| Accumulated surplus | 26 | 2,836 | 2,777 |
| Consolidated funds | | 2,966 | 2,906 |
| | | 58,800 | 56,851 |

The financial statements were approved by the Board on 1 April 2009 and were signed on its behalf by:

Leszek Pawlik
Chairman

Frank Jones
Board member

Pamela Schwarz
Secretary

Consolidated cash flow statement for the year ended 31 December 2008

| | Note | Year to 31 December 2008 £'000 | Year to 31 December 2007 £'000 |
|---|------|---|---|
| Net cash inflow from operating activities | 30 | 4,349 | 1,278 |
| Returns on investments and servicing of finance | | | |
| Interest received | | 136 | 313 |
| Interest paid (including capitalised interest) | | (3,948) | (6,088) |
| Interest element of finance lease payments | | (3) | (3) |
| | | <u>(3,816)</u> | <u>(5,778)</u> |
| Taxation paid | | | |
| Corporation tax paid | | - | - |
| Capital expenditure | | | |
| Purchase and construction of housing properties | | (12,739) | (7,392) |
| Social Housing Grant received | | 801 | 4,086 |
| Other capital grants received | | 35 | 248 |
| Purchase of other tangible fixed assets | | (839) | (232) |
| Net proceeds on sales of housing properties | | 1,955 | 4,644 |
| Proceeds on sales of other fixed assets | | - | 2 |
| | | <u>(10,786)</u> | <u>1,356</u> |
| Management of liquid resources | | | |
| Cash (deposited in) / withdrawn from money market investments | | 3,287 | (1,562) |
| Financing | | | |
| Loans received | | 26,318 | 15,023 |
| Housing loans repaid | | (19,686) | (10,139) |
| Capital element of finance lease payments | | (10) | (8) |
| | | <u>6,622</u> | <u>4,876</u> |
| Increase in cash | 31 | <u>(343)</u> | <u>171</u> |

Notes to the financial statements

1 Legal status

The association is incorporated under the Industrial and Provident Societies Act 1965 and is registered with Tenant Services Authority as a Registered Provider of Social Housing as defined by the Housing Act 2004.

2 Accounting policies

Basis of accounting

The financial statements of the group have been prepared in accordance with applicable accounting standards and the Statement of Recommended Practice: accounting by Registered Social Landlords, 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 group and association.

Basis of consolidation

The consolidated financial statements include the association and its subsidiary undertakings using acquisition accounting. Intra group transactions are eliminated fully on consolidation.

Investments in joint ventures are accounted for using the equity method per FRS 9 "Associates and joint ventures". The consolidated income and expenditure account includes the group's share of these undertakings' surpluses less deficits while the group's share of gross assets and liabilities is shown in the consolidated balance sheet.

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.

Supported housing managed by agencies

The association as owner of the property claims revenue grants. 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 supported housing projects depends on whether the association carries the financial risk.

Where the association carries the financial risk, for example, for losses from voids and arrears, all the project's income and expenditure is included in the association's income and expenditure account (note 3).

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 association's income and expenditure account.

Value added tax

The group charged value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the group 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.

2 Accounting policies (*continued*)

Pensions

The group participates in the multi-employer Social Housing Pension Scheme ("SHPS"), a defined benefit final salary pension scheme managed by the Pensions Trust. For the SHPS it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period.

As part of the Stockport stock transfer, seven members of staff were transferred from the employment Manchester City Council to Mossbank Homes, under The Transfer of Undertakings (Protection of Employment) Regulations (TUPE). These employees continued their membership of the Greater Manchester Pension Fund (GMPF). The GMPF has a total membership of 255,067, with includes an active membership total of 101,899.

Interest payable

Interest is capitalised on borrowings 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.

Other interest payable is charged to the income and expenditure account in the period.

Adoption of SORP 2008

The Statement of Recommended Practice (SORP) for registered social landlords has been updated for periods commencing on or after 1 April 2008, however early adoption is permitted and has been applied by the Group.

The existing SORP recommends that first tranche sale proceeds are credited to fixed asset housing property costs. The new SORP treatment requires the cost of development in respect of first tranches to be reclassified as current assets and for a surplus or deficit on first tranche sales to be reflected in the income and expenditure account. There has been no requirement for any prior year restatement of the accounts as a result of this as the Group has not made any first tranche sales in the last 6 years nor did it have any shared ownership developments under construction as at 31 December 2007.

The new SORP also impacts on the treatment of donated land and land received at a discount, again this has not had an effect on the Group and does not require a prior year restatement.

Housing Properties

Housing properties are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period 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)***Housing Properties (continued)***

Housing properties are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period 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.

Shared ownership properties

Shared ownership properties are included in housing properties at cost. The cost during the period of construction up to first tranche sale is apportioned between fixed assets and current assets to reflect the Association's intention to dispose of a part of the property by leasehold sale. Proceeds of sale of first tranches are accounted for as turnover in the Income & Expenditure Account. Proceeds from subsequent tranches are treated as disposal of fixed assets and disclosed in the Income & Expenditure Account.

Donated land

Donated land is included in the cost of housing properties at its value when donated. It is shown as a capital grant and deducted from total housing property cost in the same way as Social Housing Grant when received from a public body, or if received from a private body the difference between acquisition cost and market value is accounted for as a donation in the Income & Expenditure Account.

Social Housing Grant

Social Housing Grant (SHG) is receivable from the Homes and Communities Agency (HCA) and is utilised to reduce the capital costs of housing properties, including land costs. The amount of SHG receivable is calculated on a fixed basis depending on the size, location and type of housing property. SHG due from the HCA 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.

SHG is subordinated to the repayment of loans by agreement with the HCA. SHG released on sale of a property is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

Other grants

These include grants from local authorities and other organisations. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

2 Accounting policies (continued)***Housing Properties (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 group's housing properties are depreciated at the following annual rates:

| | |
|--------------------------|---------|
| - housing properties | 1% - 2% |
| - improvements | 2% - 7% |
| - fixtures and furniture | 15% |

Housing properties held on leases are amortised over the life of the lease or their estimated useful economic lives if shorter. Housing properties in the course of construction are stated at cost and not depreciated. Where housing properties have suffered a permanent diminution in value, the fall in value is recognised after taking account of any related SHG.

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.

Other tangible fixed assets

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

| | |
|----------------------------------|-----|
| - leasehold offices | 2% |
| - office furniture and equipment | 15% |
| - motor vehicles | 25% |
| - computer equipment | 25% |
| - scheme furniture and equipment | 20% |

2 Accounting policies (continued)

Leased assets

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the group's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the income and expenditure account over the period of the lease in proportion to the balance of capital repayments outstanding. Rentals payable under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

Properties held for resale

Completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

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.

Supporting People

Charges for supporting services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Provisions

The group only provides for contractual liabilities.

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.

Reserves

The group establishes *restricted reserves* for specific purposes where their use is subject to external restrictions and *designated reserves* where reserves are earmarked for a particular purpose.

Charitable fund reserve

The group maintains a charitable reserve that comprises of donations received. The reserve is uplifted on a quarterly basis to take account of notional interest on the balance. Utilisation of the reserve is at the discretion of the Board.

3 Turnover, operating costs and operating surplus

| | Year to 31 December 2008 | | | Year to 31 December 2007 | |
|---|--------------------------|-----------------|-------------------|--------------------------|-------------------|
| | Turnover | Operating Costs | Operating Surplus | Turnover | Operating Surplus |
| Group – continuing activities | £'000 | £'000 | £'000 | £'000 | £'000 |
| Social housing lettings | | | | | |
| General needs housing | 12,616 | (9,813) | 2,803 | 9,852 | 3,061 |
| Supported and sheltered housing | 1,764 | (1,434) | 330 | 1,640 | (80) |
| Shared ownership | 113 | (111) | 2 | 111 | 19 |
| | 14,493 | (11,358) | 3,135 | 11,603 | 3,000 |
| Other social housing activities | | | | | |
| Provision against shared ownership developments | - | (41) | (41) | - | - |
| Provision against land bank value | - | (231) | (231) | - | - |
| Development services | 82 | (41) | 41 | 128 | 106 |
| | 14,575 | (11,671) | 2,904 | 11,731 | 3,106 |
| Non-social housing activities | | | | | |
| Commercial lettings | 63 | (15) | 48 | 68 | 44 |
| Gift Aid | 77 | - | 77 | | |
| Other Income | 51 | (40) | 11 | 18 | (67) |
| | 14,766 | (11,726) | 3,040 | 11,817 | 3,083 |

| | Year to 31 December 2008 | | | Year to 31 December 2007 | |
|---|--------------------------|-----------------|-------------------|--------------------------|-------------------|
| | Turnover | Operating Costs | Operating Surplus | Turnover | Operating Surplus |
| Association – continuing activities | £'000 | £'000 | £'000 | £'000 | £'000 |
| Social housing lettings | | | | | |
| General needs housing | 10,137 | (7,745) | 2,392 | 9,852 | 3,061 |
| Supported and sheltered housing | 1,764 | (1,744) | 20 | 1,640 | (80) |
| Shared ownership | 113 | (111) | 2 | 111 | 19 |
| | 12,014 | (9,600) | 2,414 | 11,603 | 3,000 |
| Other social housing activities | | | | | |
| Provision against shared ownership developments | - | (41) | (41) | - | - |
| Provision against land bank value | - | (231) | (231) | - | - |
| Development services | 59 | (33) | 26 | 80 | 66 |
| | 12,073 | (9,905) | 2,168 | 11,683 | 3,066 |
| Non-social housing activities | | | | | |
| Commercial lettings | 63 | (15) | 48 | 68 | 44 |
| Gift Aid | 92 | - | 92 | 40 | 32 |
| Other Income | 361 | (40) | 321 | 18 | 15 |
| | 12,589 | (9,960) | 2,629 | 11,809 | 3,157 |

For a detailed analysis of income and expenditure from social housing lettings, see note 4. Commercial lettings relate to land and shops owned by the group.

4 Particulars of income and expenditure from social housing lettings

| Group | General needs £'000 | Supported and sheltered housing £'000 | Shared ownership £'000 | Year to 31 December 2008 £'000 | Year to 31 December 2007 £'000 |
|--|---------------------------|---|------------------------------|---|---|
| Turnover from social housing lettings | | | | | |
| Rents receivable net of identifiable service charges | 12,125 | 1,509 | 49 | 13,683 | 10,581 |
| Service charges receivable | 297 | 147 | 58 | 502 | 489 |
| Charges for support | 53 | 73 | 6 | 132 | 122 |
| Net Rental Income | 12,475 | 1,729 | 113 | 14,317 | 11,192 |
| Housing Corporation grants for major repairs | 20 | - | - | 20 | 162 |
| Other Income | 121 | 35 | - | 156 | 249 |
| Turnover from social housing lettings | 12,616 | 1,764 | 113 | 14,493 | 11,603 |
| Operating cost of social housing lettings | | | | | |
| Management | 2,530 | 313 | 10 | 2,853 | 2,557 |
| Services | 564 | 430 | 87 | 1,081 | 958 |
| Support Costs | 10 | 164 | 1 | 175 | 175 |
| Routine maintenance | 3,541 | 290 | 6 | 3,837 | 2,490 |
| Planned maintenance | 1,092 | 56 | 1 | 1,149 | 1,007 |
| Major repairs expenditure | 811 | 27 | 1 | 839 | 685 |
| Bad debts | 387 | 25 | 1 | 413 | 266 |
| Depreciation of housing properties | 800 | 114 | 4 | 918 | 802 |
| Other Costs | 78 | 15 | - | 93 | 130 |
| Gain on pension scheme settlement | - | - | - | - | (467) |
| Operating cost of social housing lettings | 9,813 | 1,434 | 111 | 11,358 | 8,603 |
| Operating surplus on social housing lettings | 2,803 | 330 | 2 | 3,135 | 3,000 |
| Void losses | 305 | 41 | - | 346 | 268 |

4 Particulars of income and expenditure from social housing lettings

| Association | General needs £'000 | Supported and sheltered housing £'000 | Shared ownership £'000 | Year to 31 December 2008 £'000 | Year to 31 December 2007 £'000 |
|--|---------------------------|---|------------------------------|---|---|
| Turnover from social housing lettings | | | | | |
| Rents receivable net of identifiable service charges | 9,681 | 1,509 | 49 | 11,239 | 10,581 |
| Service charges receivable | 283 | 147 | 58 | 488 | 489 |
| Charges for support | 53 | 73 | 6 | 132 | 122 |
| Net Rental Income | 10,017 | 1,729 | 113 | 11,859 | 11,192 |
| Housing Corporation grants for major repairs | 20 | - | - | 20 | 162 |
| Other Income | 100 | 35 | - | 135 | 249 |
| Turnover from social housing lettings | 10,137 | 1,764 | 113 | 12,014 | 11,603 |
| Operating cost of social housing lettings | | | | | |
| Management | 2,122 | 623 | 10 | 2,755 | 2,557 |
| Services | 481 | 430 | 87 | 998 | 958 |
| Support Costs | 10 | 164 | 1 | 175 | 175 |
| Routine maintenance | 2,646 | 290 | 6 | 2,942 | 2,490 |
| Planned maintenance | 704 | 56 | 1 | 761 | 1,007 |
| Major repairs expenditure | 811 | 27 | 1 | 839 | 685 |
| Bad debts | 163 | 25 | 1 | 189 | 266 |
| Depreciation of housing properties | 732 | 114 | 4 | 850 | 802 |
| Other Costs | 76 | 15 | - | 91 | 130 |
| Gain on pension scheme settlement | - | - | - | - | (467) |
| Operating cost of social housing lettings | 7,745 | 1,744 | 111 | 9,600 | 8,603 |
| Operating surplus on social housing lettings | 2,392 | 20 | 2 | 2,414 | 3,000 |
| Void losses | 168 | 41 | - | 209 | 268 |

5 Accommodation in management and development

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

| Group and Association | 31 December 2008 number | 31 December 2007 number |
|--|--|-------------------------------|
| Social housing | | |
| General housing | 4,167 | 3,014 |
| Supported and sheltered housing | 274 | 272 |
| Shared ownership | 73 | 73 |
| Total owned or managed | 4,514 | 3,359 |
| Non-social housing | | |
| Commercial units | 14 | 14 |
| Accommodation in development at the year end | 23 | 23 |

| Association | 31 December 2008 number | 31 December 2007 number |
|--|--|-------------------------------|
| Social housing | | |
| General housing | 3,035 | 3,014 |
| Supported and sheltered housing | 274 | 272 |
| Shared ownership | 73 | 73 |
| Total owned or managed | 3,382 | 3,359 |
| Non-social housing | | |
| Commercial units | 14 | 14 |
| Accommodation in development at the year end | 23 | 23 |

The group owns 67 supported housing units (2007: 67) that are managed on its behalf, under management agreements, by other bodies who contract with Supporting People Administering Authorities and carry the risk related to the supported housing units.

6 Surplus on ordinary activities before taxation

This is stated after charging / (crediting):

| Group | 31 December 2008 | 31 December 2007 |
|---|-----------------------------|--------------------------|
| | £'000 | £'000 |
| Depreciation of housing properties | 917 | 801 |
| Depreciation of other tangible fixed assets | 250 | 233 |
| Operating lease rentals | | |
| Land and buildings | 10 | 10 |
| Office equipment | 52 | 24 |
| | <u><u> </u></u> | <u><u> </u></u> |
| Auditors' remuneration (including VAT) | | |
| Audit | 25 | 22 |
| Tax compliance | 1 | 1 |
| | <u><u> </u></u> | <u><u> </u></u> |
| | | |
| Association | 31 December 2008 | 31 December 2007 |
| | £'000 | £'000 |
| Depreciation of housing properties | 850 | 801 |
| Depreciation of other tangible fixed assets | 250 | 233 |
| Operating lease rentals | | |
| Land and buildings | 10 | 10 |
| Office equipment | 52 | 24 |
| | <u><u> </u></u> | <u><u> </u></u> |
| Auditors' remuneration (including VAT) | | |
| Audit | 15 | 14 |
| Tax compliance | - | - |
| | <u><u> </u></u> | <u><u> </u></u> |

7 Sales of tangible fixed assets and properties held for resale

| Group | note | Properties not developed for outright sale | Other tangible fixed asset sales | 31 December 2008 | 31 December 2007 |
|---|------|--|----------------------------------|------------------|------------------|
| | | £'000 | £'000 | £'000 | £'000 |
| Proceeds | | 2,001 | - | 2,001 | 4,688 |
| Cost of sales | | (863) | - | (863) | (4,441) |
| Depreciation | | 90 | - | 90 | 228 |
| Housing Grant | | 619 | - | 619 | 3,340 |
| Other Grants | | 35 | - | 35 | - |
| Direct expenses | | (46) | - | (46) | (42) |
| | | 1,836 | - | 1,836 | 3,773 |
| Transfer to Recycled Capital Grant Fund | 22 | (616) | - | (616) | (1,617) |
| Transfer to Disposal Proceeds Fund | 23 | - | - | - | (63) |
| | | 1,220 | - | 1,220 | 2,093 |

| Association | note | Properties not developed for outright sale | Other tangible fixed asset sales | 31 December 2008 | 31 December 2007 |
|---|------|--|----------------------------------|------------------|------------------|
| | | £'000 | £'000 | £'000 | £'000 |
| Proceeds | | 1,797 | - | 1,797 | 4,688 |
| Cost of sales | | (860) | - | (860) | (4,441) |
| Depreciation | | 90 | - | 90 | 228 |
| Housing Grant | | 619 | - | 619 | 3,340 |
| Other Grants | | 35 | - | 35 | - |
| Direct expenses | | (12) | - | (12) | (42) |
| | | 1,669 | - | 1,669 | 3,773 |
| Transfer to Recycled Capital Grant Fund | 22 | (616) | - | (616) | (1,617) |
| Transfer to Disposal Proceeds Fund | 23 | - | - | - | (63) |
| | | 1,053 | - | 1,053 | 2,093 |

Sales of properties not developed for outright sale include properties transferred or sold during the period and stair-casing on shared ownership properties.

8 Interest receivable

| | Group | | Association | |
|--------------------------|------------------|------------------|------------------|------------------|
| | 31 December 2008 | 31 December 2007 | 31 December 2008 | 31 December 2007 |
| | £'000 | £'000 | £'000 | £'000 |
| Bank interest receivable | 136 | 313 | 104 | 312 |

9 Interest payable and similar charges

| Group | | 31 December 2008 | 31 December 2007 |
|---|-------------|-----------------------------|---------------------|
| | note | £'000 | £'000 |
| Finance leases | | 3 | 3 |
| Loans and bank overdrafts | | 3,679 | 3,753 |
| Loan Breakage costs | | 140 | 2,444 |
| | | <u>3,822</u> | <u>6,200</u> |
| Interest capitalised on housing properties under construction | | (85) | (60) |
| | | <u>3,737</u> | <u>6,140</u> |
| Amount credited to Recycled Capital Grant Fund | 22 | 83 | 77 |
| Amount credited to Disposal Proceeds Fund | 23 | 14 | 17 |
| Other Interest Payable | | - | 5 |
| | | <u>3,834</u> | <u>6,239</u> |

| Association | | 31 December 2008 | 31 December 2007 |
|---|-------------|-----------------------------|---------------------|
| | note | £'000 | £'000 |
| Finance leases | | 3 | 3 |
| Loans and bank overdrafts | | 3,571 | 3,753 |
| Loan Breakage costs | | 140 | 2,444 |
| | | <u>3,714</u> | <u>6,200</u> |
| Interest capitalised on housing properties under construction | | (85) | (60) |
| | | <u>3,629</u> | <u>6,140</u> |
| Amount credited to Recycled Capital Grant Fund | 22 | 83 | 77 |
| Amount credited to Disposal Proceeds Fund | 23 | 14 | 17 |
| Other Interest Payable | | - | 5 |
| | | <u>3,726</u> | <u>6,239</u> |

Interest on borrowings was capitalised to finance development at a rate of 6.75% (2007: 8.0%).

10 Employees

The average monthly number of employees (full time equivalents) was as follows:

Group

| | 31 December 2008 | 31 December 2007 |
|----------------------|-----------------------------|---------------------|
| Administration | 29 | 24 |
| Development | 5 | 8 |
| Maintenance | 28 | 16 |
| Housing services | 45 | 39 |
| Wardens and cleaners | 11 | 7 |
| | <u>118</u> | <u>94</u> |

The aggregate payroll costs of these persons were as follows:

| | 31 December 2008 | 31 December 2008 |
|----------------------------|-----------------------------|---------------------|
| | £'000 | £'000 |
| Wages and salaries | 2,847 | 2,322 |
| Social security costs | 234 | 195 |
| Pension contributions | 263 | 216 |
| Gain on pension settlement | - | (467) |
| | <u>3,344</u> | <u>2,266</u> |

The average monthly number of employees (full time equivalents) was as follows:

Association

| | 31 December 2008 | 31 December 2007 |
|----------------------|-----------------------------|---------------------|
| Administration | 25 | 24 |
| Development | 5 | 8 |
| Maintenance | 25 | 16 |
| Housing services | 39 | 39 |
| Wardens and cleaners | 9 | 7 |
| | <u>103</u> | <u>94</u> |

The aggregate payroll costs of these persons were as follows:

| | 31 December 2008 | 31 December 2008 |
|----------------------------|-----------------------------|---------------------|
| | £'000 | £'000 |
| Wages and salaries | 2,574 | 2,322 |
| Social security costs | 216 | 195 |
| Pension contributions | 236 | 216 |
| Gain on pension settlement | - | (467) |
| | <u>3,026</u> | <u>2,266</u> |

10 Employees *(continued)*

MossCare Housing Group participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the state scheme.

SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide".

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 31 March 2007. From April 2007 there are three benefit structures available, namely:

Final salary with a 1/60th accrual rate.

Final salary with a 1/70th accrual rate.

Career average revalued earnings with a 1/60th accrual rate.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

The association has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 1 April 2007 and the career average revalued earnings with a 1/60th accrual rate benefit structure for new entrants from 1 April 2007.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the period the employer and employee contribution rates for the association were 14.1% and 6.4% to 8.4% of pensionable salaries respectively for active members in the final salary with a 1/60th accrual rate benefit structure and 12.3% and 4.7% to 6.7% of pensionable salaries respectively for new entrants from 1 April 2007 in the career average re-valued earnings with a 1/60th accrual rate benefit structure.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

10 Employees *(continued)*

The last formal valuation of the Scheme was performed as at 30 September 2005 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,278 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £283 million, equivalent to a past service funding level of 82%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2007. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,760 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £209 million, equivalent to a past service funding level of 89%. Annual funding updates of the SHPS Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the scheme since the last full valuation.

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2005.

The financial assumptions underlying the valuation as at 30 September 2005 were as follows:

| | |
|---|------|
| | % pa |
| - Investment return pre retirement | 7.2 |
| - Investment return post retirement | 4.8 |
| - Rate of salary increases to 30 September 2010 | 5.0 |
| - Rate of salary increases from 1 October 2010 | 4.0 |
| - Rate of pension increases | 2.5 |
| - Rate of price inflation | 2.5 |

The valuation was carried out using the PA92C2025 mortality table for non-pensioners and PA92C2013 mortality table for pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

| | Males | Females |
|-----------------|--|--|
| | Assumed life expectancy in years at age 65 | Assumed life expectancy in years at age 65 |
| Non- pensioners | 20.4 | 23.3 |
| Pensioners | 19.4 | 22.4 |

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed at:

| Benefit structure | Long-term joint contribution rate (% of pensionable salaries) |
|---|---|
| Final salary with a 1/60 th accrual rate | 17.6 |
| Final salary with a 1/70 th accrual rate | 15.3 |
| Career average revalued earnings with a 1/60 th accrual rate | 14.1 |

10 Employees *(continued)*

The long-term joint contribution rates required from employers and members where contributions are set their on an age related basis are:

| Age | Under 30 | 30 – 40 | Over 40 |
|---|--|---------|---------|
| Benefit structure | Long-term joint contribution rate (% of pensionable salaries) | | |
| Final salary with a 1/60 th accrual rate | 16.1 | 17.1 | 18.1 |
| Final salary with a 1/70 th accrual rate | 13.8 | 14.8 | 15.8 |
| Career average revalued earnings with a 1/60 th accrual rate | 12.6 | 13.6 | 14.6 |

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £283 million would be dealt with by the payment of deficit contributions of 4.4% of pensionable salaries with effect from 1 April 2007. These deficit contributions are in addition to the long-term joint contribution rates set out in the table above.

Employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.0% to reflect the higher costs of a closed arrangement.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit by 30 September 2020.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the SHPS Scheme and confirmed that, in respect of the September 2005 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

The next full actuarial valuation will be carried out as at 30 September 2008.

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

10 Employees *(continued)*

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Scheme as at 31 March 2007. As of this date the estimated employer debt for the association was £3,192,000.

Mossclare Housing Limited Retirement and Death Benefit Scheme

Up until 7 June 2007 the association operated a defined benefit pension scheme, the Mossclare Housing Limited Retirement and Death Benefit Scheme. The scheme funds were administered by trustees and were independent of the Company's finances. From 31 July 1999, no further benefits accrued in the Scheme, and therefore no regular contributions are paid to the Scheme, in line with the recommendations of an independent actuarial advisor.

All the remaining assets and liabilities were transferred to the SHPS, a multi-employer arrangement. This transaction was agreed on 7 June 2007, and was treated as a settlement of the liabilities at that date.

The post retirement deficit under FRS17 moved during the year ended 31 December 2007 as follows:

| | 2007 |
|--|---------------|
| | £000's |
| Deficit in scheme at beginning of year | 1,953 |
| Current service cost | - |
| Past service cost | (467) |
| Contributions paid | (1,339) |
| Other finance income | 48 |
| Actuarial (gain)/ loss | (195) |
| Deficit in scheme at end of year | <u>-</u> |

Analysis of amounts included in other finance income/expense for the year ended 31 December 2007:

| | 2007 |
|--|---------------|
| | £000's |
| Expected return on pension scheme assets | 29 |
| Interest on plan liabilities | (77) |
| Net return to credit to finance income | <u>(48)</u> |

11 Board members and Executive Directors

| Group | Basic salary | Benefits in kind | Pension contributions | Year to December | Year to December |
|----------------------|---------------------|-------------------------|------------------------------|-------------------------|-------------------------|
| £ 000's | 2008 | 2008 | 2008 | 2008 | 2007 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Aggregate emoluments | 342 | 9 | 41 | 392 | 348 |

Emoluments paid to board members were £22,441 (2007: £3,642). Expenses paid during the period to Board members amounted to £745 (2007: £1,033). No payment or benefits, other than those permitted, were made to the persons referred to in Schedule 1 of the Housing Act 1996.

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. Mossclare Housing Limited does not make any further contribution to an individual pension arrangement for the Chief Executive.

25% of the Director's aggregate emoluments are charged to the subsidiary undertaking, Mossbank Homes Ltd, and are recharged via a Service Level Agreement.

12 Taxation

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

Its subsidiary undertaking, Mossclare Developments Limited, is a "close" company within the meaning of Section 414 of the Income and Corporation Taxes Act 1988. Corporation tax payable for the period amounted to £11 (2007 : £57)

13 Housing properties

| Group | Social housing properties completed | Non-social housing properties completed | Total housing properties completed | Social housing properties under construction | Shared ownership properties completed | Shared ownership under construction | Total |
|--------------------------------------|-------------------------------------|---|------------------------------------|--|---------------------------------------|-------------------------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | | | | |
| At beginning of period | 153,072 | 869 | 153,941 | 1,632 | 2,217 | - | 157,790 |
| Additions during the period | 1,115 | - | 1,115 | 3,724 | - | 1,803 | 6,642 |
| Works to existing properties | 6,073 | - | 6,073 | - | - | - | 6,073 |
| Disposals | (60) | - | (60) | - | - | - | (60) |
| Transferred to properties for resale | - | - | - | - | - | (1,279) | (1,279) |
| Transferred on completion | 3,887 | - | 3,887 | (3,887) | - | - | - |
| At end of period | 164,087 | 869 | 164,956 | 1,469 | 2,217 | 524 | 169,166 |
| Depreciation | | | | | | | |
| At beginning of period | 6,014 | 61 | 6,075 | - | 29 | - | 6,104 |
| Charge for period | 905 | 12 | 917 | - | - | - | 917 |
| Disposals | - | - | - | - | - | - | - |
| At end of period | 6,919 | 73 | 6,992 | - | 29 | - | 7,021 |
| Cost less depreciation | | | | | | | |
| At 31 December 2008 | 157,168 | 796 | 157,964 | 1,469 | 2,188 | 524 | 162,145 |
| At 31 December 2007 | 147,060 | 808 | 147,868 | 1,632 | 2,187 | - | 151,687 |
| Social Housing Grant | | | | | | | |
| At beginning of period | 88,627 | 85 | 88,712 | 1,014 | 1,468 | - | 91,194 |
| Received during the period | 58 | - | 58 | 2,219 | - | 260 | 2,537 |
| Disposals | (3) | - | (3) | - | - | - | (3) |
| Transferred on completion | 2,074 | - | 2,074 | (2,074) | - | - | - |
| At end of period | 90,756 | 85 | 90,841 | 1,159 | 1,468 | 260 | 93,728 |
| Other grants | | | | | | | |
| At beginning of period | 4,631 | 210 | 4,841 | - | 27 | - | 4,868 |
| At end of period | 4,631 | 210 | 4,841 | - | 27 | - | 4,868 |

13 Housing Properties (Continued)

| Association | Social housing properties completed | Non-social housing properties completed | Total housing properties completed | Social housing properties under construction | Shared ownership properties completed | Shared ownership under construction | Total |
|--------------------------------------|-------------------------------------|---|------------------------------------|--|---------------------------------------|-------------------------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | | | | |
| At beginning of period | 153,072 | 869 | 153,941 | 1,632 | 2,217 | - | 157,790 |
| Additions during the period | - | - | - | 3,724 | - | 1,803 | 5,527 |
| Works to existing properties | 576 | - | 576 | - | - | - | 576 |
| Disposals | (57) | - | (57) | - | - | - | (57) |
| Transferred to properties for resale | - | - | - | - | - | (1,279) | (1,279) |
| Transferred on completion | 3,887 | - | 3,887 | (3,887) | - | - | - |
| At end of period | 157,478 | 869 | 158,347 | 1,469 | 2,217 | 524 | 162,557 |
| Depreciation | | | | | | | |
| At beginning of period | 6,014 | 61 | 6,075 | - | 29 | - | 6,104 |
| Charge for period | 838 | 12 | 850 | - | - | - | 850 |
| Disposals | - | - | - | - | - | - | - |
| At end of period | 6,852 | 73 | 6,925 | - | 29 | - | 6,954 |
| Cost less depreciation | | | | | | | |
| At 31 December 2008 | 150,626 | 796 | 151,422 | 1,469 | 2,188 | 524 | 155,603 |
| At 31 December 2007 | 147,060 | 808 | 147,868 | 1,632 | 2,187 | - | 151,687 |
| Social Housing Grant | | | | | | | |
| At beginning of period | 88,627 | 85 | 88,712 | 1,014 | 1,468 | - | 91,194 |
| Received during the period | 58 | - | 58 | 2,219 | - | 260 | 2,537 |
| Disposals | (3) | - | (3) | - | - | - | (3) |
| Transferred on completion | 2,074 | - | 2,074 | (2,074) | - | - | - |
| At end of period | 90,756 | 85 | 90,841 | 1,159 | 1,468 | 260 | 93,728 |
| Other grants | | | | | | | |
| At beginning of period | 4,631 | 210 | 4,841 | - | 27 | - | 4,868 |
| At end of period | 4,631 | 210 | 4,841 | - | 27 | - | 4,868 |

13 Housing properties *(continued)*

Expenditure on works to existing properties

| Group | 31 December 2008 | 31 December 2007 |
|---|-----------------------------|---------------------|
| | £'000 | £'000 |
| Amounts capitalised | 6,073 | 292 |
| Amounts charged to income and expenditure account | 839 | 171 |
| Total | <u>6,912</u> | <u>463</u> |

Social Housing Grant

| Group | 31 December 2008 | 31 December 2007 |
|--------------|-----------------------------|---------------------|
| | £'000 | £'000 |

Total accumulated SHG receivable was:

| | | |
|----------------|----------------------|---------------|
| Capital grants | 94,780 | 92,862 |
| Revenue grants | 2,175 | 2,155 |
| | <u>96,955</u> | <u>95,017</u> |

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

| Group | 31 December 2008 | 31 December 2007 |
|------------------------------------|-----------------------------|---------------------|
| | £'000 | £'000 |
| Freehold land and buildings | 31,167 | 29,315 |
| Long leasehold land and buildings | 15,773 | 15,743 |
| Short leasehold land and buildings | 100 | 131 |
| Reimprovements | 16,509 | 10,436 |
| | <u>63,549</u> | <u>55,625</u> |

Additions to housing properties include £158,678 (2007: £299,000) for direct development overheads.

13 Housing properties *(continued)*

Expenditure on works to existing properties

| | 31 December 2008 | 31 December 2007 |
|---|-----------------------------|---------------------|
| Association | £'000 | £'000 |
| Amounts capitalised | 576 | 292 |
| Amounts charged to income and expenditure account | 839 | 171 |
| Total | <u>1,415</u> | <u>463</u> |

Social Housing Grant

| | 31 December 2008 | 31 December 2007 |
|--------------------|-----------------------------|---------------------|
| Association | £'000 | £'000 |

Total accumulated SHG receivable was:

| | | |
|----------------|---------------|---------------|
| Capital grants | 94,780 | 92,862 |
| Revenue grants | 2,175 | 2,155 |
| | <u>96,955</u> | <u>95,017</u> |

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

| | 31 December 2008 | 31 December 2007 |
|------------------------------------|-----------------------------|---------------------|
| Association | £'000 | £'000 |
| Freehold land and buildings | 30,123 | 29,315 |
| Long leasehold land and buildings | 15,773 | 15,743 |
| Short leasehold land and buildings | 100 | 131 |
| Reimprovements | 11,011 | 10,436 |
| | <u>57,007</u> | <u>55,625</u> |

Additions to housing properties include £158,678 (2007: £299,000) for direct development overheads.

14 Other fixed assets

| Group and Association | Offices | Office furniture and equipment | Motor Vehicles | Computer Equipment | Scheme furniture and equipment | Total |
|------------------------------|--------------|---|-------------------|-----------------------|---|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | | | |
| At beginning of period | 1,192 | 185 | 122 | 917 | 615 | 3,031 |
| Additions | 527 | 53 | 80 | 159 | 20 | 839 |
| Disposals | - | - | - | - | - | - |
| At end of period | 1,719 | 238 | 202 | 1,076 | 635 | 3,870 |
| Depreciation | | | | | | |
| At beginning of period | 288 | 110 | 41 | 668 | 504 | 1,611 |
| Charge for period | 32 | 22 | 36 | 115 | 45 | 250 |
| Eliminated on disposal | - | - | - | - | - | - |
| At end of period | 320 | 132 | 77 | 783 | 549 | 1,861 |
| Net book value | | | | | | |
| At 31 December 2008 | 1,399 | 106 | 125 | 293 | 86 | 2,009 |
| At 31 December 2007 | 904 | 75 | 81 | 249 | 111 | 1,420 |

Offices book value, net of depreciation comprises:

| | 31 December 2008 | 31 December 2007 |
|------------------------|-----------------------------|---------------------|
| | £'000 | £'000 |
| Freehold offices | 82 | 60 |
| Long leasehold offices | 1,317 | 844 |
| | 1,399 | 904 |

The net book value of office properties includes £916 (2007: £970) in respect of assets under finance leases. Depreciation charged in the period on these assets amounted to £54 (2007: £54).

15 Investments in group undertakings

Investments in group undertakings comprise:

| Group & Association | as at 31 December 2008 £'000 | as at 31 December 2007 £'000 |
|--------------------------------|---|---|
| Subsidiary undertakings | - | - |
| Joint venture loan | 10 | 10 |
| | 10 | 10 |

Reviva's turnover for the year to 31 December 2008 was £3,459,000 and expenses of £3,409,000 were incurred. The association's share of the profit was therefore £17,000. The association's investments in Reviva are:

| Group | as at 31 December 2008 £'000 | as at 31 December 2007 £'000 |
|----------------------------|---|---|
| Share of gross assets | 180 | 172 |
| Share of gross liabilities | (147) | (156) |
| | 33 | 16 |

The financial statements consolidate the results of MossCare Developments Limited and Mossbank Homes Limited, subsidiaries of the association at the end of the period. The association has the right to appoint members to the Boards of the two subsidiaries and thereby exercised control over them. Details of the subsidiaries are as follows:

| | |
|-------------------------------|--|
| Mossbank Homes Limited | Registered Provider of Social Housing, 100% controlled subsidiary. Incorporated in England as an Industrial and Provident Society. Undertook a transfer of housing from Manchester City Council in April 2008 and now carries out housing management and maintenance of that stock. |
| MossCare Developments Limited | Registered company, 100% owned subsidiary. Incorporated in England as a company limited by guarantee. Principal activities are housing management and the development of sites for construction. |
| Reviva Urban Renewal Limited | Registered company, 33 $\frac{1}{3}$ % owned joint venture with two other Registered Providers of Social Housing. Incorporated in England as a company limited by guarantee. It carries out work under Framework Contracts for the physical regeneration and improvement of existing homes and open spaces and provides neighbourhood management services. |

In the opinion of the Board, MossCare Housing Limited is the ultimate holding company.

16 Properties held for sale or demolition**Group and Association**

| Properties for sale | Cost | Depreciation | Cost Less Depreciation | Social Housing Grant | Other grants | Net Book Value |
|----------------------------------|--------------|--------------|---------------------------|----------------------------|-----------------|-------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| 01 January 2007 | 2,263 | 140 | 2,124 | 1,668 | 98 | 358 |
| Transfer from housing properties | 1,279 | - | 1,279 | - | - | 1,279 |
| Additions | - | - | - | - | 35 | (35) |
| Disposals | (803) | (90) | (713) | (616) | (35) | (62) |
| Provision for impairment | (272) | - | (272) | - | - | (272) |
| 31 December 2008 | 2,467 | 50 | 2,418 | 1,052 | 98 | 1,268 |

17 Debtors

| | Group | | Association | |
|---|-----------------------------|---------------------|-----------------------------|---------------------|
| | 31 December 2008 | 31 December 2007 | 31 December 2008 | 31 December 2007 |
| | £'000 | £'000 | £'000 | £'000 |
| Due within one year | | | | |
| Arrears of rent and service charges | 1,491 | 896 | 1,089 | 896 |
| Provision for bad and doubtful debts | (727) | (390) | (514) | (390) |
| | 764 | 506 | 575 | 506 |
| Amounts owed by subsidiary undertakings | - | - | 592 | 196 |
| Social Housing Grant receivable | - | - | - | - |
| Taxation and social security | 697 | - | - | - |
| Other debtors | 150 | 457 | 130 | 335 |
| Prepayments and accrued income | 370 | 209 | 340 | 209 |
| | 1,981 | 1,172 | 1,637 | 1,246 |

18 Short term investments

| Group | 31 December 2008 | 31 December 2007 |
|-----------------------|-----------------------------|---------------------|
| | £'000 | £'000 |
| Money market deposits | 1,143 | 4,430 |
| Association | 31 December 2008 | 31 December 2007 |
| | £'000 | £'000 |
| Money market deposits | 1,103 | 4,430 |

There are no balances in the above charged to lenders.

19 Cash at bank and in hand

| | Group | | Association | |
|--------------------------|---------------------------------------|------------------------------|---------------------------------------|------------------------------|
| | 31 December 2008 £'000 | 31 December 2007 £'000 | 31 December 2008 £'000 | 31 December 2007 £'000 |
| Cash at bank and in hand | 177 | 500 | 100 | 498 |

Included in the above are balances totalling £nil (2007: £360,000), which are charged to certain lenders.

20 Creditors: amounts falling due within one year

| | Group | | Association | |
|---|---------------------------------------|------------------------------|---------------------------------------|------------------------------|
| | 31 December 2008 £'000 | 31 December 2007 £'000 | 31 December 2008 £'000 | 31 December 2007 £'000 |
| Debt (see note 24) | 156 | 338 | 156 | 338 |
| Bank overdraft | 31 | 11 | 29 | 11 |
| Trade creditors | 714 | 725 | 710 | 723 |
| Rents and service charges received in advance | 464 | 439 | 415 | 439 |
| Social Housing Grants received in advance | 221 | 566 | 221 | 566 |
| Other capital grants received in advance | 1,506 | 2,248 | 1,506 | 2,248 |
| Recycled Capital Grant Fund (note 22) | - | 437 | - | 437 |
| Disposal Proceeds Fund (note 23) | - | 296 | - | 296 |
| Amounts owed to subsidiary undertakings | - | - | 82 | 64 |
| Taxation and social security | 99 | 86 | 99 | 86 |
| Other creditors | 406 | 52 | 4 | 52 |
| Accruals and deferred income | 1,977 | 1,054 | 1,075 | 1,041 |
| Retentions | 37 | 435 | 37 | 435 |
| | 5,611 | 6,687 | 4,334 | 6,736 |

21 Creditors: amounts falling due after more than one year

| | Group | | Association | |
|---------------------------------------|---------------------------------------|------------------------------|---------------------------------------|------------------------------|
| | 31 December 2008 £'000 | 31 December 2007 £'000 | 31 December 2008 £'000 | 31 December 2007 £'000 |
| Debt (see note 24) | 58,941 | 52,137 | 53,940 | 52,137 |
| Retentions | 150 | 16 | 13 | 13 |
| Funds held on behalf of others | 329 | 186 | 217 | 186 |
| Recycled Capital Grant Fund (note 22) | 1,570 | 1,529 | 1,570 | 1,529 |
| Disposal Proceeds Fund (note 23) | 94 | 80 | 94 | 80 |
| | 61,084 | 53,948 | 55,834 | 53,945 |

22 Recycled capital grant fund

| Group and Association | 31 December 2008 | 31 December 2007 |
|---|-----------------------------|-----------------------------|
| | £'000 | £'000 |
| At beginning of period | 1,965 | 437 |
| Grants recycled | 616 | 1,617 |
| Interest accrued | 83 | 77 |
| Major repairs and works to existing stock | - | 25 |
| Purchase/development of properties | (1,094) | (190) |
| | 1,570 | 1,966 |
| Due within one year | - | 437 |
| Due in more than one year | 1,570 | 1,529 |

23 Disposal proceeds fund

| Group and Association | 31 December 2008 | 31 December 2007 |
|---|-----------------------------|-----------------------------|
| | £'000 | £'000 |
| At beginning of period | 376 | 296 |
| Net sale proceeds recycled | - | 63 |
| Interest accrued | 14 | 17 |
| Major repairs and works to existing stock | (296) | - |
| | 94 | 376 |
| Due within one year | - | 296 |
| Due in more than one year | 94 | 80 |

24 Debt analysis

| Group | 31 December 2008 | 31 December 2007 |
|----------------------------------|-----------------------------|---------------------|
| | £'000 | £'000 |
| Due within one year | | |
| Bank loans | 147 | 329 |
| Obligations under finance leases | 9 | 9 |
| | <u>156</u> | <u>338</u> |

| Group | 31 December 2008 | 31 December 2007 |
|-------------------------------------|-----------------------------|---------------------|
| | £'000 | £'000 |
| Due after more than one year | | |
| Bank loans | 58,896 | 52,082 |
| Obligations under finance leases | 45 | 55 |
| | <u>58,941</u> | <u>52,137</u> |

Debt is repayable as follows:

| Group | 31 December 2008 | 31 December 2007 |
|---|-----------------------------|---------------------|
| | £'000 | £'000 |
| Loans repayable by instalments | | |
| Within one year | 156 | 338 |
| Between one and two years | 165 | 358 |
| Between two and five years | 676 | 1,451 |
| After five years | 29,308 | 22,923 |
| | <u>30,305</u> | <u>25,070</u> |
| Loans not repayable by instalments | | |
| After five years | 28,792 | 27,405 |
| | <u>59,097</u> | <u>52,475</u> |

The loans are secured by fixed charges on individual properties. The loans repayable by instalments are repaid by half-yearly instalments at fixed or variable rates of interest ranging from 2.5% to 10.6%. The final instalments fall to be repaid in the period 2025 to 2039.

Loans not repayable by instalments are interest only at fixed rates ranging from 4.7% to 11.5%. The principal falls due to be repaid in the period 2016 to 2035. In addition to the above debt, at 31 December 2008 the group had undrawn loan facilities of £34.5m (2007 :£10.7m). In early 2008 the group completed £61m of new loan facilities with Barclays Bank PLC - £31m to fund the Mossbank stock transfer and major repairs and £30m to refinance Mosscare's commercial loan facilities.

24 Debt analysis

| Association | 31 December 2008 | 31 December 2007 |
|----------------------------------|-----------------------------|---------------------|
| | £'000 | £'000 |
| Due within one year | | |
| Bank loans | 147 | 329 |
| Obligations under finance leases | 9 | 9 |
| | <u>156</u> | <u>338</u> |

| Association | 31 December 2008 | 31 December 2007 |
|-------------------------------------|-----------------------------|---------------------|
| | £'000 | £'000 |
| Due after more than one year | | |
| Bank loans | 53,895 | 52,082 |
| Obligations under finance leases | 45 | 55 |
| | <u>53,940</u> | <u>52,137</u> |

Debt is repayable as follows:

| Association | 31 December 2008 | 31 December 2007 |
|---|-----------------------------|---------------------|
| | £'000 | £'000 |
| Loans repayable by instalments | | |
| Within one year | 156 | 338 |
| Between one and two years | 165 | 358 |
| Between two and five years | 676 | 1,451 |
| After five years | 24,307 | 22,923 |
| | <u>25,304</u> | <u>25,070</u> |
| Loans not repayable by instalments | | |
| After five years | 28,792 | 27,405 |
| | <u>54,096</u> | <u>52,475</u> |

The loans are secured either by fixed charges on individual properties. The loans repayable by instalments are repaid by half-yearly instalments at fixed or variable rates of interest ranging from 5.5% to 10.6%. The final instalments fall to be repaid in the period 2025 to 2039.

Loans not repayable by instalments are interest only at fixed rates ranging from 4.7% to 11.5%. The principal falls due to be repaid in the period 2016 to 2035. In addition to the above debt, at 31 December 2008 the association had undrawn loan facilities of £8.8m (2007: £10.7m). During the year, loans with Bank of Scotland and RBS were repaid and refinanced. In February 2008 the association completed a £30m new loan facility with Barclays Bank PLC to refinance MossCare's commercial loan facilities.

25 Non equity share capital

| Association | 31 December 2008 | 31 December 2007 |
|--|-----------------------------|---------------------|
| | £ | £ |
| Shares of £1 each issued and fully paid | | |
| At beginning of period | 84 | 84 |
| Shares issued during the period | 4 | 3 |
| Shares surrendered during the period | (5) | (3) |
| At end of period | 83 | 84 |

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.

26 Reserves

| Group | Charitable fund reserve (designated) | Accumulated Surplus | 2008 Total | 2007 Total |
|---|--|------------------------|-----------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| 01 January | 129 | 2,767 | 2,896 | 3,476 |
| Surplus/ (deficit) for the financial period | - | 579 | 579 | (776) |
| Actuarial gain on pension scheme | - | - | - | 195 |
| Transfers | 1 | (1) | - | 1 |
| 31 December | 130 | 3,345 | 3,475 | 2,896 |

| Association | Charitable fund reserve (designated) | Accumulated Surplus | 2008 Total | 2007 Total |
|----------------------------------|--|------------------------|-------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| 01 January | 129 | 2,777 | 2,906 | 3,435 |
| Surplus for the financial period | - | 60 | 60 | (725) |
| Actuarial gain on pension scheme | - | - | - | 195 |
| Transfers | 1 | (1) | - | 1 |
| 31 December | 130 | 2,836 | 2,966 | 2,906 |

27 Financial commitments**Capital commitments****Group**

| | 2008 | 2007 |
|---|---------------|-------|
| | £'000 | £'000 |
| Contracted for but not provided for in the financial statements | 15,586 | 2,030 |
| Authorised by the Board but not yet contracted for | 201 | 2,813 |
| | 15,787 | 4,843 |

Association

| | 2008 | 2007 |
|---|--------------|-------|
| | £'000 | £'000 |
| Contracted for but not provided for in the financial statements | 496 | 2,030 |
| Authorised by the Board but not yet contracted for | 201 | 2,813 |
| | 697 | 4,843 |

The group expects to finance the above expenditure by the receipt of Social Housing Grant and other grants totalling £1.5m (2006: £0.9m) and the balance with a mixture of loans drawn down under existing loan arrangements and cash reserves generated from property sales.

Operating lease commitments**Group and Association**

| | 2008 | 2007 |
|--|--------------|-------|
| | £'000 | £'000 |
| Land and buildings | | |
| Leases expiring in over five years | 9 | 9 |
| Office equipment | | |
| Leases expiring between two and five years | 36 | 36 |
| | 36 | 36 |

28 Stock Transfers***MOSSBANK HOMES LTD***

On 14 April 2008 the group took the transfer of 1,135 properties from Manchester City Council ("Council") all within Stockport, Greater Manchester. This followed an extensive period of consultation with both the residents and the Council and a ballot of residents. Work on the transferred properties is included in additions to social housing properties under construction.

It was agreed that the management of the stock transfer be carried out by a separate company from MossCare Housing Ltd, and the previously registered association, Mossbank Homes Ltd has been used for this purpose.

Immediately prior to entering into the stock transfer agreement, the Council contracted with Mossbank Homes 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 Mossbank Homes 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 Mossbank Homes to recover VAT on improvement costs that would otherwise have been expensed.

28 Stock Transfers *(continued)*

At the time of the transfer Mossbank Homes 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 Mossbank Homes under the development agreement in relation to the anticipated cost of the improvements (£38.16m)

Footballers Estate, Moss Side

On 2 August 2004 the association took the transfer of 240 properties from Manchester City Council ("Council") on the Footballers estate, Moss Side, Manchester. This followed an extensive period of consultation with both the residents and the Council and a ballot of residents. Work on the transferred properties is included in additions to social housing properties under construction.

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 (£7.43m). At transfer the association contracted with the Council to acquire the benefit of the Council's obligation to carry out the refurbishment works (£7.43m) less the housing properties at a price equal to the agreed negative value of the property in its un-enhanced condition (£0.89m). 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 received a net cash amount of £0.89m from the Council, representing the negative value of the properties in their un-enhanced condition (£0.89m) and the value of the Council's obligation to carry out the refurbishment works (£7.43m), less the amount due to be incurred by the association under the development agreement in relation to the anticipated cost of the improvements (£7.43m).

The impact of these two transactions is that whilst the Council has a legal obligation to the association to complete the refurbishment works, this work has been contracted back to the association who are also legally obligated. The underlying substance of the transaction is therefore that the association has acquired the properties in their existing condition at their agreed value, and will complete certain improvements in line with guarantees to residents. The risk/responsibility of the association would be identical had these transactions not been entered into and as a result the contractual assets/liabilities have been ignored for accounts purposes.

At 31 December 2008, £6.28m (2007: £6.0m) of the refurbishment works had been completed. Net expenditure included in the surplus for the period amounted to £Nil (2007: £Nil).

29 Related parties

There are three tenant members on the association Board; Paul Hammersley, Jeannie Packer and Ian Pownall. Mossbank Homes has four tenant members on its 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.

The association Board includes two Manchester City Council Councillors, Roy Walters and Paul Shannon, and a Trafford Council Employee, Jan Tasker. 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.

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

| | 31 December 2008 £'000 | 31 December 2007 £'000 |
|--|---------------------------------------|------------------------------|
| Operating surplus | 3,040 | 3,083 |
| Depreciation charges | 1,167 | 1,034 |
| Provisions for impairment | 272 | - |
| | 4,479 | 4,117 |
| Working capital movements | | |
| Increase in debtors | (809) | (188) |
| Increase / (decrease) in creditors | 679 | (846) |
| Decrease in provisions | - | (1,805) |
| Net cash inflow from operating activities | 4,349 | 1,278 |

31 Reconciliation of net cash flow to movement in net debt

| | | |
|---|---------------|---------------|
| Decrease / (increase) in cash at bank and bank overdrafts | 343 | (171) |
| Decrease / (increase) in money market investments | 3,287 | (1,562) |
| Cash inflow from increase in debt and lease finance | 6,622 | 4,876 |
| Change in net debt (note 32) | 10,252 | 3,143 |
| Net debt at 1 January 2008 | 47,556 | 44,413 |
| Net debt at 31 December 2008 | 57,808 | 47,556 |

32 Analysis of net debt

| | | |
|---------------------------|-----------------|-----------------|
| Cash at bank and in hand | 177 | 500 |
| Bank overdraft | (31) | (11) |
| Money market investments | 1,143 | 4,430 |
| Debts due within one year | (156) | (338) |
| Debts due after one year | (58,941) | (52,137) |
| | (57,808) | (47,556) |