

Mosscafe Housing Limited

Report of the Board and group financial statements

For the year ended 31 December 2006

Industrial and Provident Societies Registration Number: 18877R

Registered Housing Association Number: L0975

Demonstrating a Strong Commitment to Customer Care

Report of the Board and group financial statements

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Board, Executive Directors, Advisors and Bankers

Board:

Chair George Morton
Vice Chair David McHugh
Secretary Leszek Pawlik

Other Members Euton Christian Lisa Redford
Margaret Heeney Malcolm Semp
June Howard Paul Shannon
Frank Jones Roy Walters
Patricia Butler (from 14 June 2006)
Paulette Martin (from 14 June 2006)
Sarah Evans (from 27 September 2006)
Eric Morten (to 6 June 2007)
Wendy West (to 11 May 2006)
Derrick Rogers (to 1 March 2006)

Executive Directors:

Chief Executive Pamela Schwarz
Deputy Chief Executive /
Housing Services Director Robert Ferguson
Finance Director Vincent Ormrod (from 5 June 2006)
Patrick Tyrrell (from 1 April to 4 June 2006)
Steve Wood (to 31 March 2006)
Technical Services Director Patrick Nolan

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

External auditors: RSM Robson Rhodes LLP
Chartered Accountants
Colwyn Chambers
19 York Street
Manchester M2 3BA

Principal solicitors: Trowers & Hamlins
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 Housing Corporation No. L0975.

Report of the Board

The Board presents its report and the group's audited financial statements for the year ended 31 December 2006.

Principal activities

Mossclare Housing Limited ("the association") is a not-for-profit registered social landlord administered by a voluntary board. It controls two organisations, Mossbank Homes Limited, which is also a registered social landlord, and Mossclare 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

During the year the group has continued its focus on 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. During the year strategic asset disposals were made to build a cash reserve for re-investment.

In December 2006 the association was inspected by the Audit Commission and was assessed as providing a good 2 star service with promising prospects for improvement.

Though our joint venture company, Reviva, did not trade in the period to 31 December 2006, its bid for Framework Contract money from Manchester City Council was successful and activities commenced in February 2007.

In March 2007 the group was chosen as preferred partner for the transfer of eight estates in Stockport from Manchester City Council. The transfer is subject to a tenant ballot in autumn 2007 and is expected to happen early in 2008, with our subsidiary, Mossbank Homes Limited, then taking over the stock and responsibility to deliver local services.

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 £840,000, a result that included better than expected results on property sales, but was affected by high repair costs, additional costs related to undergoing Audit Commission inspection and delays bringing developments into rental caused by utility connection problems.

Reserves

After transfer of the surplus for the year of £840,000 (2005 as restated: (£166,000)) and the actuarial gain on the pension fund of £327,000, at the year- end group reserves amounted to £3.476 million (2005: £2.309million).

Report of the Board *(continued)*

Prior year adjustment

The results for the prior year have been restated for a material error on the treatment of recycled capital grant on property sales. An amount of £414,000 had not been charged to the surplus on property sales and transferred to creditors. The restated consolidated result for the period was a deficit of £166,000 (previously reported surplus £248,000). The Board consider the error was due to an oversight and does not indicate a systematic weakness.

Significant changes in fixed assets

The movement in fixed assets are set out in notes 13 and 14 of the financial statements. Those 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 a stock condition survey has been commissioned in 2007 to identify units needing re-improvement.

Financing and treasury management

The group borrowed a further £8.15 million during the year to develop and improve its housing properties. At the year end gearing had risen to 49%. Further planned borrowings during the next twelve months to finance new developments could increase gearing further, but it is expected to remain well within the group's lending covenants with its funders.

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

The group borrows, principally from banks, at both fixed and floating rates of interest. The group's policy is to keep at least 55 per cent of its borrowings at fixed rates of interest. At the year-end 59 per cent of the group's borrowings were at fixed rates (2005: 67 per cent).

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

During the year the Management Committee was renamed the Board. 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.

Derrick Rogers resigned from the Board on 1 March 2006, Wendy West resigned on 11 May 2006 and Eric Morten resigned on 6 June 2007. Paulette Martin was appointed to the Board on 14 June 2006 and on the same day Patricia Butler was appointed as a tenant Board member following a ballot of the Tenant's Panel. Sarah Evans was appointed to the Board on 27 September 2006.

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.

During the year Steve Wood resigned as Finance Director on 31 March 2006. Patrick Tyrrell served as Interim Finance Director from April to June 2006 and Vince Ormrod was appointed Finance Director from 5 June 2006.

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 Human Resources 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 Human Resources 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). At the annual general meeting on 14 June 2006 the association adopted a new set of rules, which follow the NHF model. 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 and is responsible for managing the affairs of the group. The Board meets, formally, four times a year for regular business. It has five committees - Housing Services, Technical Services, Human Resources, Finance and Audit.

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 weekly and attend Board and sub-committee meetings.

Committees

The Housing Services Committee comprises six members and meets four times a year. It considers housing policy and strategy, authorises evictions and acts as an appeals panel for complaints.

The Technical Services Committee comprises five members and meets four times a year. It considers Housing Corporation bids, approval of housing schemes and placing of contracts with a responsibility for development and maintenance strategies, policies and procedures.

The Human Resources Committee comprises five members and meets four times a year. It is responsible for employment policies and procedures and reviewing salary levels and existing benefits.

The Finance Committee comprises five members and meets four times a year. It considers in detail the raising of loan finance, the budget, financial business plan and annual accounts before these go to the Board for approval as well as reviewing finance policies and procedures. It also considers the appointment of the external auditors.

Report of the Board *(continued)*

NHF Code of Governance *(continued)*

The Audit Committee comprises five members and meets three times a 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.

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 three tenant Board members and clear reporting arrangements between tenant groups and the Board.

Tenant participation is highly valued at Mosscare 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 Manchester area.

We have 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

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 Housing Corporation. 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 Housing Corporation circular R2-25/01 *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 2006 up to the date of approval of the annual report and financial statements. The Board and its 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 audit committee to regularly review the effectiveness of the system of internal control. The 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

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 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 by the Finance Committee.

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.

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

Report of the Board *(continued)*

Political and Charitable Contributions

During the year, the group made no political donations (*2005: £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, especially Awards for All, Local Network Fund, Manchester IMPACT Fund, The Community Champions Fund and Manchester City Council.

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 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 27 June 2007.

Auditors

RSM Robson Rhodes LLP ("Robson Rhodes") has announced its intention to merge its audit practice with that of Grant Thornton UK LLP with effect from 1 July 2007. Accordingly a resolution to appoint either Robson Rhodes or (subject to such merger having been completed) its successor firm, Grant Thornton UK LLP, as auditors will be proposed at the forthcoming Annual General Meeting.

The report of the Board was approved on 6 June 2007 and signed on its behalf by:

Leszek Pawlik
Secretary

Group highlights, five-year summary

Periods ending	December 2006	December 2005 15 months Restated	September 2004	September 2003	September 2002
	£'000	£'000	£'000	£'000	£'000
Group income and expenditure account					
Turnover	11,822	14,611	9,685	10,221	8,185
Income from lettings	10,890	13,184	9,415	8,644	7,938
Operating surplus	2,911	3,492	3,121	2,908	2,539
Interest payable	(3,153)	(3,853)	(2,730)	(2,615)	(2,627)
Surplus / (deficit) for the period	840	(166)	511	340	88
Group balance sheet					
Housing properties, net of depreciation SHG and other capital grants	147,688 (93,165)	140,719 (91,984)	128,162 (83,899)	118,605 (79,270)	110,344 (73,332)
Housing properties, net of capital grants and depreciation	54,523	48,735	44,263	39,335	37,012
Net current (liabilities)/assets	(2,630)	(5,279)	(4,416)	(4,274)	(2,035)
Loans (due over one year)	47,230	39,418	35,929	32,802	33,200
Pension liability (<i>FRS 17 has been applied to accounts from 2004 onwards</i>)	1,953	2,173	1,460	-	-
Reserves : restricted or designated	128	485	579	449	386
: accumulated surplus	3,348	1,824	2,457	2,698	2,421
: total	3,476	2,309	3,036	3,147	2,807
Accommodation figures					
	Number	Number	Number	Number	Number
Total stock managed at period end:					
Social housing	3346	3333	3278	3008	2645
Non-social housing	14	14	14	14	14
	3360	3347	3292	3022	2659
Statistics					
Operating surplus as % of turnover	24.6%	23.9%	32.2%	28.5%	31.0%
Surplus for the period as % of turnover	7.1%	(1.1%)	5.3%	3.3%	1.1%
Rent losses (<i>voids and bad debts as % of rent and service charges receivable</i>)	3.4%	6.3%	6.3%	5.8%	5.2%
Rent arrears (<i>gross arrears as % of rent and service charges receivable</i>)	9.2%	11.2%	11.6%	10.6%	13.6%
Interest cover (<i>surplus before interest payable, including property sales, divided by interest payable and capitalised interest</i>)	1.24	0.96	1.21	1.11	1.02
Liquidity (<i>current assets divided by current liabilities</i>)	0.64	0.28	0.43	0.47	0.69
Gearing (<i>total loans as % of capital grants plus reserves</i>)	49.2%	42.0%	41.5%	40.3%	43.7%
Gearing reserves (<i>total loans as % of capital grants plus loans plus reserves</i>)	33.0%	29.6%	29.3%	28.7%	30.4%
Total reserves per unit managed	£1,035	£690	£922	£1,041	£1,056

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 applied 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 2005).

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 2005).

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 Mossclare Housing Limited

We have audited the group and association financial statements of Mossclare Housing Limited for the year ended 31 December 2006, which comprise the group and association income and expenditure accounts, the group and association balance sheets, the group cash flow statement, the group and association statements of total recognised surpluses and deficits and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of Board and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 (as amended by the Housing Act 2004) 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, if the group and association have not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the information accompanying the financial statements and consider whether it is consistent with the audited financial statements. The 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.

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 judgements made by the Board in the preparation of the financial statements and of whether the accounting policies are appropriate to the group's and 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 Mosscares 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 affairs of the group and association as at 31 December 2006 and of the group's and association's surplus for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 (as amended by the Housing Act 2004) and the Accounting Requirements for registered social landlords General Determination 2006.

RSM Robson Rhodes LLP

Chartered Accountants and Registered Auditors
Manchester, England

14 June 2007

**Consolidated income and expenditure account
for the year ended 31 December 2006**

	Note	Year to December 2006 £'000	Fifteen months to December Restated 2005 £'000
Turnover: continuing activities	3	11,822	14,611
Cost of property sales	3	-	(88)
Operating costs	3	(8,911)	(11,031)
Operating surplus: continuing activities		2,911	3,492
Share of operating loss in joint venture		(6)	-
Surplus on sales of properties not developed for outright sale	7	1,147	193
Surplus on ordinary activities before interest		4,052	3,685
Interest receivable	8	48	113
Interest payable and similar charges	9	(3,153)	(3,853)
Other finance costs	10	(105)	(111)
Surplus / (Deficit) on ordinary activities before taxation	6	842	(166)
Tax on surplus on ordinary activities	12	(2)	-
Surplus / (Deficit) for the financial period	26	840	(166)

The notes on pages 18 to 46 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.

**Association income and expenditure account
for the year ended 31 December 2006**

	Note	Year to December 2006 £'000	Fifteen months to December Restated 2005 £'000
Turnover: continuing activities	3	11,070	14,015
Cost of property sales	3	-	(88)
Operating costs	3	(8,158)	(10,452)
Operating surplus: continuing activities		2,912	3,475
Surplus on sales of properties not developed for outright sale	7	1,147	193
Surplus on ordinary activities before interest		4,059	3,668
Interest receivable	8	47	109
Interest payable and similar charges	9	(3,153)	(3,853)
Other finance costs	10	(105)	(111)
Surplus on ordinary activities before taxation	6	848	(187)
Tax on surplus on ordinary activities	12	-	-
Surplus for the financial period	26	848	(187)

The notes on pages 18 to 46 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
for the year ended 31 December 2006**

Group	Year to 31 December Note	2006 £'000	Fifteen months to 31 December 2005 Restated £'000
Surplus / (Deficit) for the financial period		840	(166)
Actuarial gain or (loss) on pension scheme		327	(600)
Total recognised surpluses and deficits relating to the year		1,167	(766)
Prior year adjustments	33	(414)	(557)
Total recognised surpluses and deficits since the last report		753	(1,323)
Association			
Surplus / (Deficit) for the financial period		848	(187)
Actuarial gain or (loss) on pension scheme		327	(600)
Total recognised surpluses and deficits relating to the year		1,175	(787)
Prior year adjustments	33	(414)	(557)
Total recognised surpluses and deficits since the last report		761	(1,344)

**Reconciliation of movements in Group's and Association's funds
for the year ended 31 December 2006**

	Group		Association	
	31 December 2006 £'000	31 December 2005 Restated £'000	31 December 2006 £'000	31 December 2005 Restated £'000
Opening funds as previously stated	2,723	3,593	2,674	3,565
Prior year adjustment	(414)	(557)	(414)	(557)
Opening total funds as restated	2,309	3,036	2,260	3,008
Transfer of engagements	-	39	-	39
Total recognised surpluses and deficits relating to the year	1,167	(766)	1,175	(787)
Closing total funds	3,476	2,309	3,435	2,260

Consolidated balance sheet at 31 December 2006

	Note	31 December 2006 £'000	31 December 2005 Restated £'000
Tangible fixed assets			
Housing properties	13	147,688	140,719
Social Housing Grant	13	(88,075)	(86,664)
Other grants	13	(5,090)	(5,320)
		<u>54,523</u>	<u>48,735</u>
Other tangible fixed assets	14	1,421	1,321
		<u>55,944</u>	<u>50,056</u>
Investments in group undertakings:			
Share of gross assets	15	4	10
		<u>55,948</u>	<u>50,066</u>
Current assets			
Properties held for sale or demolition	16	543	1
Debtors	17	994	1,754
Investments	18	2,868	-
Cash at bank and in hand	19	318	411
		<u>4,723</u>	<u>2,166</u>
Creditors : amounts falling due within one year	20	(7,353)	(7,859)
Net current liabilities		<u>(2,630)</u>	<u>(5,693)</u>
Total assets less current liabilities		<u>53,318</u>	<u>44,373</u>
Creditors : amounts falling due after more than one year			
Net pension liability	10	1,953	2,173
		<u>49,842</u>	<u>42,064</u>
Capital and reserves			
Called up share capital	25	-	-
Designated reserves	26	128	485
Accumulated surplus	26	3,348	1,824
Consolidated funds		<u>3,476</u>	<u>2,309</u>
		<u>53,318</u>	<u>44,373</u>

The financial statements were approved by the Board on 6 June 2007 and were signed on its behalf by:

Frank Jones
Board Member

George Morton
Board Member

Leszek Pawlik
Secretary

Association balance sheet at 31 December 2006

	Note	31 December 2006 £'000	31 December 2005 Restated £'000
Tangible fixed assets			
Housing properties	13	147,688	140,719
Social Housing Grant	13	(88,075)	(86,664)
Other grants	13	(5,090)	(5,320)
		<u>54,523</u>	<u>48,735</u>
Other tangible fixed assets	14	1,421	1,321
		<u>55,944</u>	<u>50,056</u>
Investments in group undertakings	15	10	10
		<u>55,954</u>	<u>50,066</u>
Current assets			
Properties held for sale or demolition	16	543	1
Debtors	17	1,022	1,795
Investments	18	2,868	-
Cash at bank and in hand	19	317	227
		<u>4,750</u>	<u>2,023</u>
Creditors : amounts falling due within one year	20	(7,427)	(7,765)
Net current (liabilities)		<u>(2,677)</u>	<u>(5,742)</u>
Total assets less current liabilities		<u>53,277</u>	<u>44,324</u>
Creditors : amounts falling due after more than one year	21	47,889	39,891
Net pension liability	10	1,953	2,173
		<u>49,842</u>	<u>42,064</u>
Capital and reserves			
Called up share capital	25	-	-
Designated reserves	26	128	485
Accumulated surplus	26	3,307	1,775
Association's funds		<u>3,435</u>	<u>2,260</u>
		<u>53,277</u>	<u>44,324</u>

The financial statements were approved by the Board on 6 June 2007 and were signed on its behalf by:

Frank Jones
Board Member

George Morton
Board Member

Leszek Pawlik
Secretary

Consolidated cash flow statement for the period ended 31 December 2006

	Note	Year to 31 December 2006 £'000	Fifteen months to 31 December 2005 £'000
Net cash inflow from operating activities	30	<u>4,420</u>	<u>5,555</u>
Returns on investments and servicing of finance			
Interest received		66	133
Interest paid (including capitalised interest)		(3,250)	(4,350)
Interest element of finance lease payments		(3)	(5)
		<u>(3,187)</u>	<u>(4,222)</u>
Taxation paid			
Corporation tax paid		(1)	-
		<u>(1)</u>	<u>-</u>
Capital expenditure			
Purchase and construction of housing properties		(12,165)	(13,761)
Social Housing Grant received		4,425	6,719
Other capital grants received		(154)	(729)
Purchase of other tangible fixed assets		(335)	(490)
Proceeds on sales of housing properties		2,188	1,595
Proceeds on sales of other fixed assets		9	14
Investment in joint venture		-	(10)
		<u>(6,032)</u>	<u>(6,662)</u>
Management of liquid resources			
Cash (deposited in) / withdrawn from money market investments		(2,868)	1,592
		<u>(2,868)</u>	<u>1,592</u>
Financing			
Loans received		8,150	3,650
Housing loans repaid		(123)	(166)
Capital element of finance lease payments		(8)	(10)
Issue costs incurred		(41)	(18)
		<u>7,978</u>	<u>3,456</u>
Increase / (decrease) in cash	31	<u><u>310</u></u>	<u><u>(281)</u></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 Housing Corporation as a Registered Social Landlord as defined by the Housing Act 1996.

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, update issued in 2005, 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.

The results for the prior year have been restated for a material error on the treatment of recycled capital grant on property sales. An amount of £414,000 had not been charged to the surplus on property sales and transferred to creditors. The restated consolidated result for the period was a deficit of £166,000 (previously reported surplus £248,000).

Basis of consolidation

The consolidated financial statements include the association and its subsidiary undertakings using acquisition accounting. Of the subsidiaries, only MossCare Developments Limited traded during the period. Intra group transactions are eliminated fully on consolidation.

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.

2 Accounting policies (continued)

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 Customs and Excise. The balance of VAT payable or recoverable at the period-end is included as a currently liability or asset.

Pensions

The group has implemented the requirements of FRS 17. The Mosscare Housing Limited Retirement and Death Benefit pension scheme assets are measured using fair values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Full actuarial valuations are carried out triennially with the valuations updated for FRS 17 by a qualified actuary at the end of each accounting period.

Any increase in the present value of liabilities within the group's defined benefit pension schemes expected to arise from employee service in the period is charged to operating surplus. The expected return on the schemes' assets and the increase during the period in the present value of the schemes' liabilities arising from the passage of time are included in interest receivable and similar income or interest payable and similar charges. Actuarial gains and losses are recognised in the consolidated statement of total recognised gains and losses. Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of related deferred tax.

The group participates in the multi-employer Social Housing Pension Scheme, 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.

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.

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.

2 Accounting policies (continued)

Housing Properties (continued)

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 are included in housing properties at cost, less the first tranche sale proceeds and any provisions needed for depreciation or impairment.

Donated land

Land donated by local authorities and others is added to cost at the market value of the land at the time of the donation.

Social Housing Grant

Social Housing Grant (SHG) is receivable from the Housing Corporation 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 Housing Corporation 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 Housing Corporation. 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.

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%
- improvements	4%
- 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.

2 Accounting policies (continued)

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 2005), 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%

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.

2 Accounting policies *(continued)*

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

Group – continuing activities

	Year to 31 December 2006			Fifteen months to 31 December 2005	
	Turnover	Operating costs	Operating surplus	Turnover	Operating surplus
	£'000	£'000	£'000	£'000	£'000
Social housing lettings					
General needs housing	9,229	(6,848)	2,381	11,181	2,206
Supported and sheltered housing	1,492	(961)	531	1,809	699
Shared ownership	105	(143)	(38)	125	(43)
	<u>10,826</u>	<u>(7,952)</u>	<u>2,874</u>	<u>13,115</u>	<u>2,862</u>
Other social housing activities					
Supporting people contract income	133	-	133	151	151
Development services	799	(775)	24	743	140
Development costs not capitalised	-	(151)	(151)	-	(144)
	<u>11,758</u>	<u>(8,878)</u>	<u>2,880</u>	<u>14,009</u>	<u>3,009</u>
Non-social housing activities					
Commercial lettings	64	(33)	31	69	38
Development for sale	-	-	-	533	445
	<u>11,822</u>	<u>(8,911)</u>	<u>2,911</u>	<u>14,611</u>	<u>3,492</u>

Association – continuing activities

	Year to 31 December 2006			Fifteen months to 31 December 2005	
	Turnover	Operating Costs	Operating Surplus	Turnover	Operating Surplus
	£'000	£'000	£'000	£'000	£'000
Social housing lettings					
General needs housing	9,229	(6,848)	2,381	11,181	2,206
Supported and sheltered housing	1,492	(961)	531	1,809	699
Shared ownership	105	(143)	(38)	125	(43)
	<u>10,826</u>	<u>(7,952)</u>	<u>2,874</u>	<u>13,115</u>	<u>2,862</u>
Other social housing activities					
Supporting people contract income	133	-	133	151	151
Development services	47	(22)	25	147	123
Development costs not capitalised	-	(151)	(151)	-	(144)
	<u>11,006</u>	<u>(8,125)</u>	<u>2,881</u>	<u>13,413</u>	<u>2,992</u>
Non-social housing activities					
Commercial lettings	64	(33)	31	69	38
Development for sale	-	-	-	533	445
	<u>11,070</u>	<u>(8,158)</u>	<u>2,912</u>	<u>14,015</u>	<u>3,475</u>

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 and Association	General needs	Supported and sheltered housing	Shared ownership	Year to December 2006	Fifteen months to December 2005
	£'000	£'000	£'000	£'000	£'000
Turnover from social housing lettings					
Rents receivable net of identifiable service charges	8,835	1,192	43	10,070	12,179
Service charges receivable	317	265	51	633	806
Net rental income	9,152	1,457	94	10,703	12,985
Other income	77	35	11	123	130
Turnover from social housing lettings	9,229	1,492	105	10,826	13,115
Expenditure on social housing lettings					
Management	2,897	119	67	3,083	2,837
Services	424	380	26	830	1,074
Routine maintenance	2,698	390	42	3,130	4,527
Planned maintenance	71	20	2	93	96
Major repairs expenditure	205	-	-	205	204
Bad debts	83	-	-	83	431
Depreciation of housing properties	468	52	6	526	1,082
Pension scheme costs (see note 10)	2	-	-	2	2
Operating costs on social housing lettings	6,848	961	143	7,952	10,253
Operating surplus on social housing lettings	2,381	531	(38)	2,874	2,862
Void losses	250	45	-	295	406

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	December 2006 Number	December 2005 Restated Number
Social housing		
General housing	2,965	2,953
Supported and sheltered housing	261	260
Shared ownership	73	73
	<hr/>	<hr/>
Total owned and managed	3,299	3,286
Accommodation managed on behalf of others	47	47
Accommodation owned but managed by others	27	27
	<hr/>	<hr/>
Total owned or managed	3,373	3,360
	<hr/> <hr/>	<hr/> <hr/>
Non-social housing		
Commercial units	14	14
	<hr/> <hr/>	<hr/> <hr/>
Accommodation in development at the period end	105	107
	<hr/> <hr/>	<hr/> <hr/>

The group owns 67 supported housing units (2005: 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 and Association	Year to December 2006 £'000	Fifteen months to December 2005 £'000
Depreciation of housing properties	537	1,097
Depreciation of other tangible fixed assets	222	265
Deficit / (surplus) on disposal of other tangible fixed assets	4	30
Operating lease rentals		
Land and buildings	9	17
Office equipment	24	29
Auditors' remuneration (including VAT)		
Audit	17	17
Tax compliance	1	3
Other	-	1
	<hr/> <hr/>	<hr/> <hr/>

7 Sales of properties not developed for outright sale

Group and Association	Note	Year to	Fifteen months to
		December 2006	December 2005
		£'000	Restated £'000
Proceeds		2,188	1,595
Cost of sales		(1,119)	(926)
Depreciation		47	37
Housing Grant		637	475
Direct expenses		(37)	(39)
		<u>1,716</u>	<u>1,152</u>
Transfer to Recycled Capital Grant Fund	22	(312)	(428)
Transfer to Disposal Proceeds Fund	23	(257)	(521)
		<u>1,147</u>	<u>193</u>

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

8 Interest receivable

	Note	Group		Association	
		Year to December 2006 £'000	Fifteen months to December 2005 £'000	Year to December 2006 £'000	Fifteen months to December 2005 £'000
Bank interest receivable		66	133	65	129
Amount credited to Recycled Capital Grant Fund	22	(15)	(1)	(15)	(1)
Amount credited to Disposal Proceeds Fund	23	(3)	(19)	(3)	(19)
		<u>48</u>	<u>113</u>	<u>47</u>	<u>109</u>

9 Interest payable and similar charges

Group and Association	Year to	Fifteen months to
	December 2006	December 2005
	£'000	£'000
Finance leases	3	5
Loans and bank overdrafts	3,260	3,853
	<u>3,263</u>	<u>3,858</u>
Interest capitalised on housing properties under construction	(110)	(5)
	<u>3,153</u>	<u>3,853</u>

Interest on borrowings was capitalised to finance development at a rate of 8.0% (2005: 8.0%).

10 Employees

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

Group and Association	Year to December 2006 Number	Fifteen months to December 2005 Number
Administration	25	22
Development and maintenance	24	23
Housing services	34	28
Wardens and cleaners	4	4
	<u>87</u>	<u>77</u>

The aggregate payroll costs of these persons were as follows:

	Year to December 2006 £'000	Fifteen months to December 2005 Restated £'000
Wages and salaries	2,196	2,257
Social security costs	184	189
Pension contributions	187	199
Other pension cost (see below)	-	24
	<u>2,567</u>	<u>2,669</u>

The group's employees are members of Mossclare Housing Limited Retirement and Death benefit Scheme or the Social Housing Pension Scheme (SHPS). Further information on each scheme is given below and overleaf.

Mossclare Housing Limited Retirement and Death Benefit Scheme

The association operates a defined benefit pension scheme, the Mossclare Housing Limited Retirement and Death Benefit Scheme. The scheme funds are administered by trustees and are independent of the group and association's finances. From 1 August 1999, no further benefits accrued in the scheme, and therefore no regular contributions are paid into the scheme, in line with the recommendations of an independent actuarial advisor.

It has been agreed that the remaining assets and liabilities are to be transferred to the Social Housing Pension Scheme, a multi-employer arrangement. This transaction is expected to take place during 2007. Under the terms of the transfer agreement, the amount of assets to be transferred is linked to the performance of the FT All Share index. As at 31 December 2006, this transfer amount would have been £2.2m. The liability figures below have been calculated according to the usual methodology specified under the relevant accounting standard FRS17 and do not take into account the anticipated transfer.

The actuarial valuation as at 31 December 2005, carried out for last year's FRS17 figures, was updated to the accounting date by an independent qualified actuary in accordance with FRS17. As required by FRS17, the value of the defined benefit liabilities have been measured using the projected unit method, and both the assets and liabilities exclude the value of pensions in payment, which are secured with insured annuities in the members' names.

This scheme is closed to new members and therefore, under the projected unit method, the cost of the scheme will increase as members of the scheme approach retirement.

10 Employees (continued)**Mosscare Housing Limited Retirement and Death Benefit Scheme** (continued)

The key FRS17 assumptions used for the scheme were:

	31 December 2006	31 December 2005	30 September 2004
	% per annum	% per annum	% per annum
Assumptions			
Inflation	2.9%	2.9%	2.9%
Pension increases	5.0%	5.0%	5.0%
Salary growth	4.3%	4.3%	4.3%
Discount rate	5.1%	4.7%	5.5%

The fair values and expected rates of return on assets in the scheme were:

	31 December 2006		31 December 2005		30 September 2004	
	Expected return	Fair value £'000	Expected return	Fair value £'000	Expected return	Fair value £'000
Equities	7.5% p.a.	57	7.3% p.a.	48	7.9% p.a.	35
Cash	5.2% p.a.	1,029	4.2% p.a.	1,002	4.7% p.a.	988
Total		1,086		1,050		1,023

The fair value of assets, the present value of the FRS17 liabilities and the deficit of assets below the FRS17 liabilities (which equals the gross pension liability) in the scheme were:

	31 December 2006	31 December 2005
	£'000	£'000
Fair value of assets	1,086	1,050
Present value of liabilities	(3,039)	(3,223)
Gross pension liability	(1,953)	(2,173)

Under FRS17 the scheme is represented on the balance sheet at 31 December 2006 as a liability of £1,953,000 (2004: £2,173,000).

At 31 December 2006, discussions were in progress with our advisors on the transfer of the Mosscare Housing Limited Retirement and Death Benefit Scheme to the Social Housing Pension Scheme. To reflect the difference between the future actual transfer payment to be made to the Social Housing Pension Scheme and the cost of funding the transfer credits of the employees of Mosscare Housing Limited a cumulative amount of £1,225,000 (2005: £879,000) has been charged to date in the financial statements.

It has been agreed with the trustees that no employer contributions will be made, except when individual members retire, until the results of the negotiations with the Social Housing Pension Scheme are known. Over the period to 31 December 2006 no contributions were made to the Scheme (2005: £23,775).

10 Employees *(continued)*

Mossclare Housing Limited Retirement and Death Benefit Scheme *(continued)*

The post retirement deficit under FRS17 moved during the period as follows:

	31 December 2006	31 December 2005
	£'000	£'000
Post retirement deficit at start of period	2,173	1,460
Current service cost	2	2
Contributions (employee and employer)	-	-
Other net finance income	105	111
Actuarial (gain) or loss	(327)	600
	<u>1,953</u>	<u>2,173</u>
Post retirement benefit at end of period	<u>1,953</u>	<u>2,173</u>

Analysis of amount charged to operating surplus under FRS17 during the period:

	31 December 2006	31 December 2005
	£'000	£'000
Current service cost	2	2
Past service cost	-	-
	<u>2</u>	<u>2</u>
Total operating charge	<u>2</u>	<u>2</u>

Analysis of the amount charged to other finance costs under FRS17 during the period:

	31 December 2006	31 December 2005
	£'000	£'000
Expected return on pension scheme assets	46	60
Interest on post retirement liabilities	(151)	(171)
	<u>(105)</u>	<u>(111)</u>
Net return to credit to finance income	<u>(105)</u>	<u>(111)</u>

Analysis of the amounts recognised in the statement of total recognised surpluses and deficits (STRSD) for the period under FRS17:

	31 December	31 December	30 September
	2006	2005	2004
	£'000	£'000	£'000
Actual return less expected return on scheme assets	(10)	5	(5)
Experience (losses) arising on scheme liabilities	-	-	(6)
Gain or (loss) due to changes in assumptions underlying the FRS17 value of scheme liabilities	337	(605)	464
	<u>327</u>	<u>(600)</u>	<u>453</u>
Actuarial gain/(loss) recognised in STRSD	<u>327</u>	<u>(600)</u>	<u>453</u>

10 Employees (continued)

Mossclare Housing Limited Retirement and Death Benefit Scheme (continued)

The history of experience of gains and losses is:

	Year to 31 December 2006	Period to 31 December 2005	Year to 30 September 2004	Year to 30 September 2003	Year to 30 September 2002
Actual return less expected return on scheme assets (£'000)	5	5	(5)	(9)	(9)
<i>Percentage of scheme's assets</i>	(1%)	0%	(1%)	(1%)	(4%)
Experience gains/(losses) arising on liabilities (£'000)	-	-	(6)	(39)	31
<i>Percentage of FRS17 value of scheme's liabilities</i>	0%	0%	(0%)	(1%)	1%
Actuarial gain / (loss) recognised in the STRSD (£'000)	327	(600)	453	(310)	(455)
<i>Percentage of FRS17 value of scheme's liabilities</i>	11%	19%	18%	(11%)	(25%)

Social Housing Pension Scheme

From 1 August 1999, the association has participated 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, to 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 re-valued 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 for active members as at 1 April 2007 and the career average re-valued earnings with a 1/60th accrual rate 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.

10 Employees (continued)

Social Housing Pension Scheme (continued)

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 accounting period the association paid contributions at the rate of 11.7%. Member contributions varied between 3.1% and 6.1% depending on their age. As at the balance sheet date there were 61 active members of the Scheme employed by the association. The association continues to offer membership of the Scheme to its employees.

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

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 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 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 re-valued earnings with a 1/60 th accrual rate	14.1

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.

With effect from 1 April 2007 the employer and employee contribution rates for the association will be 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.

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.

10 Employees (*continued*)

Social Housing Pension Scheme (*continued*)

A copy of the recovery plan has been sent to the Pensions Regulator. The Regulator has reviewed the recovery plan for the Growth Plan and confirmed that, in respect of the September 2005 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. Actuarial Reports will be prepared as at 30 September 2006 and September 2007 in line with statutory regulations.

Following a change in legislation in September 2005 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.

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 30 September 2005. As of this date the estimated employer debt for the association was £3,285,000.

Pensions Trust's Growth Plan

The association participates in the Pensions Trust's Growth Plan as a means of allowing staff to make Additional Voluntary Contributions. The Plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension Plan.

Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

The rules of the Growth Plan allow for the declaration of bonuses and / or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses / investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The rules of the Growth Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

10 Employees (continued)**Pensions Trust's Growth Plan (continued)**

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them.

The association paid no contributions during the accounting period. Members paid contributions at the rate of 1.4% to 1.5% during the accounting period.

As at the balance sheet date there were 2 active members of the Plan employed by the association. The association continues to offer membership of the Plan to its employees.

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

The last formal valuation of the Plan was performed at 30 September 2005 by a professionally qualified actuary. The financial assumptions underlying the valuation were as follows:

	% per annum
Investment return pre retirement	6.6
Investment return post retirement	4.5
Bonuses on accrued benefits	0.0
Rate of price inflation	2.5

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

As at 30 September 2005, based on the valuation assumptions, the market value of the Plan's assets was £675 million and the Plan's Technical Provisions (i.e. past service liabilities) were £704 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million (equivalent to a past service funding level of 96%).

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. A copy of the recovery plan must be sent to the Pensions Regulator.

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million will be cleared within 5 years if the investment returns from assets are in line with the "best estimate" assumptions. "Best estimate" means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 7.6% per annum pre retirement and 4.8% per annum post retirement.

10 Employees (continued)**Pensions Trust's Growth Plan (continued)**

A copy of the recovery plan has been sent to the Pensions Regulator. The Regulator has reviewed the recovery plan for the Growth Plan and confirmed that, in respect of the September 2005 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. Actuarial Reports will be prepared as at 30 September 2006 and September 2007 in line with statutory regulations.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (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 Plan. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 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 Plan liabilities, Plan 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 Plan as at 30 September 2005. As of this date the estimated employer debt for the association was £1,775.

11 Board members and Executive Directors

	Basic salary	Benefits in kind	Pension contributions	Year to December 2005	Fifteen months to December 2005
	£'000	£'000	£'000	£'000	£'000
Aggregate emoluments	266	13	29	308	358

None of the Board members received emoluments. Expenses paid during the period to Board members amounted to £1,214 (2005: £Nil). 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 £80,101 (2005: £90,500). 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.

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 £1,514 (2005: £43).

13 Housing properties

Group and Association	Social housing properties completed	Non-social housing properties completed	Total housing properties completed	Social housing properties under construction	Non-social housing under construction	Total housing properties under construction	Shared ownership properties completed	Shared ownership under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost									
At beginning of period	134,793	869	135,662	7,954	-	7,954	2,270	-	145,886
Additions during the period	2,229	-	2,229	9,424	-	9,424	20	-	11,673
Works to existing properties	697	-	697	-	-	-	-	-	697
Disposals	(914)	-	(914)	(176)	-	(176)	(29)	-	(1,119)
Transferred to properties for resale	(4,071)	-	(4,071)	-	-	-	-	-	(4,071)
Transferred on completion	7,067	-	7,067	(7,067)	-	(7,067)	-	-	-
At end of period	139,801	869	140,670	10,135	-	10,135	2,261	-	153,066
Depreciation									
At beginning of period	5,095	38	5,133	-	-	-	34	-	5,167
Charge for period	520	11	531	-	-	-	6	-	537
Disposals	(45)	-	(45)	-	-	-	(2)	-	(47)
Transferred to properties for resale	(279)	-	(279)	-	-	-	-	-	(279)
Transfer between headings	12	-	12	-	-	-	(12)	-	-
At end of period	5,303	49	5,352	-	-	-	26	-	5,378
Cost less depreciation									
At 31 December 2006	134,498	820	135,318	10,135	-	10,135	2,235	-	147,688
At 31 December 2005	129,698	831	130,529	7,954	-	7,954	2,236	-	140,719
Social Housing Grant									
At beginning of period	81,293	-	81,293	3,876	-	3,876	1,495	-	86,664
Received during the period	1,636	-	1,636	3,211	-	3,211	-	-	4,847
Works to existing properties	211	-	211	-	-	-	-	-	211
Disposals	(461)	-	(461)	(59)	-	(59)	(11)	-	(531)
Transferred to properties for resale	(3,116)	-	(3,116)	-	-	-	-	-	(3,116)
Transferred on completion	997	-	997	(997)	-	(997)	-	-	-
At end of period	80,560	-	80,560	6,031	-	6,031	1,484	-	88,075
Other grants									
At beginning of period	4,083	210	4,293	1,000	-	1,000	27	-	5,320
Received during the period	9	-	9	-	-	-	-	-	9
Disposals	(106)	-	(106)	-	-	-	-	-	(106)
Transferred to properties for resale	(133)	-	(133)	-	-	-	-	-	(133)
At end of period	3,853	210	4,063	1,000	-	1,000	27	-	5,090

13 Housing properties (continued)

Expenditure on works to existing properties: Group and Association	31 December 2006	31 December 2005
	£'000	£'000
Amounts capitalised	697	128
Amounts charged to income and expenditure account	205	204
Total	<u>902</u>	<u>332</u>
Social Housing Grant Group and Association	31 December 2006	31 December 2005
	£'000	£'000
Total accumulated SHG receivable was:		
Capital grants	88,075	86,664
Revenue grants	1,993	1,607
	<u>90,068</u>	<u>88,271</u>
Housing properties book value, net of depreciation and grants comprises: Group and Association	31 December 2006	31 December 2005
	£'000	£'000
Freehold land and buildings	28,447	23,145
Long leasehold land and buildings	15,712	15,681
Short leasehold land and buildings	162	192
Reimprovements	10,202	9,717
	<u>54,523</u>	<u>48,735</u>

The group redefined its capitalisation policy in 2006, which resulted in an increase in the amount capitalised on works to existing properties. Additions to housing properties include £365,000 (2005: £336,000) for direct development overheads. The net book value of housing properties includes £78,000 (2005: £83,000) in respect of assets under finance leases. Depreciation charged in the period on these assets amounted to £5,000 (2005: £6,000).

14 Other fixed assets

Group and Association	Offices	Office furniture and equipment	Motor vehicles	Computer equipment	Scheme furniture and equipment	Total
£'000						£'000
Cost						
At beginning of period	1,093	127	69	687	529	2,505
Additions during the period	89	51	-	152	43	335
Disposals during the period	-	-	(14)	(14)	-	(28)
At end of period	<u>1,182</u>	<u>178</u>	<u>55</u>	<u>825</u>	<u>572</u>	<u>2,812</u>
Depreciation						
At beginning of period	243	51	23	461	406	1,184
Charge for the period	21	32	12	109	48	222
Eliminated on disposal	-	-	(5)	(10)	-	(15)
At end of period	<u>264</u>	<u>83</u>	<u>30</u>	<u>560</u>	<u>454</u>	<u>1,391</u>
Net book value						
31 December 2006	<u>918</u>	<u>95</u>	<u>25</u>	<u>265</u>	<u>118</u>	<u>1,421</u>
31 December 2005	<u>850</u>	<u>76</u>	<u>46</u>	<u>226</u>	<u>123</u>	<u>1,321</u>

14 Other fixed assets (continued)

Offices book value, net of depreciation comprises:	31 December 2006	31 December 2005
	£'000	£'000
Freehold offices	61	62
Long leasehold offices	857	788
	<u>918</u>	<u>850</u>

The net book value of housing properties includes £1,024 (2005: £1,000) in respect of assets under finance leases. Depreciation charged in the period on these assets amounted to £54 (2005: £Nil).

15 Investments in group undertakings

Investments in group undertakings comprise:	31 December 2006	31 December 2005
	£'000	£'000
Subsidiary undertakings	-	-
Joint venture	10	10
	<u>10</u>	<u>10</u>

Reviva's turnover for the period to 31 December 2006 was nil and expenses of £19,000 were incurred. The Association's share of the loss was therefore £6,000. The association's investments in Reviva are:

	31 December 2006
	£'000
Share of gross assets	4
Share of gross liabilities	(10)
	<u>(6)</u>

As required by statute, the financial statements consolidate the results of Mosscare Developments Limited and Mossbank Homes Limited that were subsidiaries of the association at the end of the period. The association has the right to appoint members to the Management Committees of the two subsidiaries and thereby exercised control over them. Details of the subsidiaries are as follows:

Mossbank Homes Limited	Registered Social Landlord, 100% controlled subsidiary. Incorporated in England as an Industrial and Provident Society. Association not trading at present.
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 Social Landlords. Incorporated in England as a company limited by guarantee. The company did not trade in the period. It was established to carry out work under Framework Contracts for the physical regeneration and improvement of existing homes and open spaces and the provision of 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	31 December 2006	31 December 2005
	£'000	£'000
Properties for sale	543	-
Properties for demolition and compulsory purchase	-	1
	<u> </u>	<u> </u>

17 Debtors

	Group		Association	
	31	31	31	31
	December	December	December	December
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Due within one year				
Arrears of rent and service charges	1,008	1,199	1,008	1,199
Provision for bad and doubtful debts	(403)	(561)	(403)	(561)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	605	638	605	638
Amounts owed by subsidiary undertakings	-	-	30	42
Social Housing Grant receivable	10	18	10	18
Taxation	46	-	46	-
Other debtors	165	892	163	891
Prepayments and accrued income	164	172	164	172
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	990	1,720	1,018	1,761
Due after more than one year				
Other debtors	4	34	4	34
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	994	1,754	1,022	1,795
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

18 Current asset investments

Group and Association	31 December 2006	31 December 2005
	£'000	£'000
Money market deposits	2,868	-
	<u> </u>	<u> </u>
There are no balances in the above charged to lenders.		

19 Cash at bank and in hand

	Group		Association	
	31	31	31	31
	December	December	December	December
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Cash at bank and in hand	318	411	317	227
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Included in the above are balances totalling £114,000 (2005: £114,000), which are charged to certain lenders.

20 Creditors: amounts falling due within one year

	Group		Association	
	31 December 2006 £'000	31 December 2005 Restated £'000	31 December 2006 £'000	31 December 2005 Restated £'000
Debt (see note 24)	306	131	306	131
Bank overdraft	-	403	-	403
Trade creditors	1,729	1,976	1,727	1,976
Rents and service charges received in advance	364	315	364	315
Social Housing Grants received in advance	1,771	2,428	1,771	2,428
Other capital grants received in advance	1,307	840	81	244
Recycled Capital Grant Fund (note 22)	437	479	437	479
Disposal Proceeds Fund (note 23)	296	220	296	220
Amounts owed to subsidiary undertakings	-	-	1,326	519
Taxation and social security	6	55	6	55
Other creditors	24	189	20	188
Accruals and deferred income	846	439	826	423
Retentions	267	384	267	384
	<u>7,353</u>	<u>7,859</u>	<u>7,427</u>	<u>7,765</u>

Social Housing Grant received in advance will be utilised against capital expenditure during 2007.

21 Creditors: amounts falling due after more than one year

Group and Association	31 December 2006 £'000	31 December 2005 £'000
Debt (see note 24)	47,293	39,490
Deferred income	-	34
Retentions	416	204
Funds held on behalf of others	180	163
	<u>47,889</u>	<u>39,891</u>

22 Recycled capital grant fund

Group and Association	2006	2005
	£ '000	Restated £ '000
At beginning of period	479	50
Grants recycled	312	428
Interest accrued	15	1
Major repairs and works to existing stock	(352)	-
Purchase/development of properties	(17)	-
	<hr/>	<hr/>
Balance at 31 December	437	479
	<hr/> <hr/>	<hr/> <hr/>

The balance at 31 December 2005 has been restated for a material error on the treatment of recycled capital grant on property sales. An amount of £414,000 had not been charged to the surplus on property sales and transferred to the recycled capital grant fund.

23 Disposal proceeds fund

Group and Association	2006	2005
	£ '000	£ '000
At beginning of period	220	309
Net sale proceeds recycled	257	521
Interest accrued	3	19
Major repairs and works to existing stock	(184)	(629)
	<hr/>	<hr/>
Balance at 31 December	296	220
	<hr/> <hr/>	<hr/> <hr/>

24 Debt analysis

Group and Association	31 December 2006 £'000	31 December 2005 £'000
Due within one year		
Bank loans	298	123
Obligations under finance leases	8	8
	<u>306</u>	<u>131</u>

Group and Association	31 December 2006 £'000	31 December 2005 £'000
Due after more than one year		
Bank loans	47,230	39,418
Obligations under finance leases	63	72
	<u>47,293</u>	<u>39,490</u>

Debt is repayable as follows:

Group and Association	31 December 2006 £'000	31 December 2005 £'000
Loans repayable by instalments		
Within one year	306	131
Between one and two years	326	300
Between two and five years	1,114	1,030
After five years	22,110	16,383
	<u>23,856</u>	<u>17,844</u>
Loans not repayable by instalments		
After five years	23,743	21,777
	<u>47,599</u>	<u>39,621</u>

The loans are secured either by a floating charge over the assets of the group or 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 10.8%. The final instalments fall to be repaid in the period 2023 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 2025.

In addition to the above debt, at 31 December 2006 the group had undrawn loan facilities of £13.2m (2005: £16.9m).

25 Non equity share capital

	31 December 2006	31 December 2005
	£	£
Shares of £1 each issued and fully paid		
At beginning of period	87	83
Shares issued during the period	3	4
Shares surrendered during the period	(6)	-
	<u> </u>	<u> </u>
At end of period	84	87
	<u> </u>	<u> </u>

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	Major repairs reserve (designated) £'000	Charitable fund reserve (designated) £'000	Accumulated surplus £'000	Total £'000
At beginning of period as previously stated	358	127	2,238	2,723
Prior year adjustment	-	-	(414)	(414)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	358	127	1,824	2,309
Surplus for the financial period	-	-	840	840
Actuarial gain on pension scheme	-	-	327	327
Transfers	(358)	3	355	-
Utilised in the period	-	(2)	2	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At end of period	-	128	3,348	3,476
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Association	Major repairs reserve (designated) £'000	Charitable fund reserve (designated) £'000	Accumulated surplus £'000	Total £'000
At beginning of period as previously stated	358	127	2,189	2,674
Prior year adjustment	-	-	(414)	(414)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	358	127	1,775	2,260
Surplus for the financial period	-	-	848	848
Actuarial gain on pension scheme	-	-	327	327
Transfers	(358)	3	355	-
Utilised in the period	-	(2)	2	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At end of period	-	128	3,307	3,435
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

At 31 December 2006, the revenue reserve included £1,953,000 defined benefit pensions liability (2005: £2,173,000).

27 Financial commitments

Capital expenditure commitments at the end of the financial period are as follows:

Group and Association	31 December 2006 £'000	31 December 2005 £'000
Contracted for but not provided for in the financial statements	5,860	8,538
Authorised by the Management Committee but not yet contracted for	817	3,462
	6,677	12,000

The group expects to finance the above expenditure by the receipt of Social Housing Grant and other grants totalling £2.6m (2005: £4.2m) and the balance with a mixture of loans draw-down under existing loan arrangements and cash reserves generated from property sales.

Operating leases

The payments which the group and association are committed to make in the next year under operating leases are as follows:

	31 December 2006 £'000	31 December 2005 £'000
Land and buildings		
Leases expiring in over five years	9	8
Office equipment		
Leases expiring between two and five years	21	33
Beyond five years	2	-
	23	-

28 Stock Transfers**Higher Openshaw**

On 21 April 2003 the association took the transfer of 197 properties from Manchester City Council ("Council") on the High Legh and Old Lane estates, Higher Openshaw, 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 completed.

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 (£7.42m). At transfer the association contracted with the Council to acquire the benefit of the Council's obligation to carry out the refurbishment works (£7.42m) less the housing properties at a price equal to the agreed negative value of the property in its un-enhanced condition (£0.99m). 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 £1.89m from the Council, representing the negative value of the properties in their un-enhanced condition (£0.99m), grant additional to the transfer (£0.90m), due to additional work required following delays in completing the transfer, and the value of the Council's obligation to carry out the refurbishment works (£7.42m), less the amount due to be incurred by the association under the development agreement in relation to the anticipated cost of the improvements (£7.42m).

28 Stock Transfers *(continued)*

Higher Openshaw *(continued)*

The impact of these two transactions was that whilst the Council had a legal obligation to the association to complete the refurbishment works, this work had been contracted back to the association who are also legally obligated. The underlying substance of the transaction was therefore that the association had acquired the properties in their existing condition at their agreed value, and will complete certain improvements in line with guarantees to residents of not less than £7.42m. 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 2006 the main refurbishment work amounting to £6.44m had been completed (*2005: £6.41m*). Net expenditure included in the surplus for the period amounted to £Nil (*2005: £Nil*).

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 of not less than £7.43m. 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 2006, £5.94m (*2005: £3.93m*) of the refurbishment works had been completed. Net expenditure included in the surplus for the period amounted to £Nil (*2005: £Nil*).

29 Related parties

There are three tenant members of the Board, Patricia Butler, June Howard and Lisa Redford. Their tenancies are on normal commercial terms and they are not able to use their position to their advantage.

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

	31 December 2006 £'000	31 December 2005 £'000
Operating surplus	2,911	3,492
Depreciation charges	759	1,362
Expenses on sale of housing properties	(37)	(39)
(Surplus) / deficit on sale of other tangible fixed assets	4	30
Pensions operating charge	2	2
	<u>3,639</u>	<u>4,847</u>
Working capital movements		
Decrease / (increase) in debtors	799	(303)
(Decrease) / increase in creditors	(18)	1,011
	<u>4,420</u>	<u>5,555</u>

31 Reconciliation of net cash flow to movement in net debt

	31 December 2006 £'000	31 December 2005 £'000
(Increase)/decrease in cash at bank and bank overdrafts	(310)	281
(Increase) / decrease in money market investments	(2,868)	1,592
Cash inflow/(outflow) from increase/(decrease) in debt and lease finance	7,978	3,456
	<u>4,800</u>	<u>5,329</u>
Change in net debt (note 30)	4,800	5,329
Net debt at 31 December 2005	39,613	34,269
Transfer of engagement	-	15
	<u>44,413</u>	<u>39,613</u>

32 Analysis of net debt

	At 31 December 2005 £'000	Cash flows £'000	At 31 December 2006 £'000
Cash at bank and in hand	411	(93)	318
Bank overdraft	(403)	403	-
Money market investments	-	2,868	2,868
Debts due within one year	(131)	(175)	(306)
Debts due after one year	(39,490)	(7,803)	(47,293)
	<u>(39,613)</u>	<u>(4,800)</u>	<u>(44,413)</u>

33 Prior year adjustments

Please refer to the Report of the Board and note 2 in relation to the current year's prior year adjustment. The prior year adjustment of £557,000 in the period ended 31 December 2005 relates to the introduction of FRS 17.