

Mosscare Housing Limited

Report of the Board and group financial statements

For the year ended 31 December 2007

Industrial and Provident Societies Registration Number: 18877R

Registered Housing Association Number: L0975

Report of the Board and group financial statements

Contents

Board, Executive Directors, Advisors and Bankers	1
Report of the Board	2
Independent auditors' report to the members of MossCare Housing Limited	11
Consolidated income and expenditure account	13
Association income and expenditure account	14
Statement of total recognised surpluses and deficits	15
Reconciliation of movements in Group's and Association's funds	15
Consolidated balance sheet at 31 December 2007	16
Association balance sheet at 31 December 2007	17
Consolidated cash flow statement for the period ended 31 December 2007	18
Notes to the financial statements	19

Board, Executive Directors, Advisors and Bankers

Board	Appointed	Resigned
Leszek Pawlik, Chair	1989	
Frank Jones, Vice Chair	2000	
David McHugh	1980	27/06/07
George Morton	1984	
Euton Christian	1985	27/06/07
Margaret Heeney	1993	
Malcolm Semp	2000	27/09/07
Roy Walters	2003	
Paul Shannon	2005	
June Howard	2005	06/06/07
Eric Morten	2005	06/06/07
Paulette Martin	2006	
Sarah Evans	2006	
Patricia Butler	2006	19/12/07
Lisa Redford	2006	16/01/08
Sarah Burden	27/06/07	
Howard Totty	27/06/07	
Paul Hammersley	19/12/07	
Ian Pownall	19/12/07	

Executive Directors:

Chief Executive and Secretary Pamela Schwarz

Deputy Chief Executive /
Housing Services Director Robert Ferguson

Finance Director Vincent Ormrod

Technical Services Director Patrick Nolan

Registered office:

101 Great Western Street
Moss Side
Manchester M14 4AA

External auditors:

BDO Stoy Hayward LLP
Commercial Buildings
11-15 Cross Street
Manchester M2 1WE

Principal solicitors:

Trowers & Hamblins
Heron House
Albert Square
Manchester M2 5HD

Principal bankers:

Barclays PLC
51 Mosley Street
Manchester M60 3DQ

Registered as a charitable social landlord under the Industrial and Provident Societies Acts No. 18877R. Registered by the 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 2007.

Principal activities

MossCare 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 MossCare Developments Limited, a registered company limited by guarantee. It also has a one third share in a joint venture company, Reviva Urban Renewal Limited ("Reviva").

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

Business review

The group has continued its focus on providing high quality housing management and area regeneration in Greater Manchester. The group has consistently applied strategies and policies formulated in previous years, concentrating on its core business of social housing activities. During the year strategic asset disposals were made to build a cash reserve for re-investment.

In February 2007 the association was assessed by the Audit Commission as providing a good two-star service with promising prospects for improvement.

During the year the association reviewed its loan facilities and refinanced some long standing loans from THFC (SHF) in order to reduce future interest costs and to remove a restrictive covenant that would limit the association's development plans. This incurred £2.4million in breakage costs. The association also tendered for new facilities and has agreed a £30million arrangement with Barclays Bank.

Our joint venture company, Reviva, began to trade in the year to 31 December 2007, generating a small profit in its first year.

In October 2007 the group was chosen by the residents of eight estates in Stockport for the transfer of over 1,100 homes from Manchester City Council. The transfer is expected to happen early in 2008, with our subsidiary, Mossbank Homes Limited, then taking over the stock and responsibility to deliver housing management and maintenance services.

Results for the period

The consolidated results for the period are set out in the financial statements following this report. The group deficit for the financial period was £776,000 (2006 surplus £840,000), after incurring £2,444,000 in loan breakage costs, following the refinancing of group borrowings at the end of the year. The group has negotiated financing on much more favourable terms. Operating surplus of £3,083,000 (2006 £2,911,000) was in line with plan.

Reserves

After transfer of the deficit for the year of £776,000 (2006 surplus £840,000) and the actuarial gain on the pension fund of £195,000, at the year end group reserves amounted to £2.895 million (2006: £3.476 million).

Report of the Board *(continued)*

Significant changes in fixed assets

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

Financing and treasury management

The group borrowed a further £4.876 million during the year for refinancing debt and to develop and improve its housing properties. At the year end gearing had risen to 52.7% (2006: 49.2%). Further planned borrowings during the next twelve months to finance new developments including the transfer of over 1,100 homes to Mossbank Homes 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% of its borrowings at fixed rates of interest. At year end 64% of the group's borrowings were at fixed rates (2006: 59%).

Payment of creditors

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

Board and Executive Directors

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

Report of the Board *(continued)*

Board and Executive Directors *(continued)*

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

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

Remuneration of Executive Directors

Policy

The Board through its 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). 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 up to 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 up to six 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 up to six 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 up to six 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 up to six 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.

The group carried out a review of its governance structures and processes in 2007 and will be revising them in 2008.

Tenant Involvement

We actively encourage tenants' involvement in decision-making by promoting tenant participation. We have up to 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 circulars 07/07 *Internal Controls Assurance*.

Report of the Board *(continued)*

Internal controls assurance *(continued)*

The process for identifying, evaluating and managing the significant risks faced by the group is ongoing and has been in place throughout the period commencing 1 January 2007 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, including fraud

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

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

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

Control environment and internal controls

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

Information and reporting systems

Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board and monitored throughout the year 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.

Report of the Board *(continued)*

Monitoring arrangements

Regular management reporting on control issues provides assurance to successive levels of management and to the Board. It is supplemented by regular reviews by internal audit that provide independent assurance to the Board via its 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.

Political and Charitable Contributions

During the year, the group made no political donations (2006: £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 at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Annual general meeting

The annual general meeting will be held on 11 June 2008.

Auditors

BDO Stoy Hayward LLP were appointed as external auditors 03 November 2007.

The report of the Board was approved on 02 April 2008 and signed on its behalf by:

Pamela Schwarz
Secretary

Group Highlights, five-year summary

Periods ending	December 2007	December 2006	December 2005 15 months	September 2004	September 2003
	£'000	£'000	£'000	£'000	£'000
Group income and expenditure account					
Turnover	11,817	11,174	14,611	9,685	10,221
Income from lettings	11,603	11,045	13,184	9,415	8,644
Operating surplus	3,083	2,911	3,492	3,121	2,908
Interest payable	(3,795)	(3,171)	(3,853)	(2,730)	(2,615)
Surplus / (deficit) for the period	(776)	840	(166)	511	340
Group balance sheet					
Housing properties, net of depreciation	151,687	147,688	140,719	128,162	118,605
SHG and other capital grants	(96,062)	(93,165)	(91,984)	(83,899)	(79,270)
Housing properties, net of capital grants and depreciation	55,625	54,523	48,735	44,263	39,335
Net current (liabilities)/assets	(227)	(2,630)	(5,279)	(4,416)	(4,274)
Loans (due over one year)	52,082	47,230	39,418	35,929	32,802
Pension liability (FRS 17 has been applied to accounts from 2004 onwards)	-	1,953	2,173	1,460	-
Reserves					
Restricted or designated	129	128	485	579	449
Accumulated surplus	2,767	3,348	1,824	2,457	2,698
Total reserves	2,896	3,476	2,309	3,036	3,147
Accommodation figures					
	Number	Number	Number	Number	Number
Total stock managed at period end:					
Social housing	3359	3346	3333	3278	3008
Non-social housing	14	14	14	14	14
	3373	3360	3347	3292	3022
Statistics					
Operating surplus as % of turnover	26.1%	26.1%	23.9%	32.2%	28.5%
Surplus / (Deficit) for the period as % of turnover	(6.6%)	7.5%	(1.1%)	5.3%	3.3%
Rent losses (<i>voids and bad debts as % of rent and service charges receivable</i>)	4.8%	3.4%	6.3%	6.3%	5.8%
Rent arrears (<i>gross arrears as % of rent and service charges receivable</i>)	8.1%	9.2%	11.2%	11.6%	10.6%
Interest cover (<i>surplus before interest payable, including property sales, divided by interest payable and capitalised interest</i>)	1.39	1.24	0.96	1.21	1.11
Liquidity (<i>current assets divided by current liabilities</i>)	0.97	0.64	0.28	0.43	0.47
Gearing (<i>total loans as % of capital grants plus reserves</i>)	52.7%	49.2%	42.0%	41.5%	40.3%
Gearing reserves (<i>total loans as % of capital grants plus loans plus reserves</i>)	34.5%	33.0%	29.6%	29.3%	28.7%
Total reserves per unit managed	£859	£1,035	£690	£922	£1,041

Statement of Responsibilities of the Board

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

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

The Industrial and Provident Societies Acts and registered social landlord legislation in the United Kingdom require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and association and of the surplus of the group and association for that period.

In preparing these financial statements the Board is required to:

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

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

The Board is responsible for the maintenance and integrity of the corporate and financial information on the group’s website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Independent Auditors' Report to the members of MossCare Housing Limited

We have audited the financial statements of MossCare Housing Limited for the year ended 31 December 2007 which comprise the Income and Expenditure Accounts and the Balance Sheets for the Group and Association, the Consolidated Cash Flow Statement, the Statement of Total Recognised Surpluses and Deficits and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Board and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Industrial & Provident Societies (Group Accounts) Regulations 1969, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you if, in our opinion, the Report of the Board is not consistent with the financial statements, a satisfactory system of control over transactions has not been maintained, if the Association has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

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

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent Auditors' Report to the members of MossCare Housing Limited *(continued)*

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group and Association's affairs as at 31 December 2007 and of the results for the year then ended; and
- the financial statements have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Industrial & Provident Societies (Group Accounts) Regulations 1969, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.
- The information given in the Report of the Board is consistent with the financial statements

BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors
Manchester

Date: 21 May 2008

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

	Note	Year to December 2007	Year to December 2006 as restated
		£'000	£'000
Turnover: Group including share of joint venture turnover		12,608	11,174
Less: Share of joint venture turnover		<u>(791)</u>	-
Turnover: continuing activities	3	11,817	11,174
Operating costs	3	<u>(8,734)</u>	<u>(8,263)</u>
Operating surplus: continuing activities		3,083	2,911
Share of operating gain /(loss) in joint venture	15	22	(6)
Surplus on sales of tangible fixed assets	7	<u>2,093</u>	<u>1,147</u>
Surplus on ordinary activities before interest		5,198	4,052
Interest receivable	8	313	66
Interest payable and similar charges	9	(3,795)	(3,171)
Loan breakage cost	9	(2,444)	-
Other finance costs	10	<u>(48)</u>	<u>(105)</u>
(Deficit) / Surplus on ordinary activities before taxation	6	(776)	842
Tax on surplus on ordinary activities	12	<u>-</u>	<u>(2)</u>
(Deficit) / Surplus for the financial period	26	<u>(776)</u>	<u>840</u>

The notes on pages 19 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**

	Note	Year to December 2007 £'000	Year to December 2006 £'000
Turnover: continuing activities	3	11,809	11,070
Operating costs	3	<u>(8,652)</u>	<u>(8,158)</u>
Operating surplus: continuing activities		3,157	2,912
Surplus on sales of tangible fixed assets	7	<u>2,093</u>	<u>1,147</u>
Surplus on ordinary activities before interest		5,250	4,059
Interest receivable	8	312	65
Interest payable and similar charges	9	(3,795)	(3,171)
Loan breakage cost	9	(2,444)	-
Other finance costs	10	<u>(48)</u>	<u>(105)</u>
(Deficit) / Surplus on ordinary activities before taxation	6	(725)	848
Tax on surplus on ordinary activities	12	<u>-</u>	<u>-</u>
(Deficit) / Surplus for the financial period	26	<u>(725)</u>	<u>848</u>

The notes on pages 19 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
in the year ended 31 December 2007**

	Note	Year to 31 December 2007	Year to 31 December 2006
Group		£'000	£'000
(Deficit) / Surplus for the financial period		(776)	840
Actuarial gain or (loss) on pension scheme	10	195	327
Total recognised surpluses and deficits relating to the year		(581)	1,167
Association			
(Deficit) / Surplus for the financial period		(725)	848
Actuarial gain or (loss) on pension scheme	10	195	327
Total recognised surpluses and deficits relating to the year		(530)	1,175

**Reconciliation of movements in Group and Association funds
for the year ended 31 December 2007**

	Group		Association	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
	£'000	£'000	£'000	£'000
Opening total funds	3,476	2,309	3,435	2,260
Transfers	1	-	1	-
Total recognised surpluses and deficits relating to the year	(581)	1,167	(530)	1,175
Closing total funds	2,896	3,476	2,906	3,435

Consolidated balance sheet

	31 December Note	2007 £'000	31 December 2006 as restated £'000
Tangible fixed assets			
Housing properties	13	151,687	147,687
Social Housing Grant	13	(91,194)	(88,075)
Other grants	13	(4,868)	(5,089)
		<u>55,625</u>	<u>54,523</u>
Other tangible fixed assets	14	1,420	1,421
		<u>57,045</u>	<u>55,944</u>
Investments	15	10	10
Share of gross assets of joint venture	15	172	4
Share of gross liabilities of joint venture	15	(156)	(10)
		<u>57,071</u>	<u>55,948</u>
Current assets			
Properties held for sale or demolition	16	358	543
Debtors	17	1,172	994
Investments	18	4,430	2,868
Cash at bank and in hand	19	500	318
		<u>6,460</u>	<u>4,723</u>
Creditors : amounts falling due within one year	20	(6,687)	(6,645)
Net current liabilities		<u>(227)</u>	<u>(1,922)</u>
Total assets less current liabilities		<u>56,844</u>	<u>54,026</u>
Creditors : amounts falling due after more than one year	21	53,948	48,597
Net pension liability	10	-	1,953
		<u>53,948</u>	<u>50,550</u>
Capital and reserves			
Called up share capital	25	-	-
Designated reserves	26	129	128
Accumulated surplus	26	2,767	3,348
Consolidated funds		<u>2,896</u>	<u>3,476</u>
		<u>56,844</u>	<u>54,026</u>

The financial statements were approved by the Board on 02 April 2008 and were signed on its behalf by:

Leszek Pawlik
Chairman

Frank Jones
Vice Chairman

Pamela Schwarz
Secretary

Association balance sheet at 31 December 2007

	31 December Note	2007 £'000	31 December 2006 as restated £'000
Tangible fixed assets			
Housing properties	13	151,687	147,686
Social Housing Grant	13	(91,194)	(88,075)
Other grants	13	(4,868)	(5,089)
		<u>55,625</u>	<u>54,522</u>
Other tangible fixed assets	14	1,420	1,421
		<u>57,045</u>	<u>55,943</u>
Investments in group undertakings	15	10	10
		<u>57,055</u>	<u>55,953</u>
Current assets			
Properties held for sale or demolition	16	358	543
Debtors	17	1,246	1,022
Investments	18	4,430	2,868
Cash at bank and in hand	19	498	317
		<u>6,532</u>	<u>4,750</u>
Creditors : amounts falling due within one year	20	(6,736)	(6,718)
		<u>(204)</u>	<u>(1,968)</u>
Net current liabilities			
Total assets less current liabilities		<u>56,851</u>	<u>53,985</u>
Creditors : amounts falling due after more than	21	53,945	48,597
Net pension liability	10	-	1,953
		<u>53,945</u>	<u>50,550</u>
Capital and reserves			
Called up share capital	25	-	-
Designated reserves	26	129	128
Accumulated surplus	26	2,777	3,307
Consolidated funds		<u>2,906</u>	<u>3,435</u>
		<u>56,851</u>	<u>53,985</u>

The financial statements were approved by the Board on 02 April 2008 and were signed on its behalf by:

Leszek Pawlik
Chairman

Frank Jones
Vice Chairman

Pamela Schwarz
Secretary

Consolidated cash flow statement for the year ended 31 December 2007

	Note	Year to 31 December 2007 £'000	Year to 31 December 2006 £'000
Net cash inflow from operating activities	30	1,278	4,453
Returns on investments and servicing of finance			
Interest received		313	66
Interest paid (including capitalised interest)		(6,088)	(3,250)
Interest element of finance lease payments		(3)	(3)
		<u>(5,778)</u>	<u>(3,187)</u>
Taxation paid			
Corporation tax paid		-	(1)
Capital expenditure			
Purchase and construction of housing properties		(7,392)	(12,165)
Social Housing Grant received		4,086	4,425
Other capital grants received		248	(154)
Purchase of other tangible fixed assets		(232)	(368)
Proceeds on sales of housing properties		4,644	2,188
Proceeds on sales of other fixed assets		2	9
		<u>1,356</u>	<u>(6,065)</u>
Management of liquid resources			
Cash (deposited in) / withdrawn from money market investments		(1,562)	(2,868)
Financing			
Loans received		15,023	8,150
Housing loans repaid		(10,139)	(123)
Capital element of finance lease payments		(8)	(8)
Issue costs incurred		-	(41)
		<u>4,876</u>	<u>7,978</u>
Increase in cash	31	<u>171</u>	<u>310</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.

Basis of consolidation

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

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 Revenue and Customs. 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 Mossclare Housing Limited Retirement and Death Benefit pension scheme ("MHLRDBPS") 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 ("SHPS"), a defined benefit final salary pension scheme managed by the Pensions Trust. For the SHPS it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period.

During the year, all of the assets and liabilities of MHLRDBPS were transferred to SHPS. MHLRDBPS will be dissolved.

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.

2 Accounting policies (*continued*)

Housing Properties

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

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

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%

2 Accounting policies (continued)

Housing Properties (continued)

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

Impairment

Housing properties that are depreciated over a period in excess of 50 years are, in accordance with Financial Reporting Standard No 11 and the SORP (Update 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.

2 Accounting policies (continued)

Current asset investments

Investments are stated at market value.

Liquid Resources

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

Supporting People

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

Provisions

The group only provides for contractual liabilities.

Loan finance issue costs

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

Reserves

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

Charitable fund reserve

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

3 Turnover, operating costs and operating surplus

	Year to 31 December 2007			Year to 31 December 2006 as restated	
	Turnover £'000	Operating Costs £'000	Operating Surplus £'000	Turnover £'000	Operating Surplus £'000
Group – continuing activities					
Social housing lettings					
General needs housing	9,852	(6,791)	3,061	9,383	2,717
Supported and sheltered housing	1,640	(1,720)	(80)	1,554	101
Shared ownership	111	(92)	19	108	20
	11,603	(8,603)	3,000	11,045	2,838
Other social housing activities					
Development services	128	(22)	106	53	25
	11,731	(8,625)	3,106	11,098	2,863
Non-social housing activities					
Commercial lettings	68	(24)	44	64	43
Other Income	18	(85)	(67)	12	5
	11,817	(8,734)	3,083	11,174	2,911

Prior year development turnover and cost of sales have been restated in Mossclare Developments Limited following an adjustment to revenue recognition policy. Turnover and costs relating to the purchase of housing on an agency totalling £744,000 has been excluded from the income and expenditure account. This reflects more appropriately the risk and reward structure of these activities. There is no impact on the operating surplus.

	Year to 31 December 2007			Year to 31 December 2006	
	Turnover £'000	Operating Costs £'000	Operating Surplus £'000	Turnover £'000	Operating Surplus £'000
Association – continuing activities					
Social housing lettings					
General needs housing	9,852	(6,791)	3,061	9,383	2,717
Supported and sheltered housing	1,640	(1,720)	(80)	1,554	101
Shared ownership	111	(92)	19	108	20
	11,603	(8,603)	3,000	11,045	2,838
Other social housing activities					
Development services	80	(14)	66	24	3
	11,683	(8,617)	3,066	11,069	2,841
Non-social housing activities					
Commercial lettings	68	(24)	44	64	44
Gift Aid	40	(8)	32	22	22
Other Income	18	(3)	15	12	5
	11,809	(8,652)	3,157	11,167	2,912

Association – continuing activities

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 £'000	Supported and sheltered housing £'000	Shared ownership £'000	Year to 31 December 2007 £'000	Year to 31 December 2006 £'000
Turnover from social housing lettings					
Rents receivable net of identifiable service charges	9,272	1,262	47	10,581	10,068
Service charges receivable	208	228	53	489	484
Charges for support	49	68	5	122	132
Net Rental Income	9,529	1,558	105	11,192	10,684
Housing Corporation grants for major repairs	162	-	-	162	99
Other Income	161	82	6	249	262
Turnover from social housing lettings	9,852	1,640	111	11,603	11,045
Operating cost of social housing lettings					
Management	2,018	528	11	2,557	2,377
Services	403	471	84	958	783
Support Costs	18	156	1	175	175
Routine maintenance	2,221	262	7	2,490	2,490
Planned maintenance	927	97	(17)	1,007	836
Major repairs expenditure	633	52	-	685	793
Bad debts	233	32	1	266	83
Depreciation of housing properties	702	96	4	802	537
Other Costs	103	26	1	130	131
Pension scheme (settlement)/ costs (see note 10)	(467)	-	-	(467)	2
Operating cost of social housing lettings	6,791	1,720	92	8,603	8,207
Operating surplus on social housing lettings	3,061	(80)	19	3,000	2,838
Void losses	239	29	-	268	298

5 Accommodation in management and development

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

Group and Association	31 December 2007 number	31 December 2006 number
Social housing		
General housing	3,014	2,965
Supported and sheltered housing	272	261
Shared ownership	73	73
Total owned and managed	3,359	3,299
Accommodation managed on behalf of others	-	47
Accommodation owned but managed by others	-	27
Total owned or managed	3,359	3,373
Non-social housing		
Commercial units	14	14
Accommodation in development at the year end	23	105

The group owns 67 supported housing units (2006: 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	31 December 2007	31 December 2006
	£'000	£'000
Depreciation of housing properties	801	537
Depreciation of other tangible fixed assets	233	222
Operating lease rentals		
Land and buildings	10	9
Office equipment	24	24
Group		
Auditors' remuneration (including VAT)		
Audit	22	17
Tax compliance	-	1

7 Sales of tangible fixed assets and properties held for resale

Group and Association	note	Properties not	Other	31 December	31 December
		developed for outright sale	tangible fixed asset sales	2007	2006
		£'000	£'000	£'000	£'000
Proceeds		4,686	2	4,688	2,188
Cost of sales		(4,428)	(13)	(4,441)	(1,119)
Depreciation		215	13	228	47
Housing Grant		3,340	-	3,340	637
Direct expenses		(42)	-	(42)	(37)
		3,771	2	3,773	1,716
Transfer to Recycled Capital Grant Fund	22	(1,617)	-	(1,617)	(312)
Transfer to Disposal Proceeds Fund	23	(63)	-	(63)	(257)
		2,091	2	2,093	1,147

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

8 Interest receivable

	Group		Association	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
	£'000	£'000	£'000	£'000
Bank interest receivable	313	66	312	65

9 Interest payable and similar charges

Group and Association	note	31 December	31 December
		2007	2006
		£'000	£'000
Finance leases		3	3
Loans and bank overdrafts		3,753	3,260
Loan Breakage costs		2,444	-
		6,200	3,263
Interest capitalised on housing properties under construction		(60)	(110)
		6,140	3,153
Amount credited to Recycled Capital Grant Fund	22	77	15
Amount credited to Disposal Proceeds Fund	23	17	3
Other Interest Payable		5	-
		6,239	3,171

Interest on borrowings was capitalised to finance development at a rate of 8.0% (2006: 8.0%).

10 Employees

	31 December 2007	31 December 2006
The average monthly number of employees (full time equivalents) was as follows:		

Group and Association

Administration	24	25
Development and maintenance	24	24
Housing services	39	34
Wardens and cleaners	7	4
	94	87

	31 December 2007	31 December 2006
The aggregate payroll costs of these persons were as follows:		

	£'000	£'000
Wages and salaries	2,322	2,196
Social security costs	195	184
Pension contributions	216	187
(Settlement gain) / other pension cost	(467)	-
	2,266	2,567

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

MossCare Housing Limited Retirement and Death Benefit Scheme

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

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

10 Employees *(continued)*

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

The following table sets out the key FRS17 assumptions used for the Scheme. The table also sets out as at the accounting date the fair value of assets, a breakdown of the assets into the main asset classes, the present value of FRS17 liabilities and the deficit of assets below FRS17 liabilities.

The key FRS17 assumptions used for the scheme were:

	07 June 2007	31 December 2006	31 December 2005
Actuarial assumptions			
	% pa	% pa	% pa
Inflation	3.10%	2.90%	2.90%
Pension increases	5.00%	5.00%	5.00%
Salary growth	4.50%	4.30%	4.30%
Discount rate	5.50%	5.10%	4.70%

Scheme values and expected rates of return on scheme assets	Expected rate of return		Expected rate of return		Expected rate of return	
	Fair value		Fair value		Fair value	
	31 December 2007		31 December 2006		31 December 2005	
	%	£000's	%	£000's	%	£000's
Equities	n/a	-	7.50	57	7.30	48
Cash	n/a	-	5.20	1,029	4.20	1,002
Total market value of assets		-		1,086		1,050
Present value of scheme liabilities		-		3,039		3,223
Deficit in the scheme		-		(1,953)		(2,173)
Net pension liability		-		(1,953)		(2,173)

Under FRS17 the scheme is represented on the balance sheet at 31 December 2007 as a liability of £nil (2006: £1,953,000).

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

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

	2007	2006	2005
	£000's	£000's	£000's
Deficit in scheme at beginning of year	1,953	2,173	1,460
Current service cost	-	2	2
Settlement Gain	(467)	-	-
Contributions paid	(1,339)	-	-
Other finance income	48	105	111
Actuarial (gain)/ loss	(195)	(327)	600
Deficit in scheme at end of year	-	1,953	2,173

The following amounts have been included within the operating profit under FRS17:

Analysis of other pension costs charged in arriving at operating surplus

	2007	2006	2005
	£000's	£000's	£000's
Current service cost	-	2	2
Settlement Gain	(467)	-	-
Total operating charge	(467)	2	2

The following amounts have been included as net finance income under FRS17:

Analysis of amounts included in other finance income/expense

	2007	2006	2005
	£000's	£000's	£000's
Expected return on pension scheme assets	29	46	60
Interest on plan liabilities	(77)	(151)	(171)
Net return to credit to finance income	(48)	(105)	(111)

The following amounts have been recognised within the statement of total recognised surpluses and deficits under FRS17:

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

	2007	2006	2005	2004	2003
	£000's	£000's	£000's	£000's	£000's
Actual less Expected return on assets	(9)	(10)	5	(5)	(9)
Percentage of year end scheme assets	(1%)	(1%)	0%	(1%)	(4%)
Experience gains arising on scheme liabilities	-	-	-	(6)	(39)
Percentage of present value of year end scheme liabilities	0%	0%	0%	0%	(1%)
Changes in assumptions underlying the present value of scheme liabilities	204	337	(605)	464	(262)
Percentage of present value of year end scheme liabilities	-	11%	(19%)	18%	(9%)
Total amount recognised in statement of total recognised gains and losses	195	327	(600)	453	(310)
Percentage of present value of year end scheme liabilities	6%	11%	(19%)	18%	(11%)

10 Employees (continued)

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.

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

10 Employees *(continued)*

Social Housing Pension Scheme *(continued)*

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 2006. These deficit contributions are in addition to the long-term joint contribution rates set out in the table above.

With effect from 1 April 2006 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 2006 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.

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 2006. As of this date the estimated employer debt for the association was £3,427,000.

11 Board members and Executive Directors

	Basic salary	Benefits in kind	Pension contributions	Year to December	Year to December
	2007	2007	2007	2007	2006
	£'000	£'000	£'000	£'000	£'000
Aggregate emoluments	301	9	38	348	308

Emoluments paid to board members were £3,642 (2006: £nil). Expenses paid during the period to Board members amounted to £1,033 (2006: £1,214). 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 £84,465 (2006: £80,101). 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 £57 (2006: £1,514).

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	139,799	869	140,668	10,135	-	10,135	2,261	-	153,064
Additions during the period	2,757	-	2,757	4,296	-	4,296	-	-	7,053
Works to existing properties	292	-	292	-	-	-	-	-	292
Disposals	(2,377)	-	(2,377)	-	-	-	(24)	-	(2,401)
Transfer between headings	(40)	-	(40)	59	-	59	(19)	-	-
Transferred to properties for resale	(217)	-	(217)	-	-	-	-	-	(217)
Transferred on completion	12,858	-	12,858	(12,858)	-	(12,858)	-	-	-
At end of period	153,072	869	153,942	1,632	-	1,632	2,217	-	157,791
Depreciation									
At beginning of period	5,302	50	5,352	-	-	-	26	-	5,378
Charge for period	785	11	796	-	-	-	5	-	801
Disposals	(75)	-	(75)	-	-	-	-	-	(75)
Transfer between headings	2	-	2	-	-	-	(2)	-	-
Transferred to properties for resale	-	-	-	-	-	-	-	-	-
At end of period	6,014	61	6,075	-	-	-	29	-	6,104
Cost less depreciation									
At 31 December 2007	147,059	808	147,867	1,632	-	1,632	2,187	-	151,687
At 31 December 2006	134,497	820	135,317	10,135	-	10,135	2,235	-	147,686
Social Housing Grant									
At beginning of period	80,559	-	80,559	6,031	-	6,031	1,485	-	88,075
Received during the period	1,315	-	1,315	3,132	-	3,132	-	-	4,447
Works to existing properties	58	-	58	-	-	-	-	-	58
Disposals	(1,298)	-	(1,298)	-	-	-	(17)	-	(1,314)
Transfer between headings	(136)	85	(51)	59	-	59	-	-	8
Transferred to properties for resale	(80)	-	(80)	-	-	-	-	-	(80)
Transferred on completion	8,208	-	8,208	(8,208)	-	(8,208)	-	-	-
At end of period	88,627	85	88,712	1,014	-	1,014	1,468	-	91,194
Other grants									
At beginning of period	3,853	210	4,063	1,000	-	1,000	27	-	5,089
Received during the period	-	-	-	248	-	248	-	-	248
Disposals	(461)	-	(461)	-	-	-	-	-	(461)
Transfer between headings	880	-	880	(888)	-	(888)	(0)	-	(8)
Transferred to properties for resale	-	-	-	-	-	-	-	-	-
Transferred on completion	360	-	360	(360)	-	(360)	-	-	-
At end of period	4,632	210	4,842	-	-	-	27	-	4,868

13 Housing properties (continued)**Expenditure on works to existing properties:**

	31 December 2007	31 December 2006
Group and Association	£'000	£'000
Amounts capitalised	292	697
Amounts charged to income and expenditure account	171	205
Total	463	902

Social Housing Grant

	31 December 2007	31 December 2006
Group and Association	£'000	£'000
Total accumulated SHG receivable was:		
Capital grants	92,862	91,192
Revenue grants	2,155	1,993
	95,017	93,185

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

	31 December 2007	31 December 2006
Group and Association	£'000	£'000
Freehold land and buildings	29,315	28,447
Long leasehold land and buildings	15,743	15,712
Short leasehold land and buildings	131	162
Reimprovements	10,436	10,202
	55,625	54,523

Additions to housing properties include £299,000 (2006: £365,000) for direct development overheads. The net book value of housing properties includes £73,000 (2006: £78,000) in respect of assets under finance leases. Depreciation charged in the period on these assets amounted to £5,000 (2006: £5,000).

14 Other fixed assets

Group and Association	Offices	Office furniture and equipment	Motor Vehicles	Computer Equipment	Scheme furniture and equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At beginning of period	1,182	178	55	825	572	2,812
Additions	10	7	80	92	43	232
Disposals	-	-	(13)	-	-	(13)
At end of period	1,192	185	122	917	615	3,031
Depreciation						
At beginning of period	264	83	30	560	454	1,391
Charge for period	24	27	24	108	50	233
Eliminated on disposal	-	-	(13)	-	-	(13)
At end of period	288	110	41	668	504	1,611
Net book value						
At 31 December 2007	904	75	81	249	111	1,420
At 31 December 2006	918	95	25	265	118	1,421

Offices book value, net of depreciation comprises:

	31 December 2007	31 December 2006
	£'000	£'000
Freehold offices	59	61
Long leasehold offices	844	857
	903	918

The net book value of office properties includes £970 (2006: £1,024) in respect of assets under finance leases. Depreciation charged in the period on these assets amounted to £54 (2006: £54).

15 Investments in group undertakings

Investments in group undertakings comprise:

	as at 31 December 2007 £'000	as at 31 December 2006 £'000
Subsidiary undertakings	-	-
Joint venture loan	10	10
	10	10

Reviva's turnover for the year to 31 December 2007 was £2,374,000 and expenses of £2,306,000 were incurred. The Association's share of the profit was therefore £22,000. The association's investments in Reviva are:

	as at 31 December 2007 £'000	as at 31 December 2006 £'000
Share of gross assets	172	4
Share of gross liabilities	(156)	(10)
	16	(6)

The financial statements consolidate the results of Mossclare Developments Limited and Mossbank Homes Limited, subsidiaries of the association at the end of the period. The association has the right to appoint members to the 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. In 2007 the Association incurred set up costs in readiness for a transfer of housing from Manchester City Council in 2008.
Mossclare 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, 33⅓% owned joint venture with two other Registered Social Landlords. Incorporated in England as a company limited by guarantee. It carries out work under Framework Contracts for the physical regeneration and improvement of existing homes and open spaces and provides neighbourhood management services.

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

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

Properties for sale	Cost	Depreciation	Cost Less Depreciation	Social Housing Grant	Other grants	Net Book Value
	£'000	£'000	£'000	£'000	£'000	£'000
01 January 2007	4,073	279	3,793	3,117	133	543
Transfer from housing properties	217	-	217	80	-	137
Disposals	(2,027)	(139)	(1,887)	(1,529)	(35)	(323)
31 December 2007	2,263	140	2,124	1,668	98	358

17 Debtors

	Group		Association	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
	£'000	£'000	£'000	£'000
Due within one year				
Arrears of rent and service charges	896	1,008	896	1,008
Provision for bad and doubtful debts	(390)	(403)	(390)	(403)
	506	605	506	605
Amounts owed by subsidiary undertakings	-	-	196	30
Social Housing Grant receivable	-	10	-	10
Taxation	-	46	-	46
Other debtors	457	165	335	163
Prepayments and accrued income	209	164	209	164
	1,172	990	1,246	1,018
Due after more than one year				
Other debtors	-	4	-	4
	1,172	994	1,246	1,022

18 Short term investments

Group and Association	31 December 2007	31 December 2006
	£'000	£'000
Money market deposits	4,430	2,868

There are no balances in the above charged to lenders.

19 Cash at bank and in hand

	Group		Association	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
	£'000	£'000	£'000	£'000
Cash at bank and in hand	500	318	498	317

Included in the above are balances totalling £360,000 (2006: £114,000), which are charged to certain lenders.

20 Creditors: amounts falling due within one year

	Group		Association	
	31 December 2007	31 December 2006 as restated	31 December 2007	31 December 2006 as restated
	£'000	£'000	£'000	£'000
Debt (see note 24)	338	306	338	306
Bank overdraft	11	-	11	-
Trade creditors	725	1,729	723	1,727
Rents and service charges received in advance	439	364	439	364
Social Housing Grants received in advance	566	1,771	566	1,771
Other capital grants received in advance	2,248	1,307	2,248	1,306
Recycled Capital Grant Fund (note 22)	437	-	437	-
Disposal Proceeds Fund (note 23)	296	25	296	25
Amounts owed to subsidiary undertakings	-	-	64	100
Taxation and social security	86	6	86	6
Other creditors	52	24	52	20
Accruals and deferred income	1,054	846	1,041	826
Retentions	435	267	435	267
	6,687	6,645	6,736	6,718

Social Housing Grant received in advance will be utilised against capital expenditure during 2008.

Prior year balances on the Recycled Capital Grant Fund and the Disposals Proceeds Fund have been restated to show the correct split between current and long term liabilities. The impact of this restatement is to increase net current assets and long term liabilities by £708,000

21 Creditors: amounts falling due after more than one year

	Group		Association	
	31 December 2007	31 December 2006 as restated	31 December 2007	31 December 2006 as restated
	£'000	£'000	£'000	£'000
Debt (see note 24)	52,137	47,293	52,137	47,293
Retentions	16	416	13	416
Funds held on behalf of others	186	180	186	180
Recycled Capital Grant Fund (note 22)	1,529	437	1,529	437
Disposal Proceeds Fund (note 23)	80	271	80	271
	53,948	48,597	53,945	48,597

22 Recycled capital grant fund

Group and Association	31 December 2007	31 December 2006 as restated
	£'000	£'000
At beginning of period	437	479
Grants recycled	1,617	312
Interest accrued	77	15
Major repairs and works to existing stock	25	(352)
Purchase/development of properties	(190)	(17)
	1,966	437
Due within one year	437	-
Due in more than one year	1,529	437

23 Disposal proceeds fund

Group and Association	31 December 2007	31 December 2006 as restated
	£'000	£'000
At beginning of period	296	220
Net sale proceeds recycled	63	257
Interest accrued	17	3
Major repairs and works to existing stock	-	(184)
	376	296
Due within one year	296	25
Due in more than one year	80	271

24 Debt analysis

Group and Association	31 December 2007	31 December 2006
	£'000	£'000
Due within one year		
Bank loans	329	298
Obligations under finance leases	9	8
	338	306

Group and Association	31 December 2007	31 December 2006
	£'000	£'000
Due after more than one year		
Bank loans	52,082	47,230
Obligations under finance leases	55	63
	52,137	47,293

Debt is repayable as follows:

Group and Association	31 December 2007	31 December 2006
	£'000	£'000
Loans repayable by instalments		
Within one year	338	306
Between one and two years	358	326
Between two and five years	1,451	1,114
After five years	22,923	22,110
	25,070	23,856
Loans not repayable by instalments		
After five years	27,405	23,743
	52,475	47,599

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 2025 to 2039.

Loans not repayable by instalments are interest only at fixed rates ranging from 4.7% to 11.5%. The principal falls due to be repaid in the period 2016 to 2035. In addition to the above debt, at 31 December 2007 the group had undrawn loan facilities of £10.7m (2006: £13.2m). During the year, three loans with The Housing Finance Corporation totalling £10m were repaid and refinanced via a new loan facility of £14m. In February 2008 the Group completed a £61m loan facility with Barclays - £31m to fund the Mossbank stock transfer major repairs and £30m to refinance Mosscare's commercial loan facilities.

25 Non equity share capital

	31 December 2007	31 December 2006
	£	£
Shares of £1 each issued and fully paid		
At beginning of period	84	87
Shares issued during the period	3	3
Shares surrendered during the period	(3)	(6)
At end of period	84	84

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

26 Reserves

Group	Charitable fund reserve (designated)	Accumulated Surplus	2007 Total	2006 Total
	£'000	£'000	£'000	£'000
01 January	128	3,348	3,476	2,309
Surplus/ (deficit) for the financial period	-	(776)	(776)	840
Actuarial gain on pension scheme	-	195	195	327
Transfers	1	-	1	-
31 December	129	2,767	2,896	3,476

Association	Charitable fund reserve (designated)	Accumulated Surplus	2007 Total	2006 Total
	£'000	£'000	£'000	£'000
01 January	128	3,307	3,435	2,260
Surplus for the financial period	-	(725)	(725)	848
Actuarial gain on pension scheme	-	195	195	327
Transfers	1	-	1	-
31 December	129	2,777	2,906	3,435

27 Financial commitments**Group and Association**

	2007	2006
	£'000	£'000
Contracted for but not provided for in the financial statements	2,030	5,860
Authorised by the Board but not yet contracted for	2,813	817
	4,843	6,677

The group expects to finance the above expenditure by the receipt of Social Housing Grant and other grants totalling £0.9m (2006: £2.6m) and the balance with a mixture of loans drawn down under existing loan arrangements and cash reserves generated from property sales.

Group and Association

	2007	2006
	£'000	£'000
Land and buildings		
Leases expiring in over five years	9	9
Office equipment		
Leases expiring between two and five years	36	21
Beyond five years	-	2
	36	23

28 Stock Transfers***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).

28 Stock Transfers *(continued)*

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

At 31 December 2007, £6.01m (2006: £5.94m) of the refurbishment works had been completed. Net expenditure included in the surplus for the period amounted to £Nil (2006: £Nil).

29 Related parties

There are two tenant members of the Board, Paul Hammersley and Ian Pownall. 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 2007 £'000	31 December 2006 £'000
Operating surplus	3,083	2,911
Depreciation charges	1,034	759
Pensions (settlement gain)/ operating charge	-	2
	<u>4,117</u>	<u>3,672</u>
Working capital movements		
Decrease / (increase) in debtors	(188)	799
(Decrease) / increase in creditors	(846)	(18)
(Decrease) / increase in provisions	(1,805)	-
	<u>1,278</u>	<u>4,453</u>
Net cash inflow from operating activities	<u>1,278</u>	<u>4,453</u>

31 Reconciliation of net cash flow to movement in net debt

(Increase)/decrease in cash at bank and bank overdrafts	(171)	(310)
(Increase) / decrease in money market investments	(1,562)	(2,868)
Cash inflow/(outflow) from increase/(decrease) in debt and lease finance	4,876	7,978
Change in net debt (note 32)	<u>3,143</u>	<u>4,800</u>
	<u>44,413</u>	<u>39,613</u>
Net debt at 31 December	<u>47,556</u>	<u>44,413</u>

32 Analysis of net debt

Cash at bank and in hand	500	318
Bank overdraft	(11)	-
Money market investments	4,430	2,868
Debts due within one year	(338)	(306)
Debts due after one year	(52,137)	(47,293)
	<u>(47,556)</u>	<u>(44,413)</u>