



Meres & Mosses Housing Association Limited

Financial Statements for the period ended 31 March 2008

Page	Contents
1	Chair's Statement - review of activities
2	Housing Association Governance
3	Board of Management's responsibilities statement
4 – 5	Statement on Internal Controls Assurance
6	Directors' Report
7	Operating and Financial Review
8	Auditors' Report
9	Income and Expenditure Account
10	Balance Sheet
11	Cash Flow Statement
12	Notes to the Cash Flow Statement
13 – 24	Notes to the Financial Statements

**Registered Office
The Gateway, The Auction Yard,
Craven Arms, Shropshire SY7 9BW**

Housing Corporation Registration No. LH 4493

Chair's Statement

Meres and Mosses Housing Association's first trading period has produced good results. The net position is a surplus of £1,078,400 against a budgeted surplus at the revised stage of £1,148,189. Although this is slightly below budget, it has been possible to cover a number of one off costs which were not anticipated when the budgets were set.

Drawdowns during the year were lower than originally expected because of a combination of slippage and efficiency savings on improvement works. As a result, interest costs were lower than expected, by around £50,000.

Approximately £2.5 million has been spent on improvement works. This started on the day of transfer when the first new doors were fitted, and has been extended to new bathrooms and kitchens in 281 of our houses. These improvements are essential to making sure that we achieve Decent Homes Standards and meet our commitments to our tenants and our funder Lloyds TSB.

Even in our first period of trading we have been able to add to its property numbers with a new development in Shawbury. Developed on our behalf by South Shropshire Housing Association, 7 rented units and 3 shared ownership units were occupied in early 2008. Against this, no properties were lost this year through the Right to Buy scheme.

Finally, I would like to thank both the staff at the Association and my fellow Board Members for their dedication and strong commitment to the Association and its objective of providing good quality homes and related services for the communities we serve, and the Group Executive team for their ongoing support. It has been a demanding year and everybody has risen to the challenge admirably. I would also like to record my thanks and appreciation to the increasing number of tenants who work with us to ensure that we provide the services that they want to see.

Gordon Hodgkiss
Chair

15th July 2008

Housing Association Governance

Status of the Association

The Association is incorporated by the Financial Services Authority under the Industrial and Provident Societies Act 1965, Registered No. 30241R. It is also registered with the Housing Corporation in accordance with the Housing Act 1996, Registered No. LH 4493. The Association has charitable objects and is a charity for tax purposes, reference XT4980.

Purposes of the Association

The Association was formed for the benefit of the community in providing housing, accommodation and related services for people in need.

Statement of Compliance with the NHF Code of Governance

The Board of Management annually reviews its policies and procedures to comply in all material respects with the principal recommendations of the Code of Governance issued by the National Housing Federation in May 2004.

Members of the Association

There are two categories of shareholding membership: Tenant Members of which there are 3, and Independent Members of which there are 5, each holding a £1.00 share. Shropshire Housing Ltd and North Shropshire District Council are also members, each holding a £1.00 share. Members have voting rights at Annual and Special General Meetings. Members of the Association are eligible to be elected to sit on the Board and Sub Committees. The detailed arrangements regarding membership are set out in the Rules of the Association.

The Board of Management

The Board comprises up to 12 members and up to 5 co-optees and is responsible for managing the affairs of the Association. The Board may include up to five co-opted persons appointed by the Board who may not

be members of the Association, to act as specialist advisers.

There are 4 elected Tenant Members and North Shropshire District Council also nominates 4 Council Members to attend the Board of Management. (The District Council nominees are not required to be shareholding members of the Association).

The Board members are drawn from a wide background bringing together professional, commercial and local experience. The Group's Remuneration and Nominations Committee carry out regular audits of skills available and skills required. Effectiveness is regularly reviewed and monitored. The Board is responsible for the Association's continuing strategy and policy framework. It delegates the day-to-day management and implementation of that framework to the Managing Director. The Board meets six times a year for regular business. Other meetings take place as required, and for training and development purposes.

Our Board of Management is responsible for the operating activities of the RSL which includes setting strategy and policy in relation to development of new homes, improvement, modernisation and repair of existing homes, housing and estate management, tenant involvement, rent collection and arrears management. The Shropshire Housing Group Board is responsible for providing strategic direction and policy development, overall financial control and support, developing performance systems and monitoring compliance with all regulatory requirements.

The Chair is appointed annually by Members of the Board.

Remuneration of Board Members

Our Board Members receive no fee from the Association and this is agreed on an annual basis. Reasonable reimbursement is made for travel and subsistence in appropriate circumstances.

Statement of Board of Management's Responsibilities

The Industrial and Provident Societies Acts 1965 to 2002 require the Board of Management to arrange for the preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the Association as at the end of the financial year and of the surplus or deficit for that period.

In preparing those financial statements, the Board of Management is required to:

- adopt suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting policies have been followed subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on a going concern basis.

The Board of Management is responsible for making the appropriate arrangements for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Association and to enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, and the Housing Act 1996. It has responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

Director's Indemnity

The Directors have confirmed that the Association does have Directors and Officers Insurance in place.

Financial Instruments

The Association does not have any abnormal exposure to price, credit, liquidity and cash flow risks arising from its trading activities. The Association does not enter into any hedging transactions and no trading in financial instruments is undertaken.

Disclosure of Information to Auditors

In the case of each of the persons who are Directors of the Association at the date when this report was approved:

- So far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Association's auditors are unaware; and
- Each of the Directors has taken all the steps that they ought to have taken as a Director to make them aware of any relevant audit information (as defined) and to establish that the Association's auditors are aware of that information.

Going Concern

After reviewing the Association's Budget for 2008/2009 and based on normal business planning and control procedures, the members of the Board have a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

Statement on Internal Controls Assurance

Responsibility

The Shropshire Housing Group's Board of Management, as the ultimate governing body, is responsible for the system of internal control, which is designed to provide reasonable but not absolute assurance regarding:-

- the safeguarding of assets against unauthorised use or disposal; and
- the maintenance of proper accounting records and the reliability of financial information used within the business or for publication

Key procedures have been established and are designed to provide effective internal control. These key areas cover control, reporting information systems, monitoring and risk management. The Board has a clear and well communicated strategy and policy covering the prevention and detection of fraud, and procedures are followed where fraud is suspected or detected. A clearly established whistle blowing policy is in place.

Compliance with internal controls Housing Corporation circular 07/07

We have reviewed the effectiveness of the system of internal control, including the sources of assurance agreed by the Board as being appropriate for that purpose. On the basis of the evidence provided by the Company Secretary in her report No. 28/08 presented to the Board of Management on Friday 13th June 2008, we are satisfied that there is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year. We are also satisfied that those systems were aligned to an ongoing process for the management of the significant risks facing the Group. No weaknesses were identified which would have resulted in material misstatement or loss and which would have required disclosure in the financial statements.

Control Environment

The Group Board has put in place an organisational structure with clearly defined lines of responsibility and delegations of authority. These are found in detail in the

Group's Standing Orders, Financial Regulations, Treasury Management Controls and Operational Risk Statements. These delegations and authority levels are reviewed annually.

Control Procedures

Procedure manuals are maintained for all the main functions and service areas, and in particular there are clearly defined policies for development projects and capital expenditure, including the appropriate authorisation levels. Information Technology procedures are annually updated. All capital projects require Board approval before commencement and commitment of any funds. Completed development projects are also subjected to a post investment appraisal, comparing actual results to original forecasts.

Information Systems

The Group has a comprehensive system of financial reporting. The Annual Budget and Business Plan are approved by the Board. Actual results are reported against budget headings to each subsidiary Board meeting with any significant variances being reported together with explanations. The current borrowing and investment position is reported at each Board meeting, as well as to the Group's Performance Committee.

In accordance with regulations, annual financial returns are submitted to the Housing Corporation, and quarterly financial returns to the Association's principal lenders. There are regular meetings of the Management Team to review and monitor revenue and capital spending against budget assumptions. Cash balances are checked daily, coupled with revised forecast of borrowing requirements at regular intervals as necessary. There are a number of annual reports on other functions to the Board; these include insurance arrangements and treasury management.

- **Monitoring System**

The control system is monitored by internal audit and within the annual plan the work is focused on the areas of greatest risk to the Association. Monitoring is also done by senior officers and managers.

- **Risk Management**

The Group's officers have a clear responsibility for identifying risk facing each of the areas in which they operate and for putting in place procedures to mitigate and monitor risk. It is the Performance Committee's responsibility to review and assess these risks.

Directors' Report

Members of the Board

The members of the Board who served during the period were as follows:

Gordon Hodgkiss Chair appointed 18 Sept 07
Mick Platt
Heather Pattimore
Lin Sherwin
Norman Aldhous
Dewi Davies
Brian Williams
Mick Gould
Mervyn Davies
Marguerite Ashley
Richard Jaboor
Paul Turner Appointed 20 November 07
Stephen Donkersley Co-opted 20 November 07

The Board reports that we produced a surplus of £1,078,400, compared to the budgeted £1,148,189 at the revised stage. This surplus is after charging £80,374 for depreciation on housing stock, as required by Financial Reporting Standard 15 and the Statement of Recommended Practice for Registered Social Landlords.

Turnover was over £4.5 million, and interest charges amounted to approximately £339,000.

Future developments

The Board are continuing to look at developing new dwellings and to repair and improve existing properties. It is continuing to look to partnerships with other agencies in order to best secure these aims.

Housing Properties and Other Fixed Assets

We now hold properties at a historical cost of £10.9 million net of Housing Grants and depreciation. These were financed through external loans and internal funds.

The value for existing use by a housing association of these properties is professionally assessed at in excess of £19.4 million. As a new Stock Transfer Association our debt to asset gearing ratio is considered to be in line with similar associations.

At the end of the year, our units in management totalled 2320. There were 10 developed properties completed and no properties were sold under Right to Buy provisions.

Cashflow and Liquidity

The cashflow from operating activities during the period was £2.44 million. Loans increased to £9 million during the period.

By order of the Board

Gordon Hodgkiss

Chair

15th July 2008

Operating and Financial Review

Background

Meres & Mosses Housing Association Limited is an independent not for profit business formed in July 2007 to provide high quality affordable social housing in the North Shropshire area. We manage approximately 2,300 houses and, with South Shropshire Housing Association, aim to build about 500 new homes over the next five years.

Our vision is to provide quality homes and services involving people in building communities where they choose to live.

Operating Review

On 30th July 2007 North Shropshire District Council transferred its housing stock to Meres & Mosses Housing Association. At the same time, the Shropshire Housing Group was formed, with South Shropshire Housing Association and the newly formed Total Response Limited. By joining the Group, we were able to benefit from lower central support costs, allowing more money to be directed on improving homes and services for tenants.

It was a great achievement for us to add new units to our stock within six months of the transfer date. Seven rented and three shared ownership units were developed at Shawbury and were made available in early 2008. Work also commenced on developing a further 12 units at Hadnall.

Improvement works commenced on the day of transfer, with the first new doors being fitted. Other work has concentrated on new kitchens and bathrooms being fitted in a number of properties, making a good start to the 5 year improvement plan.

Reporting Structure

The Board comprises up to 12 members and up to 5 co-optees and is responsible for managing the affairs of the Association. The Board Members are drawn from a wide background bringing together professional, commercial and

local experience. The Board is responsible for the Association's continuing strategy and policy framework. It delegates the day to day management and implementation of that framework to the Senior Management team. The Board now meets six times a year.

Continuous Improvement

We are committed to achieving excellent performance across the whole of our business and services. We use a Best Value review framework as part of a drive to continuously improve. Alongside the annual Performance Plan, we are also committed to the efficiency agenda. All Performance Reviews should be monitored through to completion via the Shropshire Housing Group's Performance Management Group.

The Performance Management Group monitors the benchmarked data from Housemark together with performance indicators, reports and best practice visits. The group is made up mainly of senior managers from across the Shropshire Housing Group.

Risks and uncertainties

During 2007 the Shropshire Housing Group implemented new risk modelling software to help embed risk management to all levels of the Group. The Group Board considered risk and risk appetite at its meeting on 13th June 2008 and the Group Board will continue to monitor and review risks every six months.

Financial Review

The first 8 months of trading has produced good results. Although a slightly smaller surplus than anticipated was achieved, it was still possible to absorb a number of one off costs associated with the set up of the Association and the Group. The net position is a surplus of £1,078,400 against a predicted £1,148,189. We spent £11million on acquisition and improvement of housing properties, and we received £9million in housing loans.

Report of the Auditors to the members of Meres & Mosses Housing Association Limited

We have audited the financial statements of Meres & Mosses Housing Association Limited for the period ended 31st March 2008 which comprise the income and expenditure account, the balance sheet, the cashflow statement and the related notes. These financial statements have been prepared under the historical cost convention and in accordance with the accounting policies set out therein.

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

Respective responsibilities of the Board and Auditors

As described in the Statement of Board Members' Responsibilities the Board is responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accountability 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, Part III of Schedule 1 to 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 Board Report is not consistent with the financial statements, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Board members' transactions with the Association are not disclosed.

We read the Directors' Report and Operating and Financial Review and consider the implications for our report if we become aware of any misstatements in them.

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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Associations' affairs at 31st March 2008 and of its income and expenditure for the period then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Part III of Schedule 1 to the Housing Act 1996 and the Accounting Requirements for registered social landlords General Determination 2006.

**The Broadway
Dudley
West Midlands
DY1 4PY**

**Mazars LLP
Chartered Accountants
& Registered Auditors**

15th July 2008

Financial Statements 2008 – Meres & Mosses Housing Association

Income and Expenditure Account for the period ended 31st March 2008

	<i>Note</i>	2008 £
Turnover	2	4,569,215
Operating costs	2	<u>(3,201,949)</u>
Operating surplus	2	1,367,266
Share of deficit in joint ventures		-
Surplus on sale of fixed assets		<u>-</u>
Surplus on ordinary activities before interest	5	1,367,266
Interest receivable and similar income	3	50,510
Interest payable and similar charges	4	<u>(339,376)</u>
Surplus on ordinary activities before taxation		1,078,400
Taxation on surplus / (deficit) on ordinary activities	8	<u>-</u>
Surplus for the year transferred to reserves		<u>1,078,400</u>

All of the above relate to continuing activities.

Statement of Total Recognised Surpluses & Deficits for the period ended 31st March 2008

	<i>Note</i>	2008 £
Surplus for the period		1,078,400
Actuarial (loss)	17	<u>(324,000)</u>
Total recognised surplus relating to the period		<u><u>754,400</u></u>

Financial Statements 2008 – Meres & Mosses Housing Association

Balance Sheet at 31st March 2008

	<i>Note</i>	£	£
2008			
Tangible fixed assets			
Tangible assets cost	9		11,191,465
Less Depreciation	9		(137,249)
Less Social Housing grant	9		-
Other capital grants	9		-
			11,054,216
Current assets			
Debtors	10	381,529	
Debtors due after more than one year	11	39,649,834	
Investments	12	500,000	
Cash at bank and in hand		105,982	
		40,637,345	
Creditors: amounts falling due within one year	13	(2,106,537)	
Net current (liabilities)/assets			38,530,808
Total assets less current liabilities			49,585,024
Creditors: amounts falling due after more than one year	14		48,449,614
Provision for pension liability	17		381,000
Capital and reserves			
Called up share capital	15		10
Revenue reserve	16		754,400
			49,585,024

These financial statements were approved by the Board of Management on 15th July 2008 and were signed on its behalf by

Gordon Hodgkiss
Chair

Martin Holland
Secretary

Financial Statements 2008 – Meres & Mosses Housing Association

Cash Flow Statement for the period ended 31st March 2008

		<i>2008</i>	
	<i>Notes</i>	£	£
Net cash inflow from operating activities	<i>(a)</i>		2,449,958
Returns on investments and servicing of finance			
Interest received		2,480	
Interest paid		<u>(266,174)</u>	(263,694)
Capital expenditure			
Acquisition and construction of housing properties		(10,450,074)	
Proceeds on disposal of fixed assets		-	
Proceeds from sale of Right To Buy properties & miscellaneous land		-	
Capital grants received		-	
Purchase of other tangible fixed assets		(130,208)	
Loan repayment from associate Investment		<u>-</u>	(10,580,282)
Taxation			-
Financing			
Loan financing costs		-	
Net housing loans received	<i>(c)</i>	9,000,000	
Net shares issued		<u>-</u>	9,000,000
			9,000,000
Increase in cash	<i>(c)</i>		605,982

Financial Statements 2008 – Meres & Mosses Housing Association

Notes to the Cash Flow Statement for the year ended 31st March 2008

(a) Reconciliation of operating surplus to net cash inflow from operating activities

	2008 £
Operating surplus	1,367,266
Depreciation	137,249
(Increase) in debtors	(245,942)
Increase in creditors	1,339,494
Movement in provisions	58,000
(Increase) in refinancing costs	(206,109)
Reduction share capital	-
Net cash inflow from operating activities	2,449,958

(b) Reconciliation of net cashflow to movement in net debt

	2008 £
Increase in cash in the period	605,982
Housing loans received	(9,000,000)
Change in net debt	8,394,018
Net debt brought forward	-
Net debt carried forward	8,394,018

(c) Analysis of changes in net debt

	Cash Flow £	At 31 st March 2008 £
Investments	500,000	500,000
Cash at bank and in hand	105,982	105,982
	605,982	
Debt due after 5 years	9,000,000	(9,000,000)
Total	8,394,018	(8,394,018)

Notes (forming part of the financial statements)

1 Accounting policies

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), and in line with the Statement of Recommended Practice “Accounting by Registered Social Landlords, updated in 2005” and the Accounting Requirements for Registered Social Landlords General Determination 2006. A summary of the more important accounting policies, which have been consistently applied, is set out below. The accounting policies were reviewed by the Performance Committee on 7th May 2008 in accordance with FRS18.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents rents and service charges receivable in respect of tenanted properties, residential care charges and amounts invoiced in respect of the provision of management services.

Merger Accounting

The group will be accounted for under Merger Accounting as defined under FRS 6 Acquisitions and Mergers. The combination meets all the specific criteria set out in paragraph 6-11 of FRS6 and thus falls within the definition of a merger. The combining entities are Shropshire Housing Limited, South Shropshire Housing Association, Meres and Mosses Housing Association and Total Response Limited. The group was formed on 30th July 2007.

Fixed assets and depreciation

Other tangible fixed assets are stated at cost and are written down to their residual value over their expected useful life on a straight line basis at the following annual rates:

Office equipment, fixtures & fittings	- 15% to 25%
Plant & machinery	- 15% to 25%
Vehicles	- 25%

Housing Properties

As required by Financial Reporting Standard 15 and the Statement of Recommended Practice for Registered Social Landlords, the Association has reviewed the useful economic lives of its housing properties and depreciates the property costs, less grants, freehold land and residual value.

The properties are reviewed for impairment annually, and where housing properties have suffered a permanent diminution in value, the fall in value will be recognised after taking account of any related capital gains.

Housing properties in the course of construction are stated at cost and are transferred into housing properties when complete. The cost of properties is their purchase price or construction cost together with enhancement expenditure and other acquisition and development costs, including capitalised interest and directly attributable overheads.

Financial Statements 2008 – Meres & Mosses Housing Association

Notes (continued)

Enhancement expenditure to our existing stock is capitalised where it results in an increase of economic benefits of the asset. Works are recognised as an addition to the asset only to the extent that they provide an enhancement to its economic benefits in excess of the standard of performance anticipated when the asset was first acquired or constructed or last replaced. Any works which do not result in an enhancement of economic benefits of a property are charged to the income and expenditure account. This includes expenditure incurred to ensure that the property can maintain its existing level of net rental income or the standard of performance anticipated when the asset was first acquired or constructed or last replaced.

Depreciation on freehold housing properties is charged on the straight line basis over the expected useful lives of the assets as follows:

Sheltered housing schemes with lower demand	- 10 years
All other housing properties	- 99 years

Social Housing and Other Grants

When developments have been financed wholly or partly by social housing and other grants, the costs of those developments have been reduced by the amount of the grant received. Social housing grant received in advance of the costs of housing properties in the course of construction is shown as a current liability.

Provision is made in the balance sheet for repayments of social housing grants where it is likely that properties will be sold in the foreseeable future.

Stock

Stock is stated at the lower of cost and net realisable value.

Operating leases

Rentals payable under operating leases are charged on a straight-line basis over the term of the lease.

Interest charges

Interest charges represent the actual cost of financing purchased transferred properties, completed property acquisitions, new developments and major repairs schemes where mortgages and loans have been received from external sources.

Capitalisation of interest

Interest on the loan financing a development is capitalised up to the date of practical completion, after adjustment for interest received on social housing grant in advance of the relevant expenditure. Interest has been charged at 6% per annum.

Pension costs

Contributions payable to the Association's pension scheme are charged to the income and expenditure account so as to spread the cost of pensions over the service lives of employees in the schemes. FRS 17 is followed.

Notes (continued)

Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred (or accelerated) because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax on a full provision basis. We obtained charitable status confirmation from the Inland Revenue for Meres and Mosses Housing Association from its first day of trading and for SSHA from 6th August 2007. This is due to the Inland Revenue accepting our Charitable Objects. SHL and TRL will still be subject to taxation.

VAT policy

The Association is VAT registered, but a large proportion of its income namely rents, is exempt for VAT purposes. This gives rise to a partial exemption calculation. Expenditure is shown inclusive of VAT and the input VAT recovered is shown in the Income and Expenditure Account. The accounting entities listed under the merger accounting note form a VAT group.

VAT sharing agreement

Meres and Mosses Housing Association via the transfer agreement with North Shropshire District Council shares VAT savings arising out of the transfer in equal amounts. The related expenditure is shown gross and the vat recovered is shown as a credit against capital to identify it separately for future use.

Under the terms of the transfer agreement the Company has contracted to refurbish transferred properties and the amount due to the Company from the work is shown under debtors. The obligation to carry out these works is shown in the provisions for liabilities and charges.

Supported People Income and Expenditure

Separately identifiable accommodation based rent, service and support charge income along with any related costs for accommodation based supported housing are disclosed under "Supported Housing" within Note 2. Charges for and costs of support services funded under Supporting People are shown under "Supporting People" within Note 2 "Other Social Housing".

Financial Statements 2008 – Meres & Mosses Housing Association

Notes (continued)

2 Turnover, operating costs and operating surplus

	Turnover	2008 Operating Costs	Operating Surplus/ (Deficit)
	£	£	£
Lettings	4,547,059	3,125,979	1,421,080
Other Social Housing			
Supporting People	17,241	17,970	(729)
VAT	4,915	-	4,915
	22,156	17,970	4,186
Contribution to pension scheme		58,000	(58,000)
Non social housing lettings and external work of DLO		-	-
	4,569,215	3,201,949	1,367,266

2 Income and expenditure from lettings

	Housing Accommodation £	2008 Supported Housing / Older People £	Shared Ownership £	Total £
Income				
Net Rental Income	4,059,178	323,241	9,479	4,391,898
Net Service Charges Income	13,322	23,123	3,811	40,256
	4,072,500	346,364	13,290	4,432,154
Revenue grants from Housing Corporation and Local Authority	-	111,300	-	111,300
Other Income	3,605	-	-	3,605
	4,076,105	457,664	13,290	4,547,059
Expenditure on lettings				
Management	1,108,325	101,279	1,566	1,211,170
Services	115,266	115,109	1,198	231,573
Care and support	-	141,298	-	141,298
Routine maintenance	1,058,216	97,112	-	1,155,328
Planned maintenance	184,112	16,896	-	201,008
Rent losses from bad debts	95,571	9,657	-	105,228
Depreciation	73,618	6,756	-	80,374
	2,635,108	488,107	2,764	3,125,979
Total expenditure on lettings	2,635,108	488,107	2,764	3,125,979
Operating surplus/(deficit)	1,440,997	(30,443)	10,526	1,421,080
Void Losses	(62,667)	(9,828)	-	(72,495)

The supported housing project is property based. The rental income quoted refers to the rental due while the tenant is using the facility.

Financial Statements 2008 – Meres & Mosses Housing Association

Notes (continued)

3 Interest receivable and similar income

	2008 £
Interest receivable from bank deposits	50,510

4 Interest payable and similar charges

	2008 £
Net finance charge on pension (note 17)	(1,000)
On bank loans, overdrafts and other loans repayable - wholly or partly in more than 5 years	340,376
Less: interest capitalised	-
	339,376

5 Surplus on ordinary activities before interest

	2008 £
<i>Surplus on ordinary activities before interest is stated after charging:</i>	
Depreciation of tangible fixed assets	137,249
Auditors' remuneration (including VAT):	
In their capacity as auditors	-
In respect of other services	-
	-

6 Staff costs

	2008 £
Wages and salaries	510,100
Social security costs	38,450
Other pension costs	187,628
	736,178
Average number of full-time equivalent persons employed during the period	31
These were categorised as:	
Managing Director, Customer Service Advisors & Admin	8
Housing	9
Asset Management	7
Sheltered	7
	31

Financial Statements 2008 – Meres & Mosses Housing Association

Notes (continued)

7 Directors' emoluments

The remuneration paid to the Director of the Association (the Managing Director) was:

	2008 £
Total emoluments	51,760
The emoluments of directors disclosed above (excluding pension contributions) include amounts paid to the highest paid director and Managing Director	46,000 46,000
Aggregate amount of director's pension contributions	5,760
Fees payable by way of expenses to Board Members	2,297

The Managing Director is an ordinary member of the pension scheme. No additional contributions to any pension scheme have been made and there were no special or enhanced terms which apply. The employers' contribution to the pension scheme on behalf of the Managing Director in 2007/2008 was £5,760.

8 Taxation

	2008 £
United Kingdom Corporation Tax	
Current	-
(Credit)/Charge in accounts	-
Factors affecting current tax charge for the year:	
The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:	-
(Deficit)/Surplus on ordinary activities before tax	-
Tax on (deficit)/surplus on ordinary activities at 30%	-
Costs not deductible for tax purposes (primarily depreciation on properties)	-
Capital allowances	-
Land remediation and adjustments	-
Utilisation of tax losses	-
Adjustment to tax charge in respect of previous periods	-

Financial Statements 2008 – Meres & Mosses Housing Association

Notes (continued)

9 Tangible fixed assets

	Freehold housing properties	Office equipment, fixtures & fittings	Total
	£	£	£
Cost			
At beginning of period	-	-	-
Additions	11,012,674	178,791	11,191,465
Schemes completed	-	-	-
Disposals	-	-	-
	11,012,674	178,791	11,191,465
At end of period	11,012,674	178,791	11,191,465
Depreciation and impairment			
Charge for the period	80,374	56,875	137,249
Eliminated on disposals	-	-	-
	80,374	56,875	137,249
At end of period	80,374	56,875	137,249
Social Housing grants			
At beginning of period	-	-	-
Receivable	-	-	-
Schemes completed	-	-	-
	-	-	-
At end of period	-	-	-
Other capital grants			
At beginning of period & end of period	-	-	-
	-	-	-
At end of period	-	-	-
Net book value			
At 31st March 2008	10,932,300	121,916	11,054,216

Works to existing properties during the period amounted to £ 2,538,207. This has been accounted for as follows:-

Planned maintenance - revenue	£ 201,008
Improvements - capital	£ 2,337,199

* This represents total amount of SHG receivable both capital and revenue.

	2008
Number of units	
Under development at end of year:	
Housing accommodation	-
Under management at end of year:	
Housing accommodation	2,320
Managed for private landlords	-
Commercial units	-
	2,320

Financial Statements 2008 – Meres & Mosses Housing Association

Notes (continued)

10 Debtors

	2008
Due within one year	£
Gross rental arrears	390,725
Less: Provision for bad debts	<u>(160,364)</u>
	230,361
 Prepayments and accrued income	 <u>151,168</u>
	 <u><u>381,529</u></u>

11 Debtors due after more than 1 year

	2008
	£
Improvement works	<u>39,649,834</u>

12 Current asset investments

	2008
	£
Cash on short term deposit	<u>500,000</u>

13 Creditors: amounts falling due within one year

	2008
	£
Trade creditors	857,825
Other taxation and social security	18,603
Rent in advance	88,737
Social Housing Grant in advance	-
Accruals and deferred income	<u>1,141,372</u>
	<u><u>2,106,537</u></u>

14 Creditors: amounts falling due after more than one year

Improvement Works

39,649,834

Housing loans The Association has a combined borrowing facility of £55,000,000 of which £9,000,000 had been utilised at 31st March 2008 (£46,000,000 undrawn). The facility is for a term of 35 years on both fixed and variable rate terms. The Association is able to choose from time to time to select fixed term borrowing from variable rates. The borrowings are secured by fixed and floating charges over the assets of the Association; variable rates are at LIBOR plus the agreed margin. Fixed rate loans were between 4.895% and 5.495% including margin.

	2008
<i>Amounts repayable by instalments and not wholly repayable within five years:</i>	£
Repayable after five years	<u>9,000,000</u>

Refinancing costs The balance sheet shows the position net of refinancing costs of (200,220)

Total £48,449,614

Financial Statements 2008 – Meres & Mosses Housing Association

Notes (continued)

15 Called up share capital

	2008 £
<i>Issued and fully paid shares of £1 each:</i>	
At beginning of period	-
Issued during the period	10
Relinquished during the period	-
At end of period	10

16 Reserves

	Revenue reserve £
Balance brought forward	-
Gain in the period	1,078,400
Actuarial loss on pension scheme	(324,000)
Balance carried forward	754,400

17 Pension obligations

The Association's employees are members of the Shropshire County Council Pension Scheme.

Total pension cost for the Association was £187,628 covering 22 employees. This includes £141,567 lump sum payment to cover pension strain to the Shropshire County Council Pension Scheme.

(a) The Shropshire County Council Superannuation fund is a local Government Pension Scheme and is a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme.

The last formal valuation of the Scheme was performed at 31st March 2007 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the last valuation date was £906 million.

The valuation revealed a Past Service deficit of some £156million (equivalent to a past service funding level of 85%). The share of fair value of assets at 31st March 2007 (last full actuarial valuation) was as follows:

	£m
Equities	516
Bonds	227
Other	163
Market Value	906
Past Service liabilities	(1,062)
Past Service deficits	(156)

Meres & Mosses Housing Association Ltd paid contributions at the rate of 12.8% during the accounting period. Member contributions vary between 5% and 6%. The employer contribution rate will be at 14.1% for the next 3 years.

Financial Statements 2008 – Meres & Mosses Housing Association

Notes (continued)

17 Pension obligations (continued)

Financial assumptions

A qualified independent actuary, Mercer Human Resources Ltd, carried out an actuarial valuation at 31st March 2008 for disclosure purposes. The major assumptions used were:

	31 March 08
Rate of inflation	3.6%
Rate of increase in salaries	5.35%
Rate of increase in pensions	3.6%
Discount rate	6.1%

The assets of the scheme and the expected rate of return were:

	Rate of return expected at 31st March 2008	Value at 31 st March 2008 £'000
Equities	7.5%	995
Bonds	5.8%	183
Government bonds	4.9%	207
Property	6.5%	73
Cash liquidity	5.75%	29
Other	7.5%	38
Total market value of assets		1,525

i) Liability and funding status under Financial Reporting Standard 17 of Meres & Mosses Housing Association's part of the fund.

	2008
	£'000
Total market value of assets	1,525
Value of liabilities	(1,906)
Deficit in scheme	(381)

ii) Analysis of the amount which has been charged to operating surplus under Financial Reporting Standard 17

	2008
	£'000
Current service cost	(70)
Past service cost curtailment loss	(148)
Total operating charge	(218)

iii) Analysis of the amount which has been charged to interest costs under Financial Reporting Standard 17

	2008
	£'000
Expected return on assets	64
Interest on liabilities	(63)
Net return	1

Financial Statements 2008 – Meres & Mosses Housing Association

Notes (continued)

17 Pension obligations (continued)

- iv) Analysis of amount which has been recognised in the statement of total recognised surpluses and deficits (STRSD)

	2008 £'000
Asset (loss) / gain	(145)
Liability (loss) / gain	(163)
Changes in assumptions underlying the present value of the scheme liabilities	<u>(16)</u>
Actuarial surplus/(deficit) for recognition in the STRSD	<u>(324)</u>

- v) Movement in Financial Reporting Standard 17 deficit during the period

	2008 £'000
Deficit at the beginning of the period	-
Movement in period:	
- Past service loss	(148)
- Current service cost	(70)
- Contributions	160
- Net return from other financial income	1
- Surplus/(Deficit) in STRSD	<u>(324)</u>
Deficit at the end of period	<u>(381)</u>

- vi) History of experience surpluses(deficits) calculated under Financial Reporting Standard 17

	2008 £'000	2008 As a % of Scheme assets/ liabilities
Asset (loss) / gain	(145)	9.5%
Change in assumptions	(16)	0.8%
Experience (deficits) / gain on liabilities	<u>(163)</u>	<u>8.6%</u>
Total amount recognised in the STRSD	<u>(324)</u>	<u>17%</u>

Financial Statements 2008 – Meres & Mosses Housing Association

18 Capital commitments

	2008 £
Capital expenditure contracted for but not provided in the financial statements	1,683,692
Capital expenditure authorised by the Board of Management but not yet under contract	-

The Board of Management expects the expenditure it has authorised to be fully financed by a combination of private loan finance, or from the Association's own funds.

There is a formal borrowing facility in place with Lloyds TSB Bank plc to fund all planned capital expenditure requirements.

19 Other financial commitments

The Association was committed to making the following annual payments under non-cancellable operating leases:

Operating leases which expire:

	2008 £		
	<u>Property</u>	<u>Plant</u>	<u>Total</u>
Within 1 year	-	-	-
1 - 2 years	-	-	-
2 - 5 years	13,000	6,562	19,562
over 5 years	-	-	-
	13,000	6,592	19,562

20 Contingent liabilities

There were no contingent liabilities at 31st March 2008.

21 Legislative provisions

The Association is incorporated by the financial Services Authority under the Industrial and Provident Societies Act 1965. Registered No. 30241R and is also registered with the Housing Corporation in accordance with the Housing Act 1996, Registered No. LH 4493. The Association has charitable objects with effect from commencing trading, reference XT4980.