



Report and Financial Statements

◆ Year ended 31 March 2008 ◆

Registered at Companies House Number 3550000

**Registered with the Housing Corporation as a Social
Landlord Number L4230**

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Our Vision

“Making South Liverpool a better place to live and work”.

Our Strategic Objectives

Our plans are designed to deliver real benefit to the lives of local people. The headline objectives are;

A well run business

This includes:

- ◆ Delivering and exceeding the expectations of customers, regulators and funders
- ◆ Achieving awards for excellence
- ◆ A strong and effective board
- ◆ The lead service provider in South Liverpool
- ◆ Having a clear business strategy

Financially strong

This includes:

- ◆ Financially self sufficient and strong
- ◆ Resilient and able to manage risk
- ◆ Efficient in all we do and cost effective

Sustainable neighbourhoods of choice

This includes:

- ◆ Empowering and involving customers
- ◆ Improving the environment
- ◆ Responsible in growth
- ◆ Maximising tenure opportunities
- ◆ High quality services
- ◆ Safe, clean and well kept
- ◆ Affordable

An employer of choice

This includes:

- ◆ A learning organisation
- ◆ Empowering staff
- ◆ Retaining and attracting excellent staff
- ◆ Flexible and family friendly

Inclusive communities

This includes:

- ◆ Meeting the diverse needs of the community
- ◆ Proactively promoting inclusion
- ◆ Encouraging equality and celebrating diversity

Board Members and Executive Officers

Chair	John McHale
Other Members	Mike Birkett Marie Ford (resigned 23 September 2008) Paula Keaveney (resigned 15 July 2007) Mavis Morgan Frank Roderick (resigned 15 July 2007) Barbara Southern (resigned 23 September 2008) Ruth Stott Alistair Sunderland John Williams (resigned 25 September 2007) Doreen Knight (appointed 15 July 2007) Colin Strickland (appointed 15 July 2007) Larry Dack (appointed 25 September 2007) Lilian Skerry (appointed 23 September 2008) William Mvinzu-Malonda (appointed 23 September 2008)

All Board members have served on the Board throughout the year from 1 April 2007 to 31 March 2008 except where indicated.

Executive Officers:

Chief Executive	Julie Fadden
Director of Resources	Paul Kelly (resigned 31 July 2007)
Executive Director of Corporate Services	Anthony Russell (appointed 2 July 2007)
Director of Operations	Tom Roberts (resigned 11 September 2007)
Director of Operations	Wayne Gales (appointed 5 November 2007)
Director of Property	Steve Collins (resigned 30 June 2008)
Company Secretary	Paul Kelly (resigned 5 July 2007)
Company Secretary	Anthony Russell (appointed 5 July 2007)

Registered office:	Parklands Conleach Road Speke Liverpool L24 0TY
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Main Business Premises:	Speke Office Parklands Conleach Road Speke Liverpool L24 0TY
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External Auditors: PKF (UK) LLP
Accountants & business advisers
5 Temple Square
Temple Street
Liverpool
L2 5RH

Internal Auditors: TIAA Limited
Business Support Centre
54-56 Gosport Business Centre
Aerodrome Road
Gosport
PO13 0FQ

Principal Solicitors: Trowers & Hamlins
Sceptre Court
40 Tower Hill
London
EC3N 4DX

Principal Bankers: National Westminster Bank
Liverpool City Office
22 Castle Street
Liverpool
L2 0UP

Principal Lenders: Britannia Building Society
Britannia House
Leek
Staffordshire
ST13 5RG

Registered with the Housing Corporation as a social landlord L4230

Registered at Companies House number 3550000

Report of the Board

The board is pleased to present its report and the audited financial statements for the year ended 31 March 2008.

The Group

The South Liverpool Housing Group is made up of two organisations.

South Liverpool Housing Limited (SLH) is the group parent, a non-charitable company limited by guarantee and a housing association registered with and regulated by the Housing Corporation. SLH's primary activity is housing and property management.

South Liverpool Regeneration Limited (SLR) is a charitable industrial and provident society which is concerned with wider economic, social and environmental improvements.

Principal Activities

The principal activity is the provision of affordable rented accommodation for people in housing need. The SLH Group, however, has a wider remit to contribute to the overall sustainable regeneration of the area through the development and support of appropriate activities and initiatives.

Performance for the Year

- ◆ For the year ended 31 March 2008, the Group made a deficit of £0.2m (2007: surplus of £2.9m). This deficit was debited against Revenue Reserves.
- ◆ To date SLH has utilised £38.4m of the £39.6m ERCF grant allocated on transfer. The majority of this has been utilised to fund the main improvement programme. The remaining grant will be utilised to underpin the environmental and regeneration work around the estate.
- ◆ **Right to Buy**
This year, £0.9m in proceeds was received through the sale of right to buy properties. 17 properties were sold at an average discounted price of £54,300. A rise in property values has been experienced throughout the area.
- ◆ **Turnover**
The year ended 31 March 2008 has seen an increase in turnover to £11.5m before subsidy (2007: £10.9m) due to increased rental income. The majority of turnover represents rental income from social housing properties. The scope to increase rent is dictated by the rent restructuring framework issued by Central

Government. This framework is designed to ensure social housing properties of a similar size and within the same area yield a similar rent by 2012 or earlier. SLH increases its rent in line with the rent restructuring guidelines.

Total turnover for the year was £12.2m which included a subsidy to fund development costs of £0.7m.

◆ Operating Costs

Operating costs have increased to £12.3m (2007: £10.8m). This is mainly due to decreases in planned maintenance expenditure, and increases in development costs, major repairs and management costs.

◆ Cash

Cash and investments totalled £4.8m as at 31 March 2008 (2007: £6.1m). At 31 March 2008 all prearranged fixed debt totalling £20m was drawn leaving £18m of undrawn facility.

Significant events during the year include:

- ◆ Total spending during the year on repairs and home improvements of £5.3m.
This has included during the year:
 - 262 Voids repaired/improved;
 - 401 homes re-roofed;
 - 13,457 repairs carried out to our homes.
- ◆ The company has continued to acquire properties to secure the land for the development of Garston under the Bridge. Details of these transactions are included in note 29.
- ◆ A focus on community based regeneration projects continued throughout the year.

Donations, Sponsorship and Support to local agencies

SLH has made the following contributions during the year:

- ◆ £21.8k of support to local agencies. SLH supports local agencies within a total sum agreed by the Board where the agency's aims and objectives fit closely with its own.

Pension Costs

The Group participates in two pension schemes, the Social Housing Pension

Scheme (SHPS) and the Merseyside Pension Fund (MPF). Both of these are final salary schemes, offering good benefits for our staff. The Group has contributed to the schemes in accordance with levels, set by the actuaries, of between 16.4% and 30.9%.

An actuarial valuation of the SHPS was undertaken at 30 September 2005 and revealed a shortfall of assets to cover expected liabilities. On the advice of the actuary, scheme contributions increased from 1 April 2004. The employer rate increased from 11.7% to 16.4% of pensionable salaries.

The next actuarial valuation of the MPF is due at 31 March 2009. With investment performance having fallen short of assumed levels and the impact of other external factors including changes in tax allowances, it is anticipated that contributions to this scheme will increase following the next valuation. The Group will continue to contribute to the scheme in line with the advice of independent actuaries.

Future Developments

There are a number of key development projects that the Board supports. These include the following:

- ◆ Redevelopment of the Garston Under the Bridge project involving the new build of 310 properties in the Raglan estate under a partnering arrangement between SLH, Liverpool City Council (LCC), Liverpool Housing Trust (LHT) and developed by Lovell Partnerships Limited. Of the 310 properties, 91 will be purchased by SLH and 29 by LHT for social housing with the remaining 190 sold by the developer;
- ◆ Work has commenced on site, twelve of the first phase buildings were handed over in March 2008, with a further twenty eight units completed in September 2008.

Decent Homes

Currently 3,192 of the 3,416 properties meet the decent homes standard and SLH plans to achieve the decent homes standard for all properties by 2010.

Payment of Creditors

In line with government guidance, our policy is to pay purchase invoices within 28 days of receipt, or earlier if agreed with the supplier.

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 and education on health and safety matters.

Commitment to Partnership Working

Board commitment to broaden partnerships is vital to the success of our business and for the regeneration of our community.

The last financial year has seen SLH continue partnership working with both Bramall Construction and Sure Maintenance. Other key partnerships have been formed as part of the redevelopment project in Garston which sees the SLH Group working with Liverpool City Council, Liverpool Housing Trust and Lovell Partnerships Limited.

Board Members and Executive Officers

The names of Board Members and Executive Officers are shown on Page 4. The Board structure consists of 10 members of whom 4 are Independent, 4 are Tenants and 2 are Local Authority Nominees.

The SLR Board comprises 4 members, 3 of whom are appointed by the SLH Board.

The Executive Officers act as executives within the authority delegated by the Board.

The Board and Management have agreed a framework of performance reporting that includes Key Performance Indicators (KPI's). The framework is based on Housing Corporation guidelines and incorporates their recommended indicators. The KPI's are reviewed quarterly by the board which allows regular performance assessment and comparison within the sector. Sector comparative data includes National Average, National top 25%, Peer group average and Peer group top 25%.

KPI's include:

- ◆ Percentage of rent collected of 101.6% (2007: 99.2%) against a National Average of 97.9%;
- ◆ Emergency repairs completed on target of 95.7% (2007: 98.1%) against a National Average of 98.3%;
- ◆ Urgent repairs completed on target of 92.7% (2007: 96.8%) against a National Average of 97.1%;
- ◆ Routine repairs completed on target of 94.3% (2007: 91.3%) against a National Average of 96.7%.

Insurance

SLH maintains insurance policies for Members and Executive Officers against liabilities in relation to the Company.

Employees

The Board believes that SLH's success is linked to the quality and commitment of its employees. The Company's ability to meet its objectives and commitments to tenants, the community and its wider stakeholders in an efficient and effective way depends upon the contribution of its employees. Information on the Company's objectives, progress and activities are shared through regular briefings and meetings.

SLH has a competency based appraisal system linked to the Company's agreed objectives and priorities. Staff and managers have regular joint reviews of progress throughout the year. The appraisal system informs the Company's formal training plan reflecting the training needs of employees to enable them to deliver SLH's objectives.

SLH is committed to Equal Opportunities and Diversity in the recruitment and retention of all of its employees. SLH welcomes applications for employment from disabled people, who are given full and fair consideration for all vacancies, having regard to their particular aptitudes and abilities. In the event of an employee becoming disabled, every effort would be made to enable the person to be re-trained in order that their employment within the Company could continue. It is SLH's policy that training, career development and promotion opportunities should be available to all employees.

NHF Code of Governance

The Board is pleased to report that SLH complies with the principal recommendations of the NHF Code of Governance (revised 2004). The Board is totally committed to integrity and accountability in the stewardship of the Company's affairs.

There are no governance related matters to highlight this year. Board member training and appraisals have been introduced by the Board and a scheme of self assessment is being developed.

The Board wishes to encourage tenants to participate in the running of SLH and to stand for election to become Board members. SLH through its Community Development Team have been involved throughout the year on a range of Tenant participation activities aimed at encouraging more tenants to take an active part in the running of the Company. An

independent review of Tenant Involvement has also been undertaken.

The Board delegates authority to a number of Committees each having its own Terms of Reference.

Committees of the Board

The Board is supported by three Committees operating under the following terms of reference:

The Audit and Quality Committee has 5 members. Its duties and responsibilities include:

- ◆ Review the Annual Financial Statements before submission to the Board;
- ◆ Considering Internal Audit reports and findings and monitoring progress;
- ◆ Ensuring a risk assessment or review is carried out on an annual basis;
- ◆ Advising the Board on the appointment or removal of Internal and External Auditors.

The Resources Committee has 6 members. Its duties and responsibilities include:

- ◆ Considering detailed budgets to recommend to the Board;
- ◆ Considering the quarterly Management Accounts;
- ◆ Monitoring the Company's Business Plan;
- ◆ Monitoring and recommending to the Board the Company's Information Systems Strategy;
- ◆ Monitoring the Company's loans and investment portfolio;
- ◆ Determining and recommending to the Board employment and staffing policies;
- ◆ Agreeing the Company's remuneration policy;
- ◆ Recommending to the Board the appointment or dismissal of the Chief Executive;
- ◆ Agreeing salary levels of the Chief Executive;
- ◆ Reviewing the Company's pension arrangements.

The Operations Committee has 6 members. Its duties and responsibilities include:

- ◆ Overseeing and monitoring the operational performance of the organisation;
- ◆ Overseeing and monitoring all aspects of SLH's development projects;

Neighbourhood Panel

Following its' establishment in 2007, the Neighbourhood Panel continues to meet. The main remit of the Panel is responsibility for all strategic resident involvement.

Additionally the Board has agreed 3 Community Focus Groups (CFG's), one each for Speke and Garston and a joint group made up from both. The CFG's consist of tenants, residents and representatives of local organisations operating within the area. The Groups receive reports for discussion and consultation prior to formal reports being considered by the Board. The Groups collectively receive quarterly performance information about SLH's activities within the Speke and Garston areas.

Internal Controls Assurance

Introduction

The Board has overall responsibility for establishing and maintaining the 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.

Scope of Responsibility

The Chief Executive, as the Accountable Officer, is responsible for maintaining a sound system of internal control that supports the achievement of the Group's policies, aims and objectives as determined by the Board, while ensuring compliance with statutory duties and responsibilities, safeguarding funds and assets, ensuring they are used in an effective, efficient and economic manner.

Purpose of System of Internal Control

The Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; to comply with statutory requirements; and to safeguard, and make best use of, public funds and assets. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The Board has adopted a risk-based approach to establishing and maintaining internal controls which are embedded within day to day management and governance processes.

This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed and is consistent with the principles outlined in the Housing Corporation circular 07/07 *Internal Controls Assurance*.

The system of internal control continues to be maintained through an ongoing process designed to:

- Identify and evaluate principal risks to the achievement of the Group's policies, aims and objectives and for their effective management;
- Evaluate the likelihood of those risks being realised;
- Mitigate the impact should they be realised;
- Manage these risks efficiently, effectively, economically, and as far as is reasonably practicable;

The Internal Control Environment

The Group has a Corporate Plan, developed and reviewed annually with extensive engagement with Board members and the Executive Team. The Plan forms the basis for the performance management cycle that details the annual performance expectations of employees and Board members.

The corporate objectives continue to be communicated to employees through regular team and one-to-one meetings. This process has ensured that work plans have remained relevant whilst providing clear links to corporate objectives; for example:

- demonstrating the contributions made by employees to the achievement of corporate objectives;
- identifying the impact of initiatives;
- promoting the pursuit of value for money and the identification of efficiency savings.

During the period there have been a range of initiatives to ensure employees are clear about the way in which the corporate objectives affect their role:

- two Senior Management Team presentations to all employees to alert them to relevant strategic issues;
- the Intranet used in circumstances where the rapid and consistent communication of information was judged important;
- the Group Management Team, comprising all of the Executive Team, Heads of Service and third tier

managers met monthly, providing a forum for two-way communication.

The Performance Management Framework has remained in place throughout the period and has been the mechanism for agreeing individuals' work goals and reviewing their performance and development, in the context of their contribution to the achievement of the corporate objectives.

Use of Performance Monitoring

During the period the well-developed procedure for reporting performance management has continued, including:

- The Business and Performance Improvement Team ensuring timely and consistent evidence of performance against target was available to management and Board members;
- The Group's Key Performance Indicators benchmarked via Housemark to ensure effective scrutiny of each area;
- Housemark presentation to the General Management Team on the quality and cost of services using 2006/7 data;
- Performance reports reviewed at both Operations Committee and the Board each quarter;
- General Management Team review of performance data each month.

The Group has Financial Regulations and Standing Orders in place to define the processes and responsibilities for budget management. These were reviewed by the Resources Committee during the period and consequently updated.

Effective Governance Arrangements

The Group's three Committees have continued to support and provide assurance about the quality of governance. The Committees have:

- overseen the operation of and adherence to the Financial Regulations and Standing Orders;
- monitored the ongoing effectiveness of the internal Schedule 1 reporting within the Group;
- overseen complaints procedures and monitored the outcome of complaints to the Ombudsman;
- considered reports from internal and external audit;

- made, as appropriate, recommendations to the Board on the amendment, alteration or review of policies.

The Audit Committee in particular has continued to provide independent assurance on the adequacy of the risk management framework and the associated internal control environment; independent scrutiny of the Group's financial and non-financial performance to the extent that it affects the Group's exposure to risk as well as overseeing the financial reporting process.

Specifically, during the period this Committee has:

- Considered the effectiveness of the Group's risk management arrangements, overall control environment and its specific anti-fraud arrangements;
- Reviewed internal audit reports and issues arising and sought assurance that action was taken through a mechanism of exception and follow up reporting;
- Approved internal audit's strategy, plan and performance;
- Ensured effective arrangements between internal and external audit;
- Met with and considered the reports of external audit, reviewed the financial statements, and monitored management action in response to issues raised;
- Reviewed the Group's Best Value Reviews and Continuous Improvement plans in line with Housing Corporation guidelines;
- Continued to review Fraud through a standing item on its agenda, with no instances reported during the period.

The Group recognises that effective Board member appraisal is an important element in good governance and carried out self assessments during the year and reviewed both Board and Committee effectiveness at a Strategy Weekend in July 2007.

Robust Risk Management Processes

The Risk Management Strategy was reviewed by the internal auditors during 2007/8 and consequently a Risk Management Group, made up of the Executive Team and Heads of Service, was set up and has met bi-weekly since the beginning of March 2008.

Risk management was introduced as a standing agenda item on the Audit and Quality Committee meeting agenda and the Board and Committee report template was updated

to contain a risk management section that can be directly cross referenced with the Risk Map. The development of this Risk Map was facilitated by the internal auditors during the year with input from the Executive Team, Heads of Service and third tier managers.

The following mechanisms have remained in place during the period, designed to provide effective strategic internal risk control:

- The Risk Management Strategy approved by the Board and new initiatives subject to a full risk assessment;
- A clearly defined management and reporting structure;
- Approval by the Board of an annual budget;
- A rolling 30 year Financial Business Plan, remodeled in line with the internal and external environment;

Review of Effectiveness

In addition to those recommendations implemented as a result of internal audit, Best Value Reviews and in line with Audit Commission continuous improvement methodology, other internal assessments have included:

- Review and subsequent amendment of South Liverpool Regeneration governing documents;
- External audit tender in line with Housing Corporation Good Practice Note 7 – External Audit of Housing Associations;
- Board member payment consideration, consultation and introduction for South Liverpool Housing Board Members only from 1 January 2008.

During 2007/8, 60 days of internal audit time was committed to the management of the internal audit function by TIAA, with a further 60 committed for 2008 / 09, the plan for which was agreed by the Audit and Quality Committee in February 2008.

The following significant issues have been identified from completing the statement above and in collecting the supporting the evidence required. These issues are being or need to be addressed during the coming year:

Scope of delegations for decision making	<ul style="list-style-type: none"> • Governance review of delegated authorities / group structure.
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	<ul style="list-style-type: none"> • Delegated Authorities subject of internal audit during quarter two.
Individuals' responsibilities for risk	<ul style="list-style-type: none"> • Part of competency based performance management to be launched in 2008/9.
Managers accountable for expenditure and trained in budgetary control and management techniques	<ul style="list-style-type: none"> • Identified as a key area for personal development - compulsory financial training will be delivered towards the beginning of 2008/9.
Improved staff competencies	<ul style="list-style-type: none"> • Competency based assessment to be implemented in 2008/9

Identifying and Evaluating Key Risks

The Group's risk management strategy, setting out the Board's attitude to risk in the achievement of its objectives, underpins the risk management, business planning and control arrangements. These arrangements clearly define management responsibility for the identification, evaluation and control of significant risks. The executive directors regularly consider reports on these risks and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

◆ Financial instruments

The company's principal financial instruments comprise sterling cash and bank deposits, bank loans and overdrafts, other loans and obligations under finance leases together with trade debtors and trade creditors that arise directly from its operations.

◆ Cash flow interest rate risk

Interest bearing assets comprise cash and bank deposits, all of which earn interest at a fixed rate. The interest rate on the bank overdraft is at market rate and the

company's policy is to keep the overdraft within defined limits such that the risk that could arise from a significant change in interest rates would not have a material impact on cash flows. The company's policy is to maintain other borrowings at fixed rates to fix the amount of future interest cash flows. The directors monitor the overall level of borrowings and interest costs to limit any adverse effects on financial performance of the company.

◆ **Inflation**

There is a risk to the business of inflation costs, particularly for building costs. The Board monitor inflation indices and mitigate inflation increases through the value for money and procurement strategies.

Control Environment and Internal Controls

The processes to identify and manage the keys risks to which the Group is exposed are an integral part of the internal control environment. Such processes, which are reviewed at least annually, 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.

Specifically, the Company has the following mechanisms in place which are designed to provide effective internal control:

- ◆ A Risk Management Strategy approved by the Board with new initiatives subject to a full risk assessment;
- ◆ Monitoring of the control system by the Audit and Quality Committee, Internal Auditors and Management Review;
- ◆ A clearly defined management and reporting structure;
- ◆ A 3 year Corporate Plan for the Company approved and in place supported by an Annual Plan for the year allocating the main tasks and priorities to senior staff;
- ◆ Approval by the Board of an annual budget;
- ◆ A 30 year Financial Business Plan;
- ◆ Financial Regulations and key procedures for staff;
- ◆ The production of monthly performance information and management accounts for monitoring and review;

The Board is of the opinion that no weaknesses in internal control have arisen which resulted in any material losses, contingencies or uncertainties that would require disclosure.

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 Resources Committee. The Committees also 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 throughout the year.

Monitoring Arrangements

Regular management reporting on control issues provides assurance to successive levels of management and to the Board. It is supplemented by regular reviews by internal audit that provide independent assurance to the Board, via the Audit and Quality Committee. The Audit and Quality Committee ensures that corrective action is taken in relation to any significant control issues.

Going Concern

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

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

The board is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally accepted Accounting Practice. Company law 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 at the end of the year and of the surplus for the Group and association for the year then ended. In preparing these financial statements the Board is required to:

- ◆ Select suitable accounting policies and apply them consistently;
- ◆ Made judgements and estimates that are reasonable and prudent;
- ◆ Follow applicable United Kingdom accounting standards and the Statement of Recommended Practice: "Accounting for registered social landlords" (Update 2005); and
- ◆ Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the group and association will continue in business.

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 Companies Act 1985, paragraph 16 of Schedule 1 to the Housing Act 1996 and the Accounting Requirements of registered social landlords General Determination 2006. It is also responsible for safeguarding the assets of the Group and association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice: "Accounting by registered social landlords" (Update 2005).

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

Disclosure of information to auditors

At the date of making this report each of the board members, as set out on page 4, confirm the following:

- ◆ so far as each member is aware, there is no relevant information needed by the company's auditors in connection with preparing their report of which the company's auditors are unaware, and
- ◆ each member has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the company's auditors in connection with

preparing their report and to establish that the company's auditors are aware of that information.

Annual General Meeting

The annual general meeting will be held on 23 September 2008.

External Auditors

Following a tender process during the year, PKF (UK) LLP were appointed as external auditors. A resolution to reappoint PKF (UK) LLP will be proposed at the forthcoming Annual General Meeting.

The report of the board was approved on 23 September 2008 and signed on its behalf by:

Anthony Russell
Company Secretary

Date: 23 September 2008

Group Highlights – Five Year Summary

For the year ended 31 March 2008	2008	2007	2006	2005	2004
Group Income and Expenditure account (£'000s)					
Total turnover – continuing activities	12,250	11,502	15,922	11,389	12,008
Income from lettings	10,872	10,175	9,950	9,736	9,572
Operating Surplus / (Deficit)	(36)	728	948	1,648	(5,234)
Surplus / (Deficit) for the year	(172)	2,961	1,825	4,051	(4,723)
Group Balance Sheet (£'000s)					
Tangible fixed assets, net of depreciation	48,533	46,743	45,404	46,300	46,560
HG and other capital grants	(29,521)	(29,895)	(29,990)	(30,952)	(32,457)
Tangible fixed assets net of capital grants and depreciation	19,012	16,848	15,414	15,348	14,103
Net current assets / (liabilities)	3,441	6,567	3,012	375	(5,986)
Loans (due over one year)	20,000	20,000	20,000	20,000	18,000
Consolidated deficit	(3,951)	(3,243)	(6,471)	(8,085)	(11,477)
Accommodation figures					
Total housing stock owned and managed at year end (<i>number of dwellings</i>):					
Social housing	3,416	3,429	3,548	3,623	3,778

Independent Auditors' Report to the Members of South Liverpool Housing Limited

We have audited the group and association financial statements ('the financial statements') of South Liverpool Housing Limited for the year ended 31 March 2008 which comprise the consolidated and association income and expenditure accounts, balance sheets, and statements of total recognised gains and losses and the consolidated cash flow statement and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the association's members, as a body, in accordance with section 235 of the Companies Act 1985 and with the Housing Act 1996. 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 auditors' 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

The Boards' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the statement of responsibilities of the Board.

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 have been properly prepared in accordance with the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for registered social landlords General Determination 2006. We also report to you whether in our opinion the information given in the Report of the Board is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the

information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the Report of the Board and Group Highlights. 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.

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 group's and association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the association's affairs as at 31 March 2008 and of the group's and the association's surplus for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for registered social landlords General Determination 2006 and
- the information given in the Report of the Board is consistent with the financial statements.

PKF (UK) LLP

Accountants & business advisers

5 Temple Square
Temple Street
Liverpool
L2 5RH

Dated:

**Consolidated Income and Expenditure Account
for the year ended 31 March 2008**

	Note	2008 £'000	2007 £'000
Turnover: continuing activities	3	12,250	11,502
Operating costs	3	(12,286)	(10,774)
Operating (deficit) / surplus: continuing activities	5	(36)	728
Surplus on sale of fixed assets	6	901	2,836
Interest receivable and other income	7	308	261
Interest payable and similar charges	8	(1,280)	(1,293)
Other finance costs	10	(65)	(71)
(Deficit) / surplus on ordinary activities before taxation		(172)	2,461
Tax on surplus on ordinary activities	11	(272)	500
(Deficit) / surplus for the financial year	22	(444)	2,961

The notes on pages 23 to 46 form part of these financial statements.

**Association Income and Expenditure Account
for the year ended 31 March 2008**

	Note	2008 £'000	2007 £'000
Turnover: continuing activities	3	12,074	11,314
Operating costs	3	(11,907)	(10,611)
Operating surplus: continuing activities	5	167	703
Surplus on sale of fixed assets	6	901	2,836
Interest receivable and other income	7	300	251
Interest payable and similar charges	8	(1,280)	(1,293)
Other finance costs	10	(65)	(71)
Surplus on ordinary activities before taxation		23	2,426
Tax on surplus on ordinary activities	11	(272)	500
(Deficit) / surplus on ordinary activities after taxation		(249)	2,926
Gift Aid Payment		(400)	-
(Deficit) / surplus for the financial year	22	(649)	2,926

The notes on pages 23 to 46 form part of these financial statements.

Statement of Total Recognised Surpluses and Deficits

For the year ended 31 March 2008

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Surplus for the financial year	(444)	2,961	(649)	2,926
Actuarial gain/(loss) relating to pension scheme	(264)	267	(264)	267
Total recognised surpluses and deficits relating to the year	<u>(708)</u>	<u>3,228</u>	<u>(913)</u>	<u>3,193</u>

Reconciliation of movements in Group's and Associations funds

For the year ended 31 March 2008

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Opening total funds as restated	(3,243)	(6,471)	(3,678)	(6,871)
Total recognised surpluses and deficits relating to the year	<u>(708)</u>	<u>3,228</u>	<u>(913)</u>	<u>3,193</u>
Closing total funds	<u>(3,951)</u>	<u>(3,243)</u>	<u>(4,591)</u>	<u>(3,678)</u>

**Consolidated Balance Sheet
at 31 March 2008**

	Note	2008 £'000	2007 £'000
Tangible fixed assets			
Housing Properties	12	48,181	46,461
Housing Grant	12	(29,021)	(29,395)
Other Grant	12	(500)	(500)
		<u>18,660</u>	<u>16,566</u>
Other tangible fixed assets	13	<u>352</u>	<u>282</u>
		19,012	16,848
Current assets			
Property for resale	15	2,137	2,366
Debtors	16	905	1,726
Cash at bank and in hand		<u>4,746</u>	<u>6,096</u>
		7,788	10,188
Creditors: amount falling due within one year	17	<u>(4,347)</u>	<u>(3,621)</u>
Net current assets		<u>3,441</u>	<u>6,567</u>
Total assets less current liabilities		<u>22,453</u>	<u>23,415</u>
Creditors: amount falling due after more than one year	18	24,386	24,935
Net Pension Liability	10	<u>2,018</u>	<u>1,723</u>
		<u>26,404</u>	<u>26,658</u>
Capital and Reserves			
Revenue Reserve	22	<u>(3,951)</u>	<u>(3,243)</u>
Consolidated funds		<u>22,453</u>	<u>23,415</u>

The financial statements were approved by the Board on 23 September 2008 and signed on its behalf by:

John McHale
Chair

Barbara Southern
Vice Chair

Anthony Russell
Secretary

**Association Balance Sheet
at 31 March 2008**

	Note	2008 £'000	2007 £'000
Tangible fixed assets			
Housing Properties	12	48,181	46,461
Housing Grant	12	(29,021)	(29,395)
Other Grant	12	<u>(500)</u>	<u>(500)</u>
		18,660	16,566
Other tangible fixed assets	13	<u>352</u>	<u>282</u>
		19,012	16,848
Current assets			
Properties for resale	15	2,137	2,366
Debtors	16	949	1,281
Cash at bank and in hand		<u>4,009</u>	<u>5,911</u>
		7,095	9,558
Creditors: amount falling due within one year	17	<u>(4,294)</u>	<u>(3,426)</u>
Net current assets		<u>2,801</u>	<u>6,132</u>
Total assets less current liabilities		<u>21,813</u>	<u>22,980</u>
Creditors: amount falling due after more than one year	18	24,386	24,935
Net Pension Liability	10	<u>2,018</u>	<u>1,723</u>
		<u>26,404</u>	<u>26,658</u>
Capital and Reserves			
Revenue Reserve	22	<u>(4,591)</u>	<u>(3,678)</u>
Association's Funds		<u>21,813</u>	<u>22,980</u>

The financial statements were approved by the Board on 23 September 2008 and signed on its behalf by:

John McHale
Chair

Barbara Southern
Vice Chair

Anthony Russell
Secretary

**Consolidated Cashflow Statement
for the year ended 31 March 2008**

	Note	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Net cash inflow/(outflow) from operating activities	25		1,425		2,093
Returns on investment and servicing of finance					
Interest received		308		261	
Interest paid		(1,280)		(1,293)	
		<u>)</u>	(972)	<u>)</u>	(1,032)
Capital Expenditure					
Purchase and construction of housing properties		(2,217)		(2,417)	
Social housing grant – received		50		918	
Improvement programme expenditure		(263)		(150)	
Purchase of other fixed assets		(274)		(195)	
Sales of housing properties		909		2,743	
Sale of other fixed assets		<u>(8)</u>		<u>93</u>	
			(1,803)		992
Increase / (Decrease) in Cash			<u>(1,350)</u>		<u>2,053</u>

Notes to the Accounts

1 Legal Status

SLH is registered under the Companies Act 1985, is limited by guarantee and is recognised with The Housing Corporation as a social landlord.

2 Accounting Policies

Basis of accounting

The financial statements of the group and association are prepared in accordance with applicable accounting standards and the Statement of Recommended Practice: accounting by Registered Social Landlords, update issued in April 2005, and comply with the Accounting Requirements for registered social landlords General Determination 2006. The Board is satisfied that the current accounting policies are the most appropriate for the Group and Association.

Basis of Consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary at 31 March 2008, using acquisition accounting.

Turnover

Turnover comprises rental income receivable in the year, other services included at the invoiced value of goods and services supplied in the year and revenue grants receivable in the year.

Taxation

The charge for taxation is based on surpluses arising on certain activities, which are liable to tax.

Deferred Taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Except as noted below, full provision for deferred taxation is made under the incremental liability method on all timing differences that have arisen, but not reversed by the balance sheet date.

In accordance with FRS 19, deferred tax is not provided for gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over.

Deferred tax is measured at the tax rates that are expected to apply in the periods

when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

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 is included as a current liability.

Interest payable

Interest payable is charged to the income and expenditure account in the year.

Pensions

The Group participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme ('SHPS') and the Merseyside Pension Fund ('MPF').

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.

For the MPF, the operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets and any other changes in fair value of the assets and liabilities, are recognised in the accounting period in which they arise. The operating costs, finance costs and expected return on assets are recognised in the income and expenditure account with any other changes in fair value of assets and liabilities being recognised in the statement of total recognised surpluses and deficits.

Supported Housing Managed by Agencies

Where the agency carries the financial risk, the income and expenditure account includes only that income and expenditure

which relates solely to SLH. Other income and expenditure of projects in this category is excluded from SLH's income and expenditure account.

Contract Costs

Costs incurred in the redevelopment of "Garston Under the Bridge" which are directly attributable to the project, are recognised as a fixed asset.

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

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.

Housing Grant

Housing grant (HG) is receivable from the European Union and is utilised to reduce the capital costs of housing properties, including land costs. The amount of HG receivable is calculated on a fixed basis depending on the size, location and type of housing property. HG received in advance is included as a liability. HG 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.

HG is subordinated to the repayment of loans by agreement with the Housing Corporation.

HG shown in the fixed asset note solely comprises of ERCF grant spent on capital improvements.

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 HG and other grants less residual value. The Company's housing properties are depreciated at the following rates from 1 April 1999:

Housing properties	
- general needs – houses	2% per annum
- general needs – flats	2% per annum

Impairment

Assets will be 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 surpluses and deficits.

Other Tangible Fixed Assets

These assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected economic life of the asset to its expected residual value.

The expected economic lives of assets are:

Furniture, fixtures and fittings	3 years
Computers and office equipment	3 years
Commercial vehicles	5 years

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 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 of housing subsidy. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

True and fair override

Under the requirements of the SORP, capital grants are shown as a deduction from the cost of housing properties on the balance sheet (see note 12). This is a departure from the rules under Schedule 4 of the Companies Act 1985 but in the opinion of the Board is a relevant accounting policy, comparable to that adopted by other registered social landlords that has been adopted in order to present a true and fair view.

3 Turnover, Cost of Sales, Operating Costs and Operating Result

Group – continuing activities

	2008		
	Turnover	Operating costs	Operating surplus / (deficit)
	£'000	£'000	£'000
Social Housing Lettings	10,872	(10,075)	797
Other social housing activities			
Development Costs (note 29)	722	(1,030)	(308)
Community Regeneration	346	(874)	(528)
Non social housing activities			
Commercial and market rented properties	15	(10)	5
Supporting People	295	(297)	(2)
	<u>12,250</u>	<u>(12,286)</u>	<u>(36)</u>

	2007		
	Turnover	Operating costs	Operating surplus / (deficit)
	£'000	£'000	£'000
Social Housing Lettings	10,175	(9,077)	1,098
Other social housing activities			
Development Costs (note 29)	572	(572)	-
Community Regeneration	434	(817)	(383)
Non social housing activities			
Commercial and market rented properties	23	(10)	13
Supporting People	298	(298)	-
	<u>11,502</u>	<u>(10,774)</u>	<u>728</u>

3 Association – continuing activities (continued)

	2008		
	Turnover	Operating costs	Operating surplus / (deficit)
	£'000	£'000	£'000
Social Housing Lettings			
Other social housing activities	10,872	(10,075)	797
Development Costs (note 29)	722	(1,030)	(308)
Community Regeneration	170	(495)	(325)
Non social housing activities			
Commercial and market rental properties	15	(10)	5
Supporting People	295	(297)	(2)
	12,074	(11,907)	167

	2007		
	Turnover	Operating costs	Operating surplus / (deficit)
	£'000	£'000	£'000
Social Housing Lettings	10,175	(9,077)	1,098
Other social housing activities			
Development Costs (note 29)	572	(572)	-
Community Regeneration	246	(654)	(408)
Non social housing activities			
Commercial and market rental properties	23	(10)	13
Supporting People	298	(298)	-
	11,314	(10,611)	703

3 Turnover, Costs of Sales, Operating Costs and Operating Result (continued)**Particulars of Income and Expenditure from Social Housing Lettings**

Group and Association	2008		2007	
	General Housing		General Housing	
	£'000		£'000	
Turnover from social housing lettings				
Rent receivable net of identifiable service charges	10,706		10,013	
Service charges receivable	166		162	
Net rental income	<u>10,872</u>		<u>10,175</u>	
Turnover from social housing lettings	<u>10,872</u>		<u>10,175</u>	
Expenditure on social housing lettings				
Management	(4,243)		(3,815)	
Services	(165)		(174)	
Routine Maintenance	(965)		(897)	
Planned Maintenance	(1,859)		(1,924)	
Major Repairs	(2,364)		(1,916)	
Bad Debts	(143)		(56)	
Depreciation of housing properties	(336)		(295)	
Operating costs on social housing lettings	<u>(10,075)</u>		<u>(9,077)</u>	
Operating surplus on social housing lettings	<u>797</u>		<u>1,098</u>	
Void Losses	<u>139</u>		<u>133</u>	

4 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	
	2008	2007
	No.	No.
Social housing		
Total General Housing owned	3,396	3,409
Total Accommodation managed on behalf of others	20	20
Total owned and managed	<u>3,416</u>	<u>3,429</u>

5 Operating Surplus

This is arrived at after charging.

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Depreciation of other tangible fixed assets	185	113	185	113
Depreciation of housing properties	336	295	336	295
Operating leases				
- Land and buildings	171	130	171	130
- Vehicles	-	33	-	33
Fees payable to the Company's auditor for the audit of the annual financial statements	19	26	19	26
Fees payable to the Company's auditor for other services relating to taxation	3	18	3	18

6 Surplus/(Deficit) on Sale of Fixed Assets

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Housing properties				
Sale proceeds	924	2,767	924	2,767
Attributable costs	(15)	(24)	(15)	(24)
Surplus on disposal of housing properties	909	2,743	909	2,743
Other Fixed Assets				
Sale proceeds	7	384	7	384
Attributable Costs	(15)	(291)	(15)	(291)
(Deficit)/Surplus on disposal	(8)	93	(8)	93
Total Assets				
Sale Proceeds	931	3,151	931	3,151
Attributable Costs	(30)	(315)	(30)	(315)
Surplus on disposal	901	2,836	901	2,836

7 Interest Receivable and Similar Income

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Interest receivable and similar income	308	261	300	251

8 Interest Payable and Similar Charges

	Group		Association	
	2008	2007	2007	2007
	£'000	£'000	£'000	£'000
Loans and bank overdrafts	(1,241)	(1,256)	(1,241)	(1,256)
Funders fee undrawn	(39)	(37)	(39)	(37)
	<u>(1,280)</u>	<u>(1,293)</u>	<u>(1,280)</u>	<u>(1,293)</u>

9 Board Members and Executive Directors

	Basic Salary	Pension	2008 Total	2007 Total
	£'000	£'000	£'000	£'000
Chair of the Board				
John McHale	8	-	8	8
Chief Executive				
Julie Fadden	100	14	114	94
Director of Corporate Services				
Anthony Russell	59	9	68	-
Director of Operations				
Wayne Gales	33	9	42	-
Director of Resources				
Paul Kelly (see below)	78	3	81	87
Director of Property				
Stephen Collins	60	2	62	74
Director of Operations				
Tom Roberts	35	-	35	69
Alistair Sunderland	1	-	1	-
Barbara Southern	1	-	1	-
Lawrence Dack	1	-	1	-
Mike Birkett	1	-	1	-
Mavis Morgan	1	-	1	-
Ruth Stott	1	-	1	-
Doreen Knight	1	-	1	-
Colin Strickland	1	-	1	-
Aggregate emoluments	<u>381</u>	<u>37</u>	<u>418</u>	<u>332</u>

Basic salary amounts incorporate benefits in kind.

No other board members received emoluments.

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £100,000.

The Chief Executive is a member of the Social Housing Pension Scheme. She is an ordinary member of the pension scheme and no enhanced or special terms apply. The company does not make any further contribution to an individual pension arrangement for the Chief Executive.

The Director of Resources salary for 2007 includes a payment of £3,944 for performing the role of Acting Chief Executive.

10 Employees

Average Numbers:

	Group		Association	
	2008	2007	2008	2007
	No.	No.	No.	No.
Average monthly number of employees expressed in full time equivalents :				
Administration	36	34	36	34
Development and repairs	10	11	10	11
Housing, support and care	25	30	25	30
Regeneration	29	25	26	11
	<u>100</u>	<u>100</u>	<u>97</u>	<u>86</u>
	£'000	£'000	£'000	£'000
Employee costs:				
Wages and salaries	2,512	2,369	2,455	2,343
Social security costs	216	202	211	199
Other pension costs	282	188	279	186
	<u>3,010</u>	<u>2,759</u>	<u>2,945</u>	<u>2,728</u>

The Association employees are members of the Merseyside Pension Fund (MPF) or the Social Housing Pension Scheme (SHPS). Further information is given below.

The Merseyside Pension Fund

The Merseyside Pension Fund (MPF) is a multi-employer scheme. MPF is administered by the regulations governing Local Government Pension Schemes. MPF is a defined benefit scheme. Triennial actuarial valuations of the pension scheme are performed by an independent professionally qualified actuary using the project unit method.

Contributions

The defined benefit scheme employers' contributions for the Group and Association at 31 March 2008 were £133,000 (2007: £82,000) and the employer's contribution rate was 26% of pensionable pay.

Assumptions

The major assumptions used by the actuary in assessing scheme liabilities on a FRS 17 basis were:

	At 31 March 2008	At 31 March 2007	At 31 March 2006
	% Per Annum	% Per Annum	% Per Annum
Inflation assumption	3.6%	3.1	2.9
Rate of increase in salaries	4.85%	4.35	4.15
Rate of increase in pensions	3.6%	3.1	2.9
Discount rate	6.1%	5.4	4.9

Fair value and Expected Rate of Return

The fair value and expected return on assets in the MPF related to the group and association were:

	Market Value at 31 March 2008 £'000	Expected return at 31 March 2008 %	Market Value at 31 March 2007 £'000	Expected return at 31 March 2007 %	Market Value at 31 March 2006 £'000	Expected return at 31 March 2006 %
Equities	1,481	7.5%	1,423	7.50	1,379	7.00
Government Bonds	415	4.6%	410	4.70	380	4.30
Other Bonds	152	6.1%	144	5.40	109	4.90
Property	224	6.5%	239	6.50	113	6.00
Cash/Liquidity	116	5.25%	132	5.25	192	4.50
Other	188	7.5%	93	7.50	88	7.00
Market value of assets	<u>2,576</u>		<u>2,441</u>		<u>2,261</u>	
Present value of scheme liabilities	(4,594)		(4,164)		(4,209)	
Net pension liability	<u>(2,018)</u>		<u>(1,723)</u>		<u>(1,948)</u>	

Analysis of the amount charged to operating surplus

	2008 £'000	2007 £'000
Current service cost	(70)	(53)
Past Service (Cost) / Gain	<u>(29)</u>	<u>-</u>
Total Operating (Cost) / Gain	<u>(99)</u>	<u>(53)</u>

Analysis of the amounts charged to other finance costs

	2008 £'000	2007 £'000
Expected return on pension scheme assets	160	136
Interest on pension scheme liabilities	<u>(225)</u>	<u>(207)</u>
Net Cost	<u>(65)</u>	<u>(71)</u>

Analysis of amount recognised in statement of total recognised surpluses and deficits (STRSD)

	2008 £'000	2007 £'000
Actual return less expected return on pension scheme assets	(234)	-
Experience gains and losses on pension scheme liabilities	83	-
Changes in assumptions underlying the present value of scheme liabilities	(113)	267
Actuarial gain / (deficit) recognised in STRSD	<u>(264)</u>	<u>267</u>

Movement in deficit during the year

	2008 £'000	2007 £'000
Group and association share of scheme liabilities at beginning of year	(1,723)	(1,948)
Movement in year:		
Current service cost	(70)	(53)
Past Service Cost	(29)	
Contributions	133	82
Net interest loss	(65)	(71)
Actuarial gain/(deficit)	<u>(264)</u>	<u>267</u>
Group and association share of scheme liabilities at end of year	<u>(2,018)</u>	<u>(1,723)</u>

History of experience gains and losses

	2008	2007	2006	2005
Difference between expected and actual return on share of scheme assets:				
Amount (£'000)	(234)	-	(297)	(118)
Percentage of share of scheme assets	9.1%	0.0%	13.1%	6.5%
Experience gains and losses on share of scheme liabilities:				
Amount (£'000)	83	-	(92)	(303)
Percentage of the present value of share of scheme liabilities	1.8%	0.0%	2.2%	8.5%
Total amount recognised in STRSD				
Amount (£'000)	(264)	267	(211)	(418)
Percentage of the present value of share of scheme liabilities	5.7%	6.4%	5.0%	11.7%

New staff employed by the Company are eligible to participate 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 2008. From April 2008, there are three benefit structures available, namely:

- . Final salary with 1/60th accrual rate.
- . Final salary with 1/70th accrual rate.
- . Career average revalued earnings with a 1/60th accrual rate.

An employer can elect to have 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 Company has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31st March 2008 and the career average revalued earnings with a 1/60th accrual rate benefit structure for new entrants from 1st April 2008.

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 2008 the split of the total contribution rate between member and employer is set at the 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 payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period, the Company paid contributions at a rate of 16.4%. Member contributions varied between 4.1% and 6.1% depending on their age.

As at 31st March 2008, there were 33 active members of the Scheme employed by the Company. The Company 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 period under FRS17 represents the employer contribution payable.

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2007. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,515 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £235million, equivalent to a past service funding level of 87%. Annual funding updates of the SHPS Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However, they provide a good indication of the financial progress of the Scheme since the last full valuation.

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

Financial assumptions

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

Valuation results

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

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

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

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

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

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

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the scheme to new entrants are required to pay an additional employer contribution loading of 3% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the Social Housing Pension Scheme.

Employers joining the Scheme after 1 October 2002 that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and applies until the second valuation after the date of joining the Scheme, at which point the standard employer contribution rate is payable. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

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

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan).

The Regulator has reviewed the recovery plan for the SHPS Scheme and confirmed that, in respect of the September 2005 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. An Actuarial Report will be prepared at 30 September 2008 in line with statutory regulations.

Following a change in legislation in September 2005 there is a potential debt that could be levied by the Trustee of the Scheme. The debt is due in the event of an 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 of 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 upon 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 Company has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Scheme as at 30 September 2005. As of the date the Company's estimated employer debt was £1,039,000.

Growth Plan

The Company participates in the Pensions Trust's Growth Plan. The Growth Plan is a multi employer pension Plan which is in most respects a money purchase arrangement but it has some guarantees. Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

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

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The main purpose of the valuation is to determine the financial position of the Plan and so determine the future prospects for discretionary bonuses and / or investment credits.

The actuarial valuation assesses whether the Plan's assets at the valuation date are likely 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 calculated by reference to the expected future investment returns.

The Company offers the Growth Plan as an AVC investment option for members of the Social Housing Pension Scheme. The members pay contributions at a rate of their choice. The Company does not pay any contributions to the Growth Plan."

11 Taxation on Ordinary Activities

	Group and Association	
	2008	2007
	£'000	£'000
Current tax		
UK corporation tax on surplus for the year	-	-
Adjustments in respect of prior years	-	-
Deferred tax		
Net origination and reversal of timing differences	257	(500)
Adjustments in respect of prior years	(25)	-
Effect of tax rate change on opening balance	40	-
	<u>272</u>	<u>(500)</u>
Current tax reconciliation		
	Group	
	2008	2007
	£'000	£'000
Surplus on ordinary activities before taxation	<u>(172)</u>	<u>2,461</u>
Theoretical tax at UK corporation tax rate 30% (2007:30%)	(52)	738
Effects of:		
- expenses not deductible for tax purposes	74	138
- income not within the charge to corporation tax	(62)	(10)
- adjustments in respect of capital items	-	(270)
- movement in accelerated capital allowances	-	(13)
- other timing differences	3	10
- movement on deferred tax not provided	-	(606)
- pension adjustment FRS17	(10)	13
- utilisation and movements on tax losses	(268)	-
- chargeable gains in excess of profits	315	-
	<u>-</u>	<u>-</u>
	Association	
	2008	2007
	£'000	£'000
(Deficit) / surplus ordinary activities before taxation	<u>(377)</u>	<u>2,426</u>
Theoretical tax at UK corporation tax rate 30% (2007:30%)	(113)	728
Effects of:		
- expenses not deductible for tax purposes	74	138
- income not within the charge to corporation tax	-	-
- adjustments in respect of capital items	-	(270)
- depreciation in excess of capital allowances	-	(13)
- other timing differences	2	10
- movement on deferred tax not provided	-	(606)
- pension adjustment FRS17	(10)	13
- utilisation and movements on tax losses	(268)	-
- chargeable gains in excess of profits	315	-
	<u>-</u>	<u>-</u>

Unrelieved losses of £0.9m (2007: £1.8m) are carried forward and are available to reduce the tax liability in respect of future profits. These losses may be altered dependant on the availability of rollover relief.

12 Tangible Fixed Assets – Properties

Group and Association	Social housing properties held for letting £'000	Social housing properties under construction £'000	Land £'000	Total £'000
Cost				
At 1 April 2007	44,706	2,488	351	47,545
Additions	89	2,128		2,217
Works to existing properties	263	-	-	263
Disposals	(424)	-	-	(424)
At 31 March 2008	<u>44,634</u>	<u>4,616</u>	<u>351</u>	<u>49,601</u>
Depreciation and impairment				
At 1 April 2007	(1,084)	-	-	(1,084)
Charged in year	(336)	-	-	(336)
At 31 March 2008	<u>(1,420)</u>	<u>-</u>	<u>-</u>	<u>(1,420)</u>
Net book value				
At 31 March 2008	<u>43,214</u>	<u>4,616</u>	<u>351</u>	<u>48,181</u>
At 31 March 2007	<u>43,622</u>	<u>2,488</u>	<u>351</u>	<u>46,461</u>
Housing Grant				
At 1 April 2007	(28,977)	(418)	-	(29,395)
Additions	(89)	(214)	-	(303)
Disposals	424	253	-	677
At 31 March 2008	<u>(28,642)</u>	<u>(379)</u>	<u>-</u>	<u>(29,021)</u>
Other grants				
At 1 April 2007	-	(500)	-	(500)
Additions	-	-	-	-
At 31 March 2008	<u>-</u>	<u>(500)</u>	<u>-</u>	<u>(500)</u>
Net book value				
At 31 March 2008	<u>14,572</u>	<u>3,737</u>	<u>351</u>	<u>18,660</u>
At 31 March 2007	<u>14,645</u>	<u>1,570</u>	<u>351</u>	<u>16,566</u>

Expenditure on works to existing properties

	Group		Association	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Amounts capitalised	263	150	263	150
Amounts charged to income and expenditure account	2,364	1,916	2,364	1,916
Total	<u>2,627</u>	<u>2,066</u>	<u>2,627</u>	<u>2,066</u>

12 Tangible fixed assets – Group and Association (continued)**Housing grant**

	Group		Association	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Total accumulated HG receivable at 31 March was:				
Capital grants	29,521	29,895	29,521	29,895
	<u>29,521</u>	<u>29,895</u>	<u>29,521</u>	<u>29,895</u>

Housing properties book value, net of depreciation and grants, and offices net book value (note 12) comprises:

	Group		Association	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Freehold land and buildings	17,516	15,478	17,516	15,478
	<u>17,516</u>	<u>15,478</u>	<u>17,516</u>	<u>15,478</u>

13 Tangible Fixed Assets – Other

Group and Association	Plant & Equipment	Fixtures & Fittings	Computer & office equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2007	121	229	841	1,191
Additions	4	17	253	274
Disposals	(34)	-	(180)	(214)
At 31 March 2008	<u>91</u>	<u>246</u>	<u>914</u>	<u>1,251</u>
Depreciation				
At 1 April 2007	(49)	(167)	(693)	(909)
Charged in year	(19)	(44)	(122)	(185)
Disposals	15	-	180	195
At 31 March 2008	<u>(53)</u>	<u>(211)</u>	<u>(635)</u>	<u>(899)</u>
Net book value				
At 31 March 2008	<u>38</u>	<u>35</u>	<u>279</u>	<u>352</u>
At 31 March 2007	<u>72</u>	<u>62</u>	<u>148</u>	<u>282</u>

14 Investments in Subsidiaries

As required by statute, the financial statements consolidate the results of South Liverpool Regeneration Limited which was a subsidiary of SLH at the end of the year. SLH has the right to appoint members to the board of the subsidiary and thereby exercises control over it. The subsidiary is not a registered social landlord. SLH is the ultimate parent undertaking. During the year South Liverpool Housing Limited provided management services to South Liverpool Regeneration Limited and charged South Liverpool Regeneration Limited £nil (2007: £nil).

15 Properties for Resale

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Stock acquired (note 29)	<u>2,137</u>	<u>2,366</u>	<u>2,137</u>	<u>2,366</u>

16 Debtors

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
		Restated		Restated
Rent receivable	1,249	1,530	1,249	1,530
Less: Provision for bad and doubtful debts	<u>(1,026)</u>	<u>(1,114)</u>	<u>(1,026)</u>	<u>(1,114)</u>
	223	416	223	416
Due from subsidiary undertaking	-	-	84	3
Other debtors	419	644	419	644
Prepayments and accrued income	<u>263</u>	<u>666</u>	<u>223</u>	<u>218</u>
	<u>905</u>	<u>1,726</u>	<u>949</u>	<u>1,281</u>

In Other Debtors above, there is a deferred tax asset of £298,000 (2007: £570,000)

	Group and Association		Group and Association	
	Provided		Unprovided	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Accelerated capital allowances	(38)	(39)	-	-
Other timing differences	(20)	(31)	-	-
Tax losses	<u>(240)</u>	<u>(500)</u>	<u>-</u>	<u>-</u>
	<u>(298)</u>	<u>(570)</u>	<u>-</u>	<u>-</u>

Taxable losses have been incurred in prior periods which are available for offset against future taxable profits. A deferred tax asset has not been recognised in respect of these losses as it is not certain that the company will generate taxable profits within the immediate future.

17 Creditors: Amounts Falling Due Within One Year

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Trade creditors	463	393	463	398
Rent received in advance	478	348	478	348
ERCF Grant	986	681	986	681
Recycled Capital Grant Fund	48	-	48	-
Other taxation and social security	82	5	82	5
Accruals and deferred income	<u>2,290</u>	<u>2,194</u>	<u>2,237</u>	<u>1,994</u>
	<u>4,347</u>	<u>3,621</u>	<u>4,294</u>	<u>3,426</u>

Payments to creditors

The Group's policy is to pay purchase invoices within 28 days of receipt, or earlier if alternative payment terms have been agreed.

18 Creditors: Amounts Falling Due After More Than One Year

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Debt (note 21)	20,000	20,000	20,000	20,000
ERCF grant	164	516	164	516
Development loan (note 29)	2,999	2,864	2,999	2,864
Other creditors (note 29)	-	369	-	369
Disposed proceeds fund	1,223	1,186	1,223	1,186
	<u>24,386</u>	<u>24,935</u>	<u>24,386</u>	<u>24,935</u>

19 Recycled Capital Grant Fund

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
At 1 April	-	-	-	-
Grant recycled	48	-	48	-
At 31 March	<u>48</u>	<u>-</u>	<u>48</u>	<u>-</u>

20 Disposal Proceeds Fund

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
At 1 April	1,186	638	1,186	638
Net sale proceeds recycled	479	497	479	497
Interest accrued	33	51	33	51
Acquisition of dwellings for letting	(475)	-	(475)	-
At 31 March	<u>1,223</u>	<u>1,186</u>	<u>1,223</u>	<u>1,186</u>

21 Debt Analysis

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Bank loans	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
Debt is repayable as follows:				
	Group	Association	Group	Association
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Within one year	-	-	-	-
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
After five years	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>

Housing Loans from Financial Institutions are secured by specific charges on the Company's housing properties. The Company has a loan facility of £38m and at 31st March 2008 £20m of this facility was drawn down.

22 Revenue Reserves

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
At 1 April	(3,243)	(6,471)	(3,678)	(6,871)
Surplus for the year	(444)	2,961	(649)	2,926
Actuarial gain/(loss) relating to pension scheme	(264)	267	(264)	267
At 31 March	<u>(3,951)</u>	<u>(3,243)</u>	<u>(4,591)</u>	<u>(3,678)</u>

At 31 March 2008, the revenue reserves included £2,018,000 defined benefit pensions liability (2007 £1,723,000)

23 Financial Commitments

Capital Expenditure commitments were as follows:

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Capital Expenditure				
Expenditure contracted for but not provided in the accounts	5,036	2,270	5,036	2,270
Expenditure authorised by the Board, but not contracted	-	4,226	-	4,226
	<u>5,036</u>	<u>6,496</u>	<u>5,036</u>	<u>6,496</u>

The above commitments will be financed from cash balances £4,009k, social housing grant £983k and the remainder by loans.

Operating leases

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

	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Operating leases expiring:	Vehicles	Vehicles	Buildings	Buildings
Within one year	-	-	-	-
Two to five years	-	-	52	52
More than five years	<u>-</u>	<u>-</u>	<u>116</u>	<u>116</u>

24 Contingent Liabilities

There were no contingent liabilities at 31 March 2008 (2007: nil).

25 Reconciliation of Operating Deficit to Net Cash Inflow/(Outflow) from Operating Activities

	2008 £'000	2007 £'000
Operating surplus / (loss)	(36)	728
Depreciation of tangible fixed assets	521	408
Pensions Operating (Credit) / Charge	99	53
Pension Contributions Paid	<u>(133)</u>	<u>(82)</u>
	451	1,107
Working capital movements		
(Increase) / Decrease in stock for resale	229	(1,159)
(Increase) / Decrease in debtors	549	1,099
Increase / (Decrease) in creditors	<u>196</u>	<u>1,046</u>
Net cash inflow/(outflow) from operating activities	<u><u>1,425</u></u>	<u><u>2,093</u></u>

26 Reconciliation of Net Cashflow to Movements in Net Debt

	2008 £'000	2007 £'000
(Decrease) / Increase in cash	<u>(1,350)</u>	<u>2,053</u>
Increase/(decrease) in net debt from cash flows	(1,350)	2,053
Change in net debt		
Net debt at 1 April	<u>(13,904)</u>	<u>(15,957)</u>
Net debt at 31 March	<u><u>(15,254)</u></u>	<u><u>(13,904)</u></u>

27 Analysis of Net Debt

	1 April 2007 £'000	Cash flow £'000	31 March 2008 £'000
Cash at bank and in hand	<u>6,096</u>	<u>(1,350)</u>	<u>4,746</u>
Changes in cash	6,096	(1,350)	4,746
Changes in debt / loans	<u>(20,000)</u>	<u>-</u>	<u>(20,000)</u>
Changes in net debt	<u><u>(13,904)</u></u>	<u><u>(1,350)</u></u>	<u><u>(15,254)</u></u>

28 Related Parties

Tenant Board Members – The Group has 4 Tenant Board Members. It is the Company's policy that Board Members who are tenants hold their tenancies and tenancy agreements on normal Company terms and they are not able to use their position to their advantage.

29 Garston Under the Bridge Regeneration Project

A number of parties, namely South Liverpool Housing Limited (“SLH”), Liverpool City Council (“LCC”), Liverpool Housing Trust (“LHT”) and Lovell Partnerships Limited (“Lovell”) have entered into a development project to regenerate an area of Liverpool known as Garston Under the Bridge (“GUTB”).

SLH has acquired, and will continue to acquire, land with vacant possession to enable the assembly of redevelopment sites in line with the strategy for the area’s regeneration agreed by SLH Board. Finance has been provided by LCC to cover the full cost of these acquisitions and other ancillary costs.

As the development partner for the project, Lovell will build new social housing in the area and purchase some of the land from SLH to build properties for resale.

To facilitate the above arrangements SLH and LCC have entered into an agreement setting out the terms and conditions for development of the area and repayment to LCC of a proportion of the financing relating to the land acquisitions. Subsequently SLH, LHT, LCC and Lovell have entered into a development and sale agreement, which includes the amounts payable to SLH in relation to the sale of the acquired land to Lovell.

The impact of these two agreements is that SLH has an obligation to LCC to repay a proportion of the financing relating to the land acquisitions and also has an asset as it has legal title to the land and an agreement that Lovell will purchase the land on completion of the properties. The amount payable to LCC for the land acquisitions is determined by the payments made by Lovell to SLH to purchase the land.

In the opinion of the Board, the transactions relating to the land acquisitions creates separate assets and liabilities in accordance with FRS 5 and that it would not be appropriate to offset the balances as the criteria set out in FRS 25 are not met for reporting purposes.

At the balance sheet date the following transactions relating to the project had been undertaken by SLH and recorded in the financial statements as follows:

- ◆ In the 7 years to 31 March 2008 SLH have incurred costs totalling £7.5m and have received funding from LCC of £7.4m;
- ◆ Of the £7.5m costs incurred to date, £5.7m relates to the purchase of properties that have or will be demolished to deliver the site assembly. The carrying value of these costs has been assessed and has been written down cumulatively by £2.8m to £2.1m stock and £0.8m fixed assets. These assets are disclosed in notes 12 and 15;
- ◆ The cumulative balance of £1.8m relates to ancillary costs related to the acquisition of the properties such as demolition and relocation costs. These ancillary costs have been recorded in the Income and Expenditure account and are detailed in note 3;
- ◆ In July 2007, the Development and Sale Agreement and SLH to LCC Agreement were signed. As part of the latter agreement all land owned by LCC on the site relating to the SLH and Lovell part of the site were transferred to SLH. These transfers are included within fixed assets and stock for resale dependant upon the ultimate retention or disposal respectively. SLH land relating to the LHT part of the site was transferred to LCC;
- ◆ The funding is partly a loan (£3.0m) and partly a subsidy to cover costs incurred to date (£4.4m);
- ◆ The loan of £3.0m is repayable to LCC upon the phased completion of the project. This is disclosed as “Development Loan” in note 18;
- ◆ The subsidy has been disclosed in turnover and funds the ancillary and impairment costs as detailed above;
- ◆ The write down of costs were £1.0m (2007 £0.6m) and subsidy were £0.7m in 2008 (2007 £0.6m);

In addition to the development loan as detailed above, the subsidy mentioned above is repayable to LCC based on the future sales value of the completed properties. This is known as overage and is detailed within the contract with LCC. Based on a view of future house prices this is expected to realise a repayment of the subsidy of £1.0m. Whilst this is contractual, it is dependant upon the sale of the properties and the market valuation at completion. Due to the uncertainty of future market conditions no liability has been carried out in relation to this contractual obligation.