

REGENDA LIMITED

Report and Financial Statements

Year ended 31 March 2007

REGISTERED WITH
THE HOUSING CORPORATION
NO. L4328

REGISTERED WITH
THE REGISTRAR OF COMPANIES
NO. 4334057

Contents

Report of the Board	1
Operating and Financial Review	6
Statement of Responsibilities of the Board	14
Independent Auditors' Report to the Members of Regenda Limited	15
Consolidated and Company Income and Expenditure Account	17
Statement of Total Recognised Surpluses and Deficits	18
Consolidated and Company Balance Sheets	19
Consolidated Cash Flow Statement	20
Notes to the Financial Statements	21

Report of the Board

The Board presents its report, together with The Regenda Group's audited financial statements, for the year ended 31 March 2007.

Group structure and principal activities

The Regenda Group (the 'Group') consists of Regenda Limited, a holding company which does not own property assets, and four asset owning direct subsidiaries; Maritime Housing Association, Templar Housing Association, West Pennine Housing Association and Wyre Housing Association. Each of these direct subsidiaries is a not for profit registered social landlord, with West Pennine Housing Association also having charitable status. In addition, West Pennine Housing Association has a subsidiary, Limehurst Village Trust, which is also a not for profit registered social landlord with charitable status.

The Group's principal activities are the development and management of social housing.

Business review

Details of the Group's performance for the year and future plans are set out in the Operating and Financial Review that follows this report of the board.

Housing property assets

Details of changes to the Group's fixed assets are shown in note 12 to the financial statements.

Reserves

After transfer of the deficit for the year of £1.4 million (2006: surplus of £0.08 million), at the year-end Group reserves amounted to £23.8 million (2006: £24.9 million).

Donations

The Group made no charitable donations (2006: £nil) and made no political donations.

Post balance sheet events

Since the year end West Pennine Housing Association has acquired substantial further housing stock on the Limehurst estate in Oldham such that the Association now owns all of the property managed by its subsidiary, Limehurst Village Trust Limited. The housing stock was acquired from Contour Homes Limited under a stock swap arrangement in exchange for a cash settlement of £3.9 million and the Group's housing stock on the Rivers estate in Bury. As a result of this strategically important transaction the Group has recognised an impairment provision of £2.7 million in the financial statements against the carrying value of the housing stock on the Rivers estate that it held at the year end. This impairment provision represents the difference between the book value of the Rivers housing stock sold subsequently and the valuation agreed with Contour Homes Limited for the purpose of concluding the stock swap. The acquisition of the additional Limehurst housing stock will ensure that all of the Group's residents in the area will fully benefit from the Group's ongoing investment in the Regenda first service.

Payment of creditors

In line with government guidance, the Group's policy is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier.

Report of the Board (continued)

Employees

The Group is committed to developing a culture in which equality and diversity is integral to all of our activities, including the recruitment and development of staff. The Group aims to achieve an inclusive culture that respects and values differences and eliminates discrimination in all areas.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring their views are taken into account when decisions are made that are likely to affect their interests.

The Group shares information on its objectives, progress and activities through team meetings and the circulation of regular bulletins.

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.

Board members and executive directors

Board members are drawn from a wide background bringing together professional and local experience. The Board members who served during the year ended 31 March 2007 and subsequently were as follows:

M White	Chair	Resigned 31 March 2007
J Rogerson	Chair	Appointed 1 April 2007 Resigned 20 August 2007
S Conquer	Chair	Appointed 21 August 2007
W Barker		
M Brown		
R Burman		
R Chadwick		
P Coffey		
L Fenton		
F Parkinson		
J Thomson		

Regenda Limited employs a team of executive directors who provide Group wide executive level management support to all Group members.

Report of the Board (continued)

Regenda Limited's executive directors who served during the year and subsequently were as follows:

B Gallagher	Group Chief Executive	
P Curphey	Executive Director Strategy	
T Heyes	Executive Director Operations	
C Lynagh	Executive Director Finance	
A Ramsay	Executive Director Regeneration	to 1 May 2007
W Taylor	Executive Director Social Enterprise	from 1 May 2007
T Wilson	Executive Director Corporate Services	

Executive directors hold no interest in the Company's shares or in the shares of any Group member. They act as executives within the authority delegated by the Board.

Group insurance policies indemnify Board members and officers against liability when acting for the Group.

Further details of executive directors' remuneration are disclosed under note 10.

NHF Code of Governance

The Group complies with the principal recommendations of the NHF Code of Governance (revised 2004). There are no governance-related matters to highlight this year other than the appointment and resignation of Board members as detailed above.

Resident involvement

The Group actively encourages residents' involvement in decision-making by promoting mechanisms of resident involvement. Each subsidiary of the Group has resident Board members and clear reporting arrangements between resident groups and the Group's Boards exist.

Complaints

The Group has a clear and simple complaints policy issued to all residents. During the year the Group received 242 complaints of which 183 (76%) were resolved promptly to the satisfaction of the residents. The Group is continuing to investigate and take action on the remaining complaints. Complaints related mainly to repairs performance.

Internal controls assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This responsibility applies to all organisations within the Group.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss. The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing, has been in place throughout the period commencing 1 April 2006 up to the date of approval of the annual report and financial statements.

Report of the Board (continued)

Internal controls assurance (continued)

Key elements of the control framework include:

- Regenda Board approved terms of reference and delegated authorities for Group Risk and Audit, Group Finance, Group Nominations and Remuneration and Group New Business and Asset Management Committees;
- responsibilities of the Group Risk and Audit, Group Finance, Group Nominations and Remuneration and Group New Business and Asset Management Committees, as Committees of the Regenda Board, for dealing with all relevant issues in relation to Regenda Limited and its direct subsidiaries;
- each direct Subsidiaries' right to nominate one of its members onto the Group Risk and Audit Committee;
- each direct Subsidiaries' right to nominate one of its members onto the Group Finance Committee;
- each direct Subsidiaries' right to nominate one of its members onto the Group Nominations and Remunerations Committee;
- each direct Subsidiaries' right to nominate one of its members onto the Group New Business and Asset Management Committee;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- robust strategic and business planning processes, with detailed financial budgets and forecasts;
- formal recruitment, retention, training and development policies for all staff;
- established authorisation and appraisal procedures for all significant new initiatives and commitments;
- a sophisticated approach to treasury management which is subject to external review at a Group level on an annual basis;
- regular reporting to the Group's Boards on key business objectives, targets and outcomes; and
- Regenda Board approved whistle-blowing and fraud policies.

The Regenda Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Group Risk and Audit Committee to regularly review the effectiveness of the system of internal control. The Regenda Board and the Boards of Regenda Limited's direct subsidiaries receive minutes of Group Risk and Audit Committee meetings.

The Group Risk and Audit Committee has received the Group Chief Executive's annual review of the effectiveness of the system of internal control for the Group and the annual report of the internal auditor and has reported its findings to the Regenda Board.

Report of the Board (continued)

Going concern

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

Annual general meeting

The annual general meeting will be held on 26 September 2007 at De Veres Whites Hotel, Bolton Reebok Stadium.

Disclosure of information to auditors

At the date of making this report each of the company's Board members, as set out above, confirm the following:

- so far as each Board 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 Board member has taken all the steps that they ought to have taken as a Board member in order to make themselves 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.

External auditors

RSM Robson Rhodes LLP ("Robson Rhodes") merged its audit practice with that of Grant Thornton UK LLP ("Grant Thornton") with effect from 2 July 2007, with the successor firm being Grant Thornton. Robson Rhodes resigned as auditors on 30 July 2007 creating a casual vacancy which the board have filled by appointing Grant Thornton. A resolution to re-appoint Grant Thornton LLP will be proposed at the forthcoming annual general meeting.

The Report of the Board was approved by the Board on 10 September 2007 and signed on its behalf by:

S Conquer

Chair

Regenda House
Enterprise Business Park
Northgate Close
Horwich
Bolton
BL6 6PQ

Operating and Financial Review

Background

Vision and Values

The Group's vision is to make the North West a better place to live by being a leading regeneration organisation.

The following values are integral to all of the Group's activities and are essential to the Group's prosperity:

- openness and transparency
- co-operation and respect
- responsiveness and inclusiveness
- empowerment
- innovation
- excellence

The Group measures how well it reflects these values in practice by consulting with its own staff, its customers and other stakeholders enabling them to exert influence on its policies and procedures.

Activities

The Group is primarily a landlord to people unable to adequately meet their housing needs in the open market. The Group owns or manages over 12,500 properties in the North West of England.

The Group provides supported and sheltered housing for residents who require not only good quality accommodation but also some degree of support or care to enable them to sustain their accommodation and improve their quality of life. Client groups the Group works with include elderly residents, people with mental health needs, homeless people, young people, drug or alcohol users and teenage parents.

The Group is a major developer of new affordable housing and is one of the organisations selected by the Housing Corporation as a development partner.

The Group also undertakes significant community regeneration activity in partnership with a wide range of agencies across the North West notably in the two Housing Market Pathfinder areas of Oldham/Rochdale and Merseyside.

External Influences

The Group is affected by some of the wider changes taking place in society and political responses to them. The most recent and significant of these political responses are considered below. All of them came at a time when housing was higher on the political agenda than it has been for many years. This is largely because of the growing shortage of affordable housing in many areas. In the face of these shortages, the government has clearly stated its intent to increase the supply of new housing.

Considerable progress has been made in implementing the recommendations that resulted from the Audit Commission's inspection of Maritime and Wyre during June 2005 and February 2006. The inspection process is part of the regulatory system that housing associations operate in.

Operating and Financial Review (continued)

External Influences (continued)

The future purpose and shape of this regulatory system has itself been independently reviewed in the last year by Professor Martin Cave. The Cave Review's recommendations are many and wide-ranging. The government has yet to fully decide which recommendations it will implement, however, it has accepted that investment and regulation of housing should be separated. The government is also committed to giving regulated housing providers' residents more of a voice and to streamline regulation in light of the Hampton Review.

A number of other policy reviews and developments will influence the Group's work in years to come:

- A new agency, Communities England is being set up. It will be responsible for delivering national housing and regeneration programmes. The new agency will become operational in 2009 and take over the roles for regeneration and new supply of affordable housing currently carried out by English Partnerships, the Housing Corporation and parts of the Department for Communities and Local Government. There is still much to be done before Communities England begins to operate. However, the creation of one national organisation with such extensive powers and resources will have many implications for organisations like the Group. It is hoped that it will make it simpler and faster to develop solutions to the many and varied housing needs and problems faced in the places where the Group works. The plans for Communities England come at a time when, in response to the housing shortage referred to earlier, housing associations are under greater pressure to develop homes with less grant than they have in the past.
- Professor John Hills' review of the future role of social housing has also been concluded. Hills underlined the continued importance of social housing and highlighted the falling supply over recent years. However, as well as helping to meet their residents' immediate need for good quality, affordable housing, he also recommended that social housing providers should play a wider role in providing residents with more choice in the housing services they receive and enabling them to improve their economic position particularly by addressing worklessness. The implications of these recommendations are still being considered by government but they could have a major impact on social housing providers' roles and responsibilities in future.
- A white paper has been published setting out plans to strengthen local authorities' role in shaping the places they administer. The white paper envisages local authorities taking more of a lead in working with other agencies, including housing associations, to develop and implement plans to improve the quality of life for their residents. It is largely expected that this development will lead housing associations to being more closely engaged in broader local policy-making and having a more clearly defined role in implementing some of the results.

Objectives and strategy

The Group's aims and ambitions are set out in a Group Corporate Plan for the period from 2004/05 to 2008/09 and performance against the key indicators and targets set out in this plan are monitored by the Board on a quarterly and annual basis.

Operating and Financial Review (continued)

Objectives and strategy (continued)

The Group's six key objectives are:

1. To provide good quality, affordable homes for rent or sale in the North West which meet a diverse range of needs in places that people want to live (*growth*).
2. To be a landlord of choice, providing high quality, responsive and improving housing and support services that enable a diverse range of people to move into the Group's homes and to safely remain in and enjoy them for as long as they want (*quality*).
3. To enhance the choices and wider quality of life enjoyed by residents and their neighbours in the diverse communities where we work (*neighbourhoods*).
4. To be an employer of choice for creative, loyal and increasingly productive teams of people who are given opportunities to make a difference and to realise their true potential (*staff*).
5. To become financially stronger and exploit this strength with increasing efficiency and effectiveness (*finance*).
6. To govern the Group in ways that continuously reflect the very best in accepted practices (*governance*).

The Group's primary focus over the coming year in delivering its objectives will be its ongoing programme to roll out the "Regendafirst" service as detailed below.

Organic growth will continue to be achieved through membership of the region's largest development partnership, The Riverside Partnership, and further opportunities for mergers will be actively sought solely within the North West.

Regendafirst

During the year the Group undertook a challenging programme of change which has further improved the services provided to residents. In April 2007, the Regendafirst service was officially launched. Thirty two customer services advisors together with other specialist staff will deliver a broad range of services to the Group's customers including repairs reporting, lettings, tackling anti social behaviour, complaint handling, tenancy management and leasehold services. The Group has positioned itself to deliver a first class flexible service to customers over extended operating times, six days a week.

The Regendafirst service will handle approximately one thousand calls each day, responding to customers' needs and resolving the majority of enquiries at the first point of contact. This new approach will free up front line staff to focus more on the neighbourhoods the Group serves and be more available to residents on a face-to-face basis. In addition, working with local authority partners, the Group will also be positioned to deliver Regendafirst neighbourhood plans.

The Group's approach to the provision of administrative and management services has also continued to develop during the year. An increased range of Group wide central services are now provided by Regenda Limited to other members of the Group. This process of rationalisation has continued throughout 2006/07 to ensure a more efficient and higher quality service provision.

Common, integrated IT systems for housing management and finance have been successfully implemented across the Group during the year together with a new contact relationship management system and electronic data management system.

Operating and Financial Review (continued)

Regendafirst (continued)

The Group will continue to focus on systems development and new technologies to improve the quality of its service to customers and ensure efficiency of operations.

The Group's head office moved to Regenda House on the Middlebrook Business Park, Bolton in early 2007. The new premises house the Regendafirst telephone contact service together with supporting teams.

Central support functions such as Human Resources, Finance and Information Technology are also located in the new head office and operate on a Group wide basis. The Development and New Business teams, although centrally managed, continue to be based in the relevant subsidiary office in response to business need.

Significant efficiencies have been generated from these new ways of working and will be invested back into operations to further enhance customer service.

Performance in the year

The Group's executive team and Boards use a wide range of indicators to monitor achievement of the Group's objectives. An overview of the Group's performance in the year is given below.

To provide good quality affordable homes (Growth)

The Group continues to maintain its rent increases in line with the Government's rent restructuring framework.

The proportion of general needs and supported housing properties meeting the Decent Homes Standard increased during the year, with the Group now 95% compliant. Full compliance will be achieved in advance of the 2010 target.

During 2006/07 the Group completed almost 180 new homes for rent or sale. Although this was below our target, the underperformance was largely due to delayed starts as sites were assembled following clearance activity or complex multi-partner development agreements were finalised. These factors are outside our control and highlight the inherent difficulties in developing within regeneration and clearance areas.

Development partner status has been retained for the next National Affordable Housing Programme between 2008/09 to 2010/11 through membership of The Riverside Partnership.

To be a landlord of choice (Quality)

The Group sets targets for the amount of time that should elapse between a repair being requested and carried out, with the elapsed time varying for different types of repairs. Targets were harmonised across the subsidiaries during the year.

For emergency repairs, all operating subsidiaries exceeded their target of a 99% success rate of undertaking emergency repairs within the required timescale.

All operating subsidiaries sustained or improved their performance in relation to urgent repairs in 2006/07 compared to 2005/06 and four of the five operating subsidiaries either exceeded its target or improved on their prior year performance in relation to routine repairs.

Operating and Financial Review (continued)

To be a landlord of choice (Quality) (continued)

The Group's ongoing investment in IT systems and its partnering relationships with regional contractors for the delivery of repairs services will ensure that our performance in this important area receives continued focus for improvement.

To improve quality of life (Neighbourhoods)

The number and diversity of projects that the Group undertakes in relation to improving the quality of life in the neighbourhoods where we work means that indicators and performance cannot readily be summarised. Some highlights of our performance during the year were:

One of the Group's social enterprise projects, Regenda Landscapes now has contracts with West Pennine and Maritime and has also undertaken one off jobs including tree work which in 2006/07 generated an extra £16,000 income.

The 'Gift Aid' process has been rolled out across the Group which has seen an additional £756,000 Gift Aid funding committed to a wide range of community projects to improve the quality of life for the Group's residents. This is in addition to £1.5million previously committed to Wyre Housing Association which is now funding 15 successful projects. An example of a Gift Aid funded project is the Wirral Neighbourhood Wardens scheme, which has delivered a host of benefits including:

- Securing over £40,000 worth of funding for local community projects.
- Securing employment for nine local people, through working in partnership with Green Apprentices.
- Securing training opportunities for local youths through working with "Play Like Brazil".
- Providing residents with work and training opportunities through the refurbishment of community centres in partnership with Action for Employment, a national organisation funded by central Government to work with long-term unemployed people, and Training and Guidance, a Wirral based organisation that works with socially excluded groups.
- Enabling two new social businesses to be set up and six local young people to find employment through our work with Birkenhead Sixth Form College .

Our Citizenship in the Community Project funded through Liverpool City Council was recognised as the best project of the year in the Creative Communities strand of Merseyside's Regeneration Awards.

To be an employer of choice (Staff)

The Board recognises that business success depends on the quality of the Group's staff. In any organisation staff changes are inevitable and to an extent desirable, however a high level of staff turnover leads to increased recruitment costs, lower productivity, lower morale and reduced internal controls assurance during the changeover period.

The Group has recently undertaken a significant programme of change to improve customer services. This involved the relocation of approximately 100 members of staff from their previous bases to the Group's new premises in Bolton. As such staff turnover during the year rose to 20.5% which is in excess of the normal target of 16%. Staff turnover was however lower than anticipated for this period of change and effectively managed.

Operating and Financial Review (continued)

To become financially stronger (Efficiency)

Rent losses (measured as voids and bad debts as a percentage of rent and service charges receivable) fell to 2.3% (2006: 2.4%).

Overall rent arrears at the year-end (measured as gross arrears as a percentage of rent and service charges receivable) has risen to 7.5% (2006: 5.6%), this includes former tenant arrears. The ongoing programme to improve customer services will see the further sharing of best practice across the Group.

To govern with the best (Governance)

Risks and uncertainties

Strategic risks are those that present the greatest threats to the Group. Directly linked to the Group's corporate objectives and performance management framework, the Group's strategic risks are considered and reviewed annually by the Executive Team and the Group Risk and Audit Committee as part of the corporate planning processes. The risks are recorded and assessed in terms of their likelihood and impact. Risk reports include assessments of key controls used and action taken to manage them.

The Group's strategic risks are considered below.

Key risk	Comment	Impact on strategic objectives
Organisational change	The Group has recently undertaken a significant programme of change to improve the services offered to customers. Risks associated with this relating to service performance, staff and IS were actively managed through a Project Board which met monthly.	Quality, Staff, Finance, Governance
Development activity	The Group has been allocated Housing Corporation development funding for 2006/07 to 2007/08 through membership of The Riverside Partnership. Development activity whether funded by grants or otherwise is subject to rigorous financial review.	Growth, Finance
Long term sustainability of the communities we work in	Development of focussed neighbourhood plans, involving residents and other stakeholders, is progressing to focus our activity in key neighbourhoods.	Neighbourhoods
Grant funding streams	Access to Social Housing Grant has been ensured through membership of The Riverside Partnership. External funding for targeted community and neighbourhood initiatives is actively sought by our experienced staff.	Growth, Neighbourhoods, Finance
Recruiting and maintaining an adequately skilled workforce and membership	The Group is committed to providing staff with opportunities for development and ensuring they are rewarded on a competitive basis. The Board's performance and competencies are regularly reviewed.	Staff, Governance

Operating and Financial Review (continued)

Risks and uncertainties (continued)

Key risk	Comment	Impact on strategic objectives
Legislation, regulation and other external factors	Experienced staff with clear responsibilities ensure that the Group is responsive to external factors which may impact operations.	Staff, Governance
Financial pressures	The programme of organisational change and the Group's active engagement in the sector wide efficiency agenda are designed to ensure the effective use of resources, both financial and non-financial, on internal priorities and in response to external factors.	Finance

Financial position

The Group income and expenditure account and balance sheet are shown on pages 17 and 19 respectively. The following paragraphs highlight key features of the Group's financial position at 31 March 2007.

Accounting policies

The Group's principal accounting policies are set out on pages 21 to 25 of the financial statements.

The policies that are most critical to the financial results relate to accounting for housing properties and include: capitalisation of interest and development administration costs; deduction of capital grant from the cost of assets; housing property depreciation; and treatment of shared ownership properties. Each of these policies has remained unchanged during the period under review.

Housing properties

At 31 March 2007 the group owned 12,095 housing properties (2006: restated 11,976). The properties were carried in the balance sheet at cost (after depreciation and capital grant) of £166 million (2006: £165 million).

Investment in housing properties during the year was funded through a mixture of social housing grant, loan finance and working capital.

Pension costs

The Group participates in two pension schemes, the Social Housing Pension Scheme and the Lancashire County Council Pension Fund. Both these are final salary schemes, offering good benefits for staff. Details of the Group's contribution to and performance of these schemes is detailed in note 9 to the financial statements.

Capital structure and treasury policy

Details of the Group's borrowings and the related maturity profile are shown in note 21 to the financial statements. The Group borrows, principally from banks and building societies, at both fixed and floating rates of interest. Interest rate swaps are used to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations. The Group's target is to keep at least 70% of its borrowings at fixed rates of interest. At the year-end, 77.1% (2006: 72.4%) of the Group's borrowings were at fixed rates after taking account of interest rate swaps.

Operating and Financial Review (continued)

Capital structure and treasury policy (continued)

The fixed rates of interest range from 4.85% to 11.55%, although the vast majority of amounts borrowed are at the lower end of this range. In the current market, where long term fixed rates have fallen below 5.8%; this means that the Group is paying relatively competitive rates of interest.

The Group borrows and lends only in sterling and so is not exposed to currency risk.

Cash flows

Cash inflows and outflows during the year are shown in the consolidated cash flow statement (page 20). The cash inflow from operating activities decreased this year to £7.3 million (2006: £12.4 million).

Future developments

A key influence on the timing of borrowings is the rate at which development and sales activity takes place. The Board has approved plans to spend £23.7 million during the next financial year on development activity. It is envisaged this will be funded entirely through sales income and social housing grant however, undrawn loan facilities of £43.9 million are available under existing arrangements.

Statement of compliance

In preparing this Operating and Financial Review, the Board has followed the principles set out in Part 3 of the SORP 'Accounting by Registered Social Landlords' (Update 2005).

Statement of Responsibilities of the Board

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

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

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 company at the end of the year and of the surplus or deficit of the Group and company for the year then ended.

In preparing those financial statements the Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- follow applicable United Kingdom Accounting Standards and the Statement of Recommended Practice: "Accounting by registered social landlords" (Update 2005), subject to any material departures disclosed and explained in the financial statements.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and company 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 for registered social landlords General Determination 2006. It is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Independent Auditors' Report to the Members of Regenda Limited

We have audited the Group and company financial statements of Regenda Limited for the year ended 31 March 2007, which comprise the Group and company income and expenditure accounts, the Group and company balance sheets, the Group cash flow statement, the Group and company statements of total recognised surpluses and deficits and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with regulations made under Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company'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 company and the company'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 responsibilities of the Board for preparing the report and 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 for the financial statements.

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 Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

We also report to you if, in our opinion, the Report of the Board is consistent with the financial statements. The information given in the Report of the Board includes the specific information presented in the Operating and Financial Review that is cross-referred from the Business Review section of the Report of the Board.

In addition, we also 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 the other information accompanying the financial statements and consider whether it is consistent with the audited financial statements. The other information comprises only the Report of the Board and the Operating and Financial Review. 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 the company's circumstances, consistently applied and adequately disclosed.

Independent Auditors' Report to the Members of Regenda Limited

(continued)

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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Group and company as at 31 March 2007 and of the deficit 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.
- The information given in the Report of the Board is consistent with the financial statements.

Grant Thornton UK LLP
Chartered Accountants and Registered Auditors
Manchester, England.

Consolidated and Company Income and Expenditure Accounts

Year ended 31 March 2007

	notes	Group		Regenda Ltd	
		2007 £000	2006 £000	2007 £000	2006 £000
Turnover : continuing activities	3	46,447	42,768	8,259	5,379
Cost of sales	3	(4,444)	(1,909)	-	-
Operating costs	3	(34,072)	(34,022)	(8,287)	(5,380)
Operating surplus / (deficit) : continuing activities		7,931	6,837	(28)	(1)
Surplus on sales of housing properties	6	1,957	962	-	-
Impairment provision	12	(2,705)	-	-	-
Interest receivable	7	468	341	3,835	3,238
Interest payable	8	(8,658)	(8,080)	(3,804)	(3,235)
Other finance costs	9	(36)	(48)	-	-
(Deficit) / surplus on ordinary activities before taxation		(1,043)	12	3	2
Tax on (deficit) / surplus on ordinary activities	11	(368)	68	(40)	(16)
(Deficit) / surplus for the year	23	(1,411)	80	(37)	(14)

The notes on pages 21 to 50 form part of these financial statements.

Statement of Total Recognised Surpluses and Deficits
Year ended 31 March 2007

	Group		Regenda Ltd	
	2007	2006	2007	2006
	£000	£000	£000	£000
(Deficit) / surplus for the financial year	(1,411)	80	(37)	(14)
Movement on Fleetwood Mental Health Reserve (FMH)	25	-	-	-
Actuarial gain/(loss) relating to pension scheme	319	(146)	-	-
	(1,067)	(66)	(37)	(14)

Reconciliation of movements in Group's and Company's funds

Year ended 31 March 2007

	Group		Regenda Ltd	
	2007	2006	2007	2006
	£000	£000	£000	£000
Opening total funds	24,861	24,927	29	43
Total recognised deficit for the year	(1,067)	(66)	(37)	(14)
Closing total funds	23,794	24,861	(8)	29

Consolidated and Company Balance Sheets At 31 March 2007

	notes	Group		Regenda Ltd	
		2007	2006	2007	2006
		£000	£000	£000	£000
Tangible fixed assets					
Social housing and non-social properties	12	401,782	400,821	-	-
Social housing grant	12	(235,823)	(235,388)	-	-
	12	165,959	165,433	-	-
Other tangible fixed assets	13	7,050	5,260	2,433	484
		173,009	170,693	2,433	484
Current assets					
Properties for sale	15	4,475	-	-	-
Debtors	16	7,475	10,554	68,285	66,600
Investments	17	1,403	2,025	-	-
Cash at bank and in hand		3,861	4,154	15	19
		17,214	16,733	68,300	66,619
Creditors : amounts falling due within one year					
	18	(23,308)	(24,156)	(10,313)	(6,442)
Net current (liabilities) / assets					
		(6,094)	(7,423)	57,987	60,177
Total assets less current liabilities					
		166,915	163,270	60,420	60,661
Creditors : amounts falling due after more than one year					
	18	141,617	136,579	60,428	60,632
Net pension liability					
	9	1,504	1,830	-	-
		143,121	138,409	60,428	60,632
Capital and reserves					
Non-equity share capital	22	-	-	-	-
Designated reserves	23	3,737	3,091	-	-
Restricted reserve	23	919	1,101	-	-
Revenue reserve	23	19,138	20,669	(8)	29
Group's / Company's funds (non-equity)					
	23	23,794	24,861	(8)	29
		166,915	163,270	60,420	60,661

The financial statements were approved by the Board on 10 September, 2007 and signed on its behalf by:

S Conquer
Chair

Board
member

J Vincent
Secretary

Consolidated Cash Flow Statement

Year ended 31 March 2007

		2007	2006
	notes	£000	£000
Net cash inflow from operating activities	25	7,264	12,399
Returns on investments and servicing of finance			
Interest received		468	327
Interest paid		(8,150)	(7,899)
		<u>(7,682)</u>	<u>(7,572)</u>
Taxation			
Corporation Tax paid		42	(109)
Capital expenditure			
Acquisition and construction of properties		(18,855)	(30,067)
Sales of housing properties		10,418	4,484
Social housing grants received		5,746	7,257
Sales of other tangible fixed assets		-	38
Purchase of other tangible fixed assets		(1,982)	(380)
		<u>(4,673)</u>	<u>(18,668)</u>
Management of liquid resources			
Cash withdrawn from money market deposit accounts		622	3,409
Financing			
Housing loans received		11,142	9,735
Housing loans repaid		(7,249)	(200)
Financing		<u>3,893</u>	<u>9,535</u>
Decrease in cash	27	<u>(534)</u>	<u>(1,006)</u>

Notes to the Financial Statements

Year ended 31 March 2007

1. Legal status

Regenda Limited is a company limited by guarantee under the Companies Act, and is registered with the Housing Corporation as a social landlord.

2. Accounting policies

Basis of accounting

The financial statements of the Group and company 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.

A number of comparative figures have been restated to provide clearer analysis of certain balances. The restatements have all been of a reclassification nature and have not resulted in any change to the group or company funds. No restatement is considered material to the financial statements or to the account balances reported in the primary statements.

Basis of consolidation

The Group accounts consolidate the accounts of the company and all its subsidiaries at 31 March using merger accounting.

Turnover

Turnover comprises rental income receivable in the year, income from property sales, other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants receivable in the year.

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 charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Interest payable

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

Notes to the Financial Statements

Year ended 31 March 2007

Accounting policies (continued)

Interest payable (continued)

- a) interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance; or
- b) interest on borrowings of the Group as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Interest payable (continued)

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

Derivatives

The Group uses interest rates swaps to reduce its exposure to future increases in the interest rates on floating rate loans. The notional principal is not reflected in the Group's balance sheet. Payments made under swaps are accrued over the payment period on a straight-line basis and adjusted against interest payable on the loans.

Pensions

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

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 LCCPF, 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

Social housing capital grants are claimed by the Group as developer and owner of the property and included in the balance sheet of the Group. The treatment of other income and expenditure in respect of supported housing projects depends on the nature of the partnership arrangements between the Group and its managing agents and on whether the Group carries the financial risk.

Where the Group holds the support contract with the Supporting People Administering Authority and carries the financial risk, all of the project's income and expenditure is included in the Group's income and expenditure account.

Where the agency holds the support contract with the Supporting People Administering Authority and carries the financial risk, the income and expenditure account includes only that income and expenditure which relates solely to the Group.

Notes to the Financial Statements

Year ended 31 March 2007

Accounting policies (continued)

Social housing and non social properties

Social housing and non social properties are principally properties available for rent and are stated at cost less depreciation and social housing and other grants. 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.

Social housing and non social properties (continued)

Only the direct overhead costs associated with new developments or improvements are capitalised.

For properties developed for sale under a shared ownership lease the cost also includes direct marketing expenses and legal fees relating to the initial disposal. Although this policy is not in accordance with the SORP or United Kingdom Accounting Standards, it has been adopted to ensure that related income and expenditure is appropriately matched.

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

Social housing grant

Social housing grant (SHG) is receivable from the Housing Corporation and is utilised to reduce the capital costs of housing properties, including land costs. SHG due from the Housing Corporation or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

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

Other grants

Other grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. 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.

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.

Notes to the Financial Statements

Year ended 31 March 2007

Accounting policies (continued)

Depreciation of social housing and non social properties

Freehold land is not depreciated. Depreciation of buildings is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight-line basis, over their estimated useful economic lives in the business.

The depreciable amount is arrived at on the basis of original cost, less the proportion of SHG and other grants attributable to housing properties, less residual value. The Group's housing properties are depreciated at the following annual rates:

Social housing and non social properties	100 years
--	-----------

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Housing properties in the course of construction are stated at cost and not depreciated.

Impairment

Social housing and non social properties which are depreciated over a period in excess of 50 years are subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down is charged to operating surplus.

Other tangible fixed assets

Tangible fixed assets, other than social housing and non social properties are stated at cost less accumulated depreciation. A capitalisation level of £1,000 has been set for all assets excluding computer equipment.

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

Freehold buildings	100 years
Furniture, fixtures and fittings	10 years
Computers and office equipment	4 years
Motor vehicles	4 years

Leased assets

Rentals payable under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

Properties for sale

Properties developed for outright sale on shared ownership leases are transferred to housing properties within tangible fixed assets when they are ready for letting and sale. The proceeds of sale of the first tranche are netted off against the cost of the asset and are further disclosed within turnover under developments for sale reflecting their continuing importance in the context of the group's overall operating activities.

Notes to the Financial Statements

Year ended 31 March 2007

Accounting policies (continued)

Properties for sale (continued)

If the sale of the first tranche represents the maximum attainable equity for the purchaser, then due account is taken of any resultant surplus within turnover as development for sale. This policy represents a deviation from the SORP but is adopted to appropriately recognise the surplus/deficit on disposal on maximum equity first tranche sales. Sales of subsequent tranches are treated as disposals and are shown in the income and expenditure account within sales of housing properties.

Current asset investments

Investments are stated at market value.

Deferred income

Where debt has been issued at a premium, the premium is treated as deferred income and is released to the Income and Expenditure Account over the term of the loan.

Liquid resources

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

Reserves

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

Notes to the Financial Statements

Year ended 31 March 2007

3. Turnover, cost of sales, operating costs and operating surplus / (deficit)

Group	2007				2006			
	Turnover	Cost of sales	Operating costs	Operating surplus / (deficit)	Turnover	Cost of sales	Operating costs	Operating surplus / (deficit)
	£000	£000	£000	£000	£000	£000	£000	£000
Social housing lettings	36,638	-	(28,020)	8,618	35,361	-	(27,147)	8,214
Other social housing activities								
Supporting people contract income	107	-	(107)	-	137	-	(125)	12
Development services	184	-	(260)	(76)	76	-	(240)	(164)
Development costs not capitalised	-	-	(84)	(84)	-	-	(357)	(357)
Management services	1,081	-	(366)	715	1,216	-	(618)	598
Community regeneration	3,594	-	(4,343)	(749)	3,474	-	(3,891)	(417)
Other	196	-	(265)	(69)	186	-	(748)	(562)
	5,162	-	(5,425)	(263)	5,089	-	(5,979)	(890)
Non-social housing activities								
Lettings	323	-	(228)	95	343	-	(283)	60
Other	40	-	(178)	(138)	117	-	(613)	(496)
Development for sale	4,284	(4,444)	(221)	(381)	1,858	(1,909)	-	(51)
	4,647	(4,444)	(627)	(424)	2,318	(1,909)	(896)	(487)
Total	46,447	(4,444)	(34,072)	7,931	42,768	(1,909)	(34,022)	6,837
Regenda Limited								
Other social housing activities								
Management services	8,227	-	(8,255)	(28)	5,273	-	(5,295)	(22)
Non-social housing activities	32	-	(32)	-	106	-	(85)	21
	8,259	-	(8,287)	(28)	5,379	-	(5,380)	(1)

Notes to the Financial Statements

Year ended 31 March 2007

3. Turnover, cost of sales, operating costs and operating surplus (continued)

Particulars of income and expenditure from social housing lettings

Group	2007			2006 Restated	
	General needs	Supported housing and housing for older people	Low cost home ownership	Total	Total
	£000	£000	£000	£000	£000
Turnover from social housing activities					
Rent receivable net of identifiable service charges	28,120	4,150	927	33,197	31,997
Charges for support services	20	305	-	325	558
Service charges receivable	1,503	582	638	2,723	2,275
Other income	-	1	-	1	2
Net rental income	29,643	5,038	1,565	36,246	34,832
Other revenue grants (various)	389	2	1	392	529
Turnover from social housing lettings	30,032	5,040	1,566	36,638	35,361
Expenditure on social housing activities					
Management	(5,434)	(923)	(417)	(6,774)	(6,478)
Services	(1,568)	(882)	(724)	(3,174)	(3,164)
Routine maintenance	(6,093)	(846)	(15)	(6,954)	(6,245)
Planned maintenance	(4,105)	(627)	(14)	(4,746)	(3,907)
Major repairs expenditure	(3,665)	(376)	-	(4,041)	(5,264)
Bad debts	(416)	(20)	-	(436)	(288)
Depreciation of social housing properties	(887)	(225)	(101)	(1,213)	(1,163)
Impairment of social housing properties	-	(17)	-	(17)	(75)
Other costs	(342)	(295)	(28)	(665)	(563)
Operating costs on social housing lettings	(22,510)	(4,211)	(1,299)	(28,020)	(27,147)
Operating surplus on social housing letting activities	7,522	829	267	8,618	8,214
Void Losses	(278)	(89)	(19)	(386)	(539)

Notes to the Financial Statements

Year ended 31 March 2007

3. Turnover, cost of sales, operating costs and operating surplus on lettings (continued)

Particulars of turnover from non - social housing lettings

	Group	
	2007	2006
	£000	£000
Office and Retail Units	28	19
Market Rented	295	324
	<u>323</u>	<u>343</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	
	2007	2006
	number	number
Social housing		
General housing	8,647	8,558
Supported housing and housing for older people	1,492	1,479
Low cost home ownership	1,152	1,074
Leasehold for the elderly	49	49
Total owned	<u>11,340</u>	<u>11,160</u>
Accommodation managed for others	431	443
Total managed	<u>11,771</u>	<u>11,603</u>
Accommodation owned but managed by others	755	816
Total owned or managed	<u>12,526</u>	<u>12,419</u>
Non-social housing		
Market rented	74	77
Office and retail units owned by the Group	25	8
	<u>99</u>	<u>85</u>
Total owned and managed	<u>12,625</u>	<u>12,504</u>
Accommodation in development at the year end	<u>174</u>	<u>295</u>

Regenda Limited does not own or manage housing accommodation (2006 : nil)

Notes to the Financial Statements

Year ended 31 March 2007

5. Surplus on ordinary activities

Surplus on ordinary activities before taxation is stated after charging:

	Group		Regenda Ltd	
	2007	2006	2007	2006
	£000	£000	£000	£000
Depreciation of social housing properties	1,158	1,167	-	-
Depreciation of non social housing properties	32	51	-	-
Impairment of social housing properties	2,722	75	-	-
Impairment of commercial properties held for sale	221	-	-	-
Depreciation of other tangible fixed assets	389	759	199	261
Operating lease rentals				
- land & buildings	361	381	-	-
- office equipment, cars and computers	1,025	1,062	108	70
Auditors remuneration (including VAT)				
- for audit services				
- financial statements	72	68	6	5
- service charge accounts	11	11	-	-
- for non audit services				
- tax advisory	28	19	12	12

6. Sales of housing properties

	Group	
	2007	2006
	£000	£000
Proceeds of sales	6,152	4,613
Cost of sales	(4,195)	(3,580)
Operating Costs	-	(71)
Surplus for the year	1,957	962

Regenda Limited does not own or manage housing properties (2006 : nil)

7. Interest receivable and other income

	Group		Regenda Ltd	
	2007	2006	2007	2006
	£000	£000	£000	£000
Interest receivable and similar income	468	341	-	-
From subsidiaries relating to syndicated housing loans	-	-	3,835	3,238
	468	341	3,835	3,238

Notes to the Financial Statements

Year ended 31 March 2007

8. Interest payable and similar charges

	Group		Regenda Ltd	
	2007	2006	2007	2006
	£000	£000	£000	£000
Bank loans and overdrafts	9,223	8,447	3,804	3,235
Interest payable capitalised on housing properties under construction	(565)	(367)	-	-
	8,658	8,080	3,804	3,235

The capitalisation rates applied to determine the finance costs during the period were 4.5% for all subsidiaries (2006 : 7% for Wyre, 4.5% Maritime HA, Templar HA, West Pennine HA & LVT)

9. Employees

Average monthly number of employees expressed in full time equivalents :

	Group		Regenda Ltd	
	2007	2006	2007	2006
	Number	Number	Number	Number
Administration	98	118	72	66
Development	17	18	14	11
Housing, support and care	186	170	32	2
Community regeneration	75	91	-	-
	376	397	118	79

Employee costs :

	Group		Regenda Ltd	
	2007	2006	2007	2006
	£000	£000	£000	£000
Wages and salaries	8,558	8,679	3,548	2,515
Social security costs	733	710	333	232
Other pension costs	636	913	348	249
Accommodation for on-site staff	4	11	-	-
	9,931	10,313	4,229	2,996

Notes to the Financial Statements

Year ended 31 March 2007

9. Employees (continued)

The Group's employees are members of the Social Housing Pension scheme (SHPS) and the Lancashire County Council Pension Fund, details of which are given below.

Social Housing Pension Scheme (Group and Regenda Limited)

Regenda Limited and all Group members 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 2007. From April 2007 there are three benefit structures available, namely:

Final salary with a 1/60th accrual rate.

Final salary with a 1/70th accrual rate.

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

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

The Group has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31 March 2007 and the career average revalued earnings with a 1/60th accrual rate benefit structure for new entrants from 1 April 2007.

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

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

During the accounting period the Group paid contributions at the rate of 11.7%. Member contributions varied between 3.1% and 6.1% depending on their age.

As at the balance sheet date there were 170 active members of the Scheme employed by the Group. The Group continues to offer membership of the Scheme to its employees.

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

The last formal valuation of the Scheme was performed as at 30 September 2005 by a professionally qualified actuary using the Projected Unit Method.

Notes to the Financial Statements

Year ended 31 March 2007

9. Employees (continued)

Social Housing Pension Scheme (continued)

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 2006. 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 £235 million, equivalent to a past service funding level of 87%. Annual funding updates of the Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the Scheme since the last full valuation.

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

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

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

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

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

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. With effect from 1 April 2007 the employer and employee contribution rates for the Group will be 11.8% to 17.9% and 4.1% to 6.7% of pensionable salaries respectively.

Notes to the Financial Statements

Year ended 31 March 2007

9. Employees (continued)

Social Housing Pension Scheme (continued)

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 3.0% 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 SHPS.

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 the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the Scheme and confirmed that, in respect of the September 2005 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

The next full actuarial valuation will be carried out as at 30 September 2008. An Actuarial Report will be prepared as at 30 September 2007 in line with statutory regulations.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt. The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Notes to the Financial Statements

Year ended 31 March 2007

9. Employees (continued)

Growth Plan

The Group participates in the Pensions Trust's Growth Plan (the 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 Growth 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 Growth Plan assessed on a prudent basis. Bonuses/ investment credits are not guaranteed and are declared at the discretion of the Growth 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 then Growth Plan and so determine the future prospects for discretionary bonuses and / or investment credits.

The actuarial valuation assesses whether the Growth 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 Group 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 Group does not pay any contributions to the Growth Plan.

Lancashire County Council Pension Fund

Wyre Housing Association participates in the Lancashire County Council Pension Fund (LCCPF). The LCCPF is a multi-employer fund, administered by Lancashire County Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme.

The date of the last full actuarial valuation was 31st March 2004. The pension cost charged has been assessed in accordance with the advice of a qualified actuary, using the Projected Unit method of valuation in a review of the scheme as at 31st March 2007. The employers' contributions to the LCCPF by the Group for the year ended 31 March 2007 were £104,995 (2006: £377,000) at a contribution rate of 35.4%. The employers' contribution rate for the year ended 31 March 08 is maintained at 35.4%. The actuarial assumptions used in the calculations are based on the 2004 actuarial valuation, other than the financial assumptions shown below.

Notes to the Financial Statements

Year ended 31 March 2007

9. Employees (continued)

Lancashire County Council Pension Fund (continued)

The main financial assumptions were as follows:

Financial Assumptions

	2007	2006	2005
	% per annum	% per annum	% per annum
Inflation assumption	3.1%	2.9%	2.9%
Rate of increase in salaries	4.9%	4.7%	4.7%
Rate of increase in pensions	3.1%	2.9%	2.9%
Discount rate	5.4%	4.9%	5.4%

The end of year figures for the market value of the assets and split of assets between investment categories have been calculated as at 31 March 2007. The split of assets for the start of the year have been calculated as at 31st December 2005.

Fair value and expected return on assets

The fair value and expected return on assets in the LCCPF relating to the Group were:

	Expected return	Fair value	Expected return	Fair value	Expected return	Fair value
	Mar-07	Mar-07	Mar-06	Mar-06	Mar-06	Mar-06
	%	£000s	%	£000s	%	£000s
Equities	7.5%	2,966	7.0	2,833	7.5	2,237
Government Bonds	4.7%	387	4.3	321	4.7	310
Other Bonds	5.4%	576	4.9	690	5.4	516
Property	6.5%	323	6.0	264	6.5	172
Cash/Liquidity	5.25%	207	4.5	167	4.75	103
Other	7.5%	152	7.0	119	7.5	103
Total		4,611		4,394		3,441
Value placed on liabilities		(6,115)		(6,224)		
Deficiency		(1,504)		(1,830)		
Deferred tax asset		-		-		
Net pension liability		(1,504)		(1,830)		

Notes to the Financial Statements

Year ended 31 March 2007

9. Employees (continued)

Lancashire County Council Pension Fund (continued)

Analysis of the amount charged to operating surplus

	2007	2006
	£000s	£000s
Current Service Cost	(62)*	(74)
Past Service Gain (Cost)	-	127
Curtailment Gain (Loss)	-	(248)
Total Gain (Loss)	<u>(62)</u>	<u>(195)</u>

Analysis of the amount charged to other finance costs

	2007	2006
	£000s	£000s
Expected Return on Assets	267	232
Interest on Pension Liabilities	(303)	(280)
Net Charge	<u>(36)</u>	<u>(48)</u>

Analysis of amount recognised in statement of total recognised surpluses and deficits

	2007	2006
	£000s	£000s
Actual return less expected return on pension scheme assets	(31)	548
Experience gains and losses arising on scheme liabilities	-	(167)
Changes in assumptions underlying the present value of scheme liabilities	350	(527)
Actuarial surplus/(deficit) recognised in STRSD	<u>319</u>	<u>(146)</u>

Movement in deficit during the year

	2007	2006
	£000s	£000s
Deficit at beginning of year	(1,830)	(1,818)
Current Service Cost	(62)	(74)
Employer Contributions	105	377
Past Service/Curtailment/Settlement Gain (Loss)	-	(121)
Net interest/Return on Assets	(36)	(48)
Actuarial Gain / (loss)	319	(146)
Deficit at end of Year	<u>(1,504)</u>	<u>(1,830)</u>

Notes to the Financial Statements

Year ended 31 March 2007

9. Employees (continued)

Lancashire County Council Pension Fund (continued)

History of experience Gains and Losses

	2007	2006	2005	2004
Difference between expected and actual return on share of scheme assets:				
Amount (£000s)	(31)	548	151	375
Percentage of share of scheme assets	0.7%	12.5%	4.4%	12.9%
Experience gains and losses on share of scheme liabilities:				
Amount (£000s)	-	(167)	(248)	-
Percentage of present value of share of scheme liabilities	-	2.7%	4.7%	-
Change in Assumptions:				
Amount (£000s)	350	(527)	(333)	(169)
Percentage of the present value of share of scheme liabilities	5.7%	8.5%	6.3%	4.0%
Total amount recognised in statement of total recognised surpluses and deficits:				
Amount (£000s)	319	(147)	(430)	206
Percentage of the present value of share of scheme liabilities	5.2%	2.3%	8.2%	4.9%

Notes to the Financial Statements

Year ended 31 March 2007

10. Board members and executive directors

	2007	2006
	£000	£000
Board Members		
Aggregate board members' remuneration		
Emoluments	57	41
Highest paid board member		
Emoluments, excluding pension contributions	11	10
Executive Directors		
Aggregate executive directors' remuneration		
Emoluments	563	585
Compensation in respect of loss of office	-	218
	563	803
Highest paid executive director		
Emoluments, excluding pension contributions	138	118

The executive directors are employed on the same terms as other staff. The executive directors are members of either the Social Housing Pension Scheme or the Lancashire County Council Pension Fund, both defined benefit final salary pension schemes. They participate in the schemes on the same terms as all other eligible staff and the Group contributes to the schemes on behalf of its employees.

The amount paid for compensation in 2006 in respect of loss of office included lump sum payments of £115,753 paid into pension funds.

Aggregate executive directors' remuneration, including emoluments and compensation for loss of office, in respect of individuals who served as executive directors of Group members other than Regenda Limited and who were not part of the Group wide executive team as detailed in the Report of the Board, are disclosed within the financial statements of the Group member they served.

Notes to the Financial Statements

Year ended 31 March 2007

11. Tax on surplus on ordinary activities

	Group		Regenda Ltd	
	2007	2006	2007	2006
	£000	£000	£000	£000
Current tax				
United Kingdom corporation tax on surplus	87	434	-	60
Adjustments in respect of prior years	(149)	-	-	-
	(62)	434	-	60

Deferred taxation

Net origination (reversal) of timing differences	430	(502)	40	(44)
	368	(68)	40	16

Current tax reconciliation

	Group		Regenda Ltd	
	2007	2006	2007	2006
	£000	£000	£000	£000
Surplus for the period before taxation	(1,043)	12	3	2
Theoretical tax at UK Corporation Tax rate 30% (2006:30%)	(313)	4	1	1
Expenses not deductible for tax purposes	452	857	37	16
Accelerated capital allowances	(312)	3	(133)	31
Utilisation of losses	(138)	(71)	-	-
Pension adjustments	(2)	(41)	-	-
Income not chargeable to corporation tax	(4)	(201)	-	-
Short term timing differences	79	33	95	12
Charitable Association profits	430	(251)		
Adjustments in respect of capital gains	(105)	101	-	-
Adjustments in respect of prior years	(149)	-	-	-
Corporation tax charge	(62)	434	-	60

Deferred Tax

	Group		Regenda Ltd	
	2007	2006	2007	2006
	£000	£000	£000	£000
Accelerated capital allowances	274	(134)	108	(27)
Short term timing differences	(155)	(338)	(111)	(15)
Losses	(161)	-	-	-
	(41)	(472)	(3)	(42)

£000

Balance at 1 April 2006	(472)
Amount charged to income and expenditure account	431
Balance at 31 March 2007	(41)

Notes to the Financial Statements

Year ended 31 March 2007

12. Tangible fixed assets - housing and commercial properties

Group

	Held for letting		Low cost home ownership		Total Housing Properties	Non social housing		Total Commercial Properties	Total All Properties
	Under		Under			Completed	Under Construction		
	Completed	Construction	Completed	Construction	£000			£000	£000
	£000	£000	£000	£000	£000	£000	£000	£000	
Property cost									
At 1 April 2006	351,419	3,335	30,698	15,237	400,689	4,439	3,621	8,060	408,749
Schemes completed	5,101	(5,101)	20,536	(20,536)	-	5,131	(5,131)	-	-
Additions	390	8,520	563	9,304	18,777	2	1,510	1,512	20,289
Disposals	(2,560)	-	(5,751)	(159)	(8,470)	(24)	-	(24)	(8,494)
Transfer to current assets	-	-	-	(124)	(124)	(6,937)	-	(6,937)	(7,061)
Cost at 31 March 2007	354,350	6,754	46,046	3,722	410,872	2,611	-	2,611	413,483
Social Housing Grant									
At 1 April 2006	207,023	3,306	18,229	5,091	233,649	251	1,488	1,739	235,388
Schemes completed in the year	3,620	(3,620)	4,499	(4,499)	-	1,915	(1,915)	-	-
Additions	390	3,332	43	429	4,194	-	427	427	4,621
Disposals	(1,708)	-	(399)	(49)	(2,156)	-	-	-	(2,156)
Transfer to current assets	-	-	-	-	-	(2,030)	-	(2,030)	(2,030)
SHG at 31 March 2007	209,325	3,018	22,372	972	235,687	136	-	136	235,823
Depreciation & impairment									
At 1 April 2006	7,101	-	457	-	7,558	370	-	370	7,928
Charge for the year - depreciation	1,095	-	63	-	1,158	32	-	32	1,190
Charge for the year - impairment	2,722	-	-	-	2,722	-	-	-	2,722
Eliminated in respect of disposals	(38)	-	(5)	-	(43)	(24)	-	(24)	(67)
Transfer to current assets	-	-	-	-	-	(72)	-	(72)	(72)
Historic cost depreciation at 31 March 2007	10,880	-	515	-	11,395	306	-	306	11,701
Net book value at 31 March 2007	134,145	3,736	23,159	2,750	163,790	2,169	-	2,169	165,959
Net book value at 31 March 2006	137,295	29	12,012	10,146	159,482	3,818	2,133	5,951	165,433

Transfers from non social housing to current assets include Maritime Housing Association's former head office premises which are to be sold after the year end.

The Group has recognised an impairment provision of £2.7 million against the carrying value of the housing stock on the Rivers Estate that it held at the year end. The impairment provision represents the difference between the book value of the Rivers housing stock sold subsequently and the valuation agreed with Contour Homes Limited for the purpose of concluding a stock swap.

Notes to the Financial Statements

Year ended 31 March 2007

12. Tangible fixed assets - Properties (continued)

	Group	
	2007	2006
	£000	£000
Expenditure to works on existing properties		
Amounts capitalised	-	-
Amounts charged to the income and expenditure account	5,009	4,197
	<u>5,009</u>	<u>4,197</u>
Social housing grant		
Total accumulated SHG receivable at 31 March was :		
Capital Grants	235,823	235,388
Revenue grants	192	192
	<u>236,015</u>	<u>235,580</u>
Housing and non-social properties net book value		
Freehold land and buildings	141,190	136,525
Long leasehold land and buildings	26,608	30,871
Short leasehold land and buildings	592	486
	<u>168,390</u>	<u>167,882</u>

Impairment for Maritime HA - £17,000 (2006 :£75,000) relates to a proposed sale in 2007/08 at Bankfield Road.

13. Tangible fixed assets - other

	Group				
	Freehold/ Leasehold Premises	Motor Vehicles	Computer costs	Fixtures & fittings	Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2006 - (net of grant receipts)	5,219	174	2,956	1,053	9,402
Additions	4	34	1,302	846	2,186
Disposals	(61)	(26)	(116)	(29)	(232)
At 31 March 2007	<u>5,162</u>	<u>182</u>	<u>4,142</u>	<u>1,870</u>	<u>11,356</u>
Depreciation					
At 1 April 2006	751	122	2,326	943	4,142
Charge for the year	49	35	268	37	389
Eliminated in respect of disposals	(61)	(21)	(115)	(28)	(225)
Depreciation at 31 March 2007	<u>739</u>	<u>136</u>	<u>2,479</u>	<u>952</u>	<u>4,306</u>
Net book value at 31 March 2007	<u>4,423</u>	<u>46</u>	<u>1,663</u>	<u>918</u>	<u>7,050</u>
Net book value at 31 March 2006	<u>4,468</u>	<u>52</u>	<u>630</u>	<u>110</u>	<u>5,260</u>

*The cost of freehold offices is reflected net of grant receipts (£2.2 million)

Notes to the Financial Statements

Year ended 31 March 2007

13. Tangible fixed assets - other (continued)

	Regenda Ltd		
	Computer costs	Fixtures & fittings	Total
	£000	£000	£000
Cost			
At 1 April 2006	894	-	894
Additions	1,302	846	2,148
At 31 March 2007	2,196	846	3,042
Depreciation			
At 1 April 2006	410	-	410
Charge for the year	184	15	199
At 31 March 2007	594	15	609
Net book value at 31 March 2007	1,602	831	2,433
Net book value at 31 March 2006	484	-	484

14. Investment in subsidiaries

As required by statute, the financial statements consolidate the results of Maritime Housing Association Ltd, Templar Housing Association Ltd, West Pennine Housing Association Ltd and Wyre Housing Association Ltd, which were subsidiaries of Regenda Limited at the end of the year. Each of the subsidiaries are Registered Social Landlords and Regenda Limited is the ultimate parent undertaking.

15. Properties for sale

	Group	
	2007	2006
	£000	£000
Stock of commercial properties held for sale	4,475	-

Notes to the Financial Statements

Year ended 31 March 2007

16. Debtors

	Group		Regenda Ltd	
	2007	2006	2007	2006
	£000	£000	£000	£000
Amounts falling due within one year				
Rent and service charges receivable	2,689	2,053	-	-
Less provision for bad and doubtful debts	(1,278)	(935)	-	-
Net rent arrears	1,411	1,118	-	-
Grants and sales proceeds receivable	2,148	5,960	-	-
Amounts owed by group undertakings	-	-	6,959	5,043
Amounts owed by related parties	1,154	962	-	-
Other debtors	915	832	17	13
Prepayments and accrued income	1,639	1,258	199	189
Deferred Tax	208	424	3	43
	7,475	10,554	7,178	5,288
Amounts falling due after more than one year				
Intra-group syndicated loans (note 18)	-	-	61,107	61,312
	7,475	10,554	68,285	66,600

17. Current asset investments

	Group		Regenda Ltd	
	2007	2006	2007	2006
	£000	£000	£000	£000
Bank deposits				
Money market deposits	1,403	2,025	-	-

Certain money market deposits included in the prior year of £2,508k have been reclassified as cash, as they are accessible within one working day.

Notes to the Financial Statements

Year ended 31 March 2007

18. Creditors

	Group		Regenda Ltd	
	2007	2006	2007	2006
Amounts falling due within one year	£000	£000	£000	£000
Debt (note 19)	6,723	7,249	-	-
Bank overdraft (note 19)	241	-	-	-
Trade creditors	2,727	4,144	141	142
Rent and service charges received in advance	1,030	1,049	-	-
Social Housing Grant received in advance	1,399	1,388	-	-
Amounts owed to group undertakings	-	-	8,344	5,228
Recycled Capital Grant Fund (note 20)	583	250	-	-
Disposal proceeds fund (note 21)	284	244	-	-
Corporation tax	257	336	14	60
Other taxation and social security	234	258	233	229
Other creditors	1,369	1,259	-	-
Accruals and deferred income	7,116	6,807	1,581	782
Leaseholders funds	1,345	1,172	-	-
	23,308	24,156	10,313	6,442

Social Housing grant and other grants received in advance will be utilised against capital expenditure in 2007/08. At 31 March 2007 Maritime had a short term loan totalling £5.8m (2006: £4.1m) from West Pennine and Templar administered through the Group parent Regenda Limited. Regenda Limited had a short term loan totalling £0.5m (2006: £nil) from West Pennine. The Group debt of £6.7m (2006: £7.2m), falling due within one year, will be replaced by loans from existing Group loan facilities. At 31 March 2007 the Group had undrawn loan facilities of £43.9 m (2006: £48.2m). Further details of the loan facility are included in note 19.

	Group		Regenda Ltd	
	2007	2006	2007	2006
Amounts falling due after more than one year	£000	£000	£000	£000
Recycled capital grant fund (note 20)	2,784	2,545	-	-
Disposal proceeds fund (note 21)	1,259	909	-	-
Deferred income - premium on debenture issue	536	507	-	-
Other creditors	22	21	-	-
Debt (note 19)	137,016	132,597	60,428	60,632
	141,617	136,579	60,428	60,632

Notes to the Financial Statements

Year ended 31 March 2007

19. Debt Analysis

	Group		Regenda Ltd	
	2007	2006	2007	2006
	£000	£000	£000	£000
Due within one year				
Bank loans (note 18)	6,964	7,249	-	-
	Group		Regenda Ltd	
	2007	2006	2007	2006
	£000	£000	£000	£000
Due after more than one year				
Bank loans (note 18)	137,016	132,597	60,427	60,632
	Group		Regenda Ltd	
	2007	2006	2007	2006
	£000	£000	£000	£000
In one year or less (note 18)	6,964	7,249	-	-
Between one and two years	3,733	3,778	-	-
Between two and five years	6,303	6,432	-	-
In five years or more	119,480	114,887	60,427	60,632
	136,480	132,346	60,427	60,632
HACO 10.625% Sterling debenture repayable 2017	7,500	7,500	-	-
	143,980	139,846	60,427	60,632

The loans (other than the HACO debenture) are repayable by instalments due up to 40 years, and are at fixed and variable interest rates between 4.85% and 11.55%. The balance within Regenda Limited represents parent indebtedness (net of capitalised loan set-up costs of £680k) under the Group wide syndicated loan facility. This loan funding has been on-lent to the subsidiaries (excluding Wyre) at terms that match the principal agreement. The bank loans shown above as repayable in less than 5 years will be replaced with similar loans out of the existing facilities available. At 31 March 2007 the Group had undrawn loan facilities of £43.9 m (2006: £48.2m).

The National Westminster Bank has a charge over specific housing, land and buildings.

Notes to the Financial Statements

Year ended 31 March 2007

20. Recycled capital grant fund

	Group		Regenda Ltd	
	2007	2006	2007	2006
	£000	£000	£000	£000
At 1 April	2,795	2,325	-	-
Grants recycled	1,623	1,024	-	-
Interest accrued	152	89	-	-
Major repairs and works to existing stock	(332)	(411)	-	-
Purchase/development of properties	(871)	(232)	-	-
Balance at 31 March	3,367	2,795	-	-
Amount due for repayment to Housing Corporation	-	-	-	-

21. Disposals proceeds fund

	Group		Regenda Ltd	
	2007	2006	2007	2006
	£000	restated £000	£000	£000
At 1 April	1,153	642	-	-
Net sale proceeds recycled	628	485	-	-
Interest accrued	53	26	-	-
Acquisition of dwellings for letting	(291)	-	-	-
Balance at 31 March	1,543	1,153	-	-

22. Non-equity share capital

	Regenda Ltd	
	2007	2006
	Number	Number
Allotted, issued and fully paid shares at £1 each :		
At 1 April 2006	10	8
Issued during the year	-	3
Surrendered during the year	(1)	(1)
At 31 March 2007	9	10

The shares provide members with the right to vote at general meetings, but do not provide any right to dividends or distribution on winding up.

Notes to the Financial Statements

Year ended 31 March 2007

23. Movement on reserves

	Group			
	Designated Reserves	Restricted Reserves	Revenue Reserve	Total
	£000	£000	£000	£000
At 1 April 2006	3,091	1,101	20,669	24,861
Movement on FMH reserve	25	-	-	25
	3,116	1,101	20,669	24,886
Transfers to revenue reserves	(1)	(327)	328	-
Transfers (from) revenue reserves	622	145	(767)	-
	3,737	919	20,230	24,886
Deficit for the year	-	-	(1,411)	(1,411)
Actuarial gain relating to pension scheme	-	-	319	319
At 31 March 2007	3,737	919	19,138	23,794

	Regenda Ltd			
	Designated Reserves	Restricted Reserves	Revenue Reserve	Total
	£000	£000	£000	£000
At 1 April 2006	-	-	29	29
	-	-	29	29
Deficit for the year	-	-	(37)	(37)
At 31 March 2007	-	-	(8)	(8)

24. Capital commitments

	Group		Regenda Ltd	
	2007	2006	2007	2006
	£000	restated £000	£000	£000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	13,901	19,684	-	-
Capital expenditure that has been authorised but has not yet been contracted for	2,009	10,344	-	-
	15,910	30,028	-	-

Notes to the Financial Statements

Year ended 31 March 2007

24. Capital commitments (continued)

Capital commitments include £1.9 million (2006: nil) for the redevelopment of the L1 Site Office, Liverpool (Rent & Homebuy), £0.9million (2006: nil) for Craven and Knowles Street, Birkenhead.£2.4million (2006: £2.1million) for the development of Suthers Street, Werneth, £2.2million for Trafalgar St, Rochdale, £1.2million for Harmony St (Ph3). £0.6million (2006: nil) for the development of Chatsworth Avenue, phase 3, Fleetwood, £0.4million (2006: nil) for Housing of Multiple Occupancy deconversions. Of the above £0.9million will be financed by Social Housing Grant with the balance funded through loans, subsidiary reserves and sales of initial equity.

25. Reconciliation of operating surplus to net cash inflow from operating activities

Group	2007	2006
	£000	£000
Operating surplus	7,948	6,912
Depreciation of tangible fixed assets	1,800	1,973
Pensions operating charge (FRS 17)	62	195
Pension contributions paid (FRS 17)	(105)	(376)
	<hr/>	<hr/>
	9,705	8,704
Working capital movements		
(Increase) / Decrease in stock	(1,083)	254
Debtors	(1,009)	1,082
Creditors	(349)	2,359
	<hr/>	<hr/>
Net cash inflow from operating activities	7,264	12,399

26. Reconciliation of net cash flow to movement in net debt

Group	2007	2006
	£000	£000
Decrease in cash	(534)	(1,006)
Cash flow from decrease in liquid resources	(622)	(3,409)
Cash inflow from increase in debt	(3,893)	(9,535)
Loan set-up costs	-	144
	<hr/>	<hr/>
Increase in net debt from cash flows	(5,049)	(13,806)
Net debt at 1 April	(133,669)	(119,863)
	<hr/>	<hr/>
Net debt at 31 March	(138,718)	(133,669)

Notes to the Financial Statements

Year ended 31 March 2007

27. Analysis of net debt

Group	1 April 2006	Cash Flow	31 March 2007
	£000	£000	£000
Cash at bank and in hand	4,154	(293)	3,861
Bank overdraft	-	(241)	(241)
Changes in cash	4,154	(534)	3,620
Current asset investment	2,025	(622)	1,403
Loans	(139,848)	(3,895)	(143,741)
Changes in net debt	(133,669)	(5,051)	(138,718)

28. Operating leases

	Group		Regenda Ltd	
	2007	2006	2007	2006
		Restated		
Payments due in the next 12 months on agreements ending	£000	£000	£000	£000
Land and Buildings :				
In one year or less	1	28	-	-
Between one and five years	936	936	-	-
	937	964	-	-
Office Equipment and fittings, computer hardware and software and motor vehicles				
In one year or less	53	88	26	52
Between one and five years	45	94	43	15
	98	182	69	67

29. Contingent liabilities

The Group had no contingent liabilities at 31 March 2007 (2006 :nil)

Notes to the Financial Statements

Year ended 31 March 2007

30. Related parties

The following are subsidiaries whose results have been incorporated into the consolidated accounts on the basis of common control.

Organisation	Status	Country of origin	Principal activity	Basis of control
Maritime Housing Association Limited	Industrial and Provident Society Act	England	Registered Social Landlord	Control over Board membership
Templar Housing Association Limited	Industrial and Provident Society Act	England	Registered Social Landlord	Control over Board membership
West Pennine Housing Association Limited	Industrial and Provident Society Act	England	Registered Social Landlord	Control over Board membership
Limehurst Village Trust	Companies Act	England	Registered Social Landlord	Control over Board membership
Wyre Housing Association Limited	Industrial and Provident Society Act	England	Registered Social Landlord	Control over Board membership
Wyre Developments Limited	Companies Act	England	Developments Agent	Control over Board membership

Under Financial Reporting Standard 8 disclosure is not required of transactions within the Group as the results of the subsidiaries are included within these financial statements.

Limehurst Village Trust is a subsidiary of West Pennine Housing Association Limited. Wyre Developments Limited is a subsidiary of Wyre Housing Association Limited.

Rivers Housing Association Limited is deemed to be a related party of West Pennine Housing Association Limited as the West Pennine Housing Association is represented by two out of the total of five members on the Rivers Housing Association's Committee of Management. Since the year end the West Pennine Housing Association has transferred ownership of all its housing stock on the Rivers estate to Contour Homes Limited, under a stock swap arrangement and is no longer represented on the Rivers Housing association Committee of Management.

During the year West Pennine Housing Association received a total of £798k (2006: £669k) from Rivers Housing Association Limited under the terms of a lease agreement. At 31 March 2007 West Pennine Housing Association was owed £1,154k (2006: £962k) from Rivers Housing Association.

The subsidiary Boards have tenant members who hold tenancy agreements on normal terms and cannot use this position to their advantage.