Group Financial Statements
for the year ended 31 March 2004

Regenda Limited

Registered with the Housing Corporation number L4328
Registered with the Registrar of Companies number 4334057

Contents

CORPORATE FRAMEWORK

STATEMENT OF VISION AND VALUES

Vision

The vision of the Regenda Group is to make the North West a better place to live by becoming a leading regeneration organisation.

Values

The Regenda Group is committed to the following values:-

- Openness and transparency
- Co-operation and respect
- Responsiveness and inclusiveness
- Empowering
- *Innovation*
- Excellence

The Group will measure how well it reflects these values in practice by talking to its own people, customers and other stakeholders.

Corporate Objectives

The Regenda Group's key objectives are:-

- *To provide good quality, affordable homes for* rent or sale which meet a diverse range of needs in places that people want to live in the North West.
- 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.
- *To enhance the choices and wider quality of* life enjoyed by residents and their neighbours in the diverse communities where we work.
- 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.
- To become financially stronger and exploit this strength with increasing efficiency and effectiveness.
- *To govern the Group in ways that continuously* reflect the very best in accepted practice.

The Regenda Group has incorporated, within its Corporate Plan 2004-2008, a wide range of Strategies, Success Measures and Targets in *relation to each of the above six objectives.*

Group and Subsidiary Boards and Management Teams have been fully involved in the production of the Group's Corporate Plan. In addition The Strategies and Success Targets have been reflected in Group and Subsidiary Delivery Plans.

CHAIRMAN'S STATEMENT

Introduction

Regenda Limited, was incorporated in December 2001 and in May 2002 the Housing Corporation and the Financial Services Authority approved the necessary rule changes enabling the Regenda Group to be formed. As noted in the 2003/04 Report, West Pennine Housing Association, a charitable RSL based in Oldham, joined the Group in July 2003.

At 31 March 2004, the Group comprised Regenda as parent, Maritime Housing Association (Maritime), Templar Housing Association (Templar) and West Pennine Housing Association (West Pennine) as subsidiary stock-owning Registered Social Landlords (RSLs) and Heartlands Charitable Association (Heartlands) as a charitable regeneration agency.

Following the approval, on 25 June 2004, by the Financial Services authority, Heartlands will shortly cease to exist following a transfer of its engagements to West Pennine.

The Regenda Group has recently been selected as a preferred partner by Wyre Housing Association, a non - charitable RSL based in Poulton-le-Fylde (near Blackpool). Wyre was formed in 1996 following a stock transfer from Wyre BC. It is envisaged that Wyre would join the Regenda Group in 2005, subject to satisfactory mutual due diligence and all necessary approvals.

The total number of homes currently owned and managed within the Group, with the addition of West Pennine's properties, now approaches 9,500. It is planned that growth will continue both organically and through new organisations joining the Group. The total units would exceed 12,500 if Wyre were to join the Group next year.

Housing Stock Investment

The Regenda Group is unusual in Merseyside and Oldham / Rochdale in having few long term void properties. This is due in no small part to the fact that there has been consistent investment in properties over a period of many years.

In furtherance of the Group's objective to provide good quality affordable homes for rent or sale which meet a diverse range of needs, the Group committed £6.59 million during the year in an on-going programme of cyclical and planned maintenance, routine and major repairs, environmental improvements and adaptations (Maritime £3.64 million; West Pennine £2.39 million and Templar £0.56 million).

Housing Partnerships and Developments

The group was successful in achieving Housing Corporation Preferred Partner status and was rewarded with a total 2004/06 £14.5 million Approved Development Programme (ADP) allocation which will enable a further 227 units (105 for rent and 122 for Low Cost Home Ownership [LCHO]) to be developed.

In addition, subsidiaries within the Group have been high-profile in relation to Housing Market Renewal Pathfinder activity within their respective operational areas and are well-positioned to take advantage of investment opportunities.

West Pennine and Maritime are preferred RSL partners within, respectively, Oldham / Rochdale and Sefton (Merseyside).

Maritime HA – 2003/04 and 2004/05 Development Programmes

Residential handovers during the year amounted to 143 units (56 for rent; 87 for LCHO) representing a total project cost of £11.4million. This cost has been (or will be) principally funded by £6.4million sales proceeds and £4.1million Social Housing Grant (SHG) / recycled capital grants (RCGF) and other grants.

Major scheme 2003/04 handovers included in the above were:-

- Queens Hotel, Southport (June 2003):- 31 units for LCHO sale.
- Grove Park, Liverpool (July 2003):- 13 units for special needs accommodation.
- Dukes Terrace, Liverpool (December 2003):- 49 units for LCHO sale.

Residential schemes under development, as at 31 March 2004, amounted to total 94 units (24 for rent; 70 for LCHO) representing a total project cost of £7.3 million. This cost has been (or will be) principally funded by £3.9 million sales proceeds and £2.2million SHG, RCGF and other grants.

CHAIRMAN'S STATEMENT

Maritime HA – 2003/04 and 2004/05 Development Programmes (continued…)

Major current development schemes included in the above are:-

- Arts Village, Henry Street Liverpool (December 2002):- 9 units for rent.
- Henry Street / York Street, Liverpool (December 2002):- 13 units for LCHO sale.
- Green Lane Triangle, Wirral (January 2004):- 57 units for LCHO sale.

There is, of course, some degree of risk involved in these LCHO and mixed LCHO / commercial scheme developments. Such risk is subject to continuous review and options are considered to mitigate any potential liabilities. The marketing aspects of the scheme are the responsibility of the Association's Commercial Directorate which takes regular external advice as required. The Association's largest pending development is that at Lydia Ann Street, comprising 80 units for LCHO sale and 30,000 square feet for commercial rent. At present, it is envisaged that this scheme will start on-site early next year.

West Pennine HA – 2003/04 and 2004/05 Development Programmes

Residential handovers during the year amounted to 59 units for rent, representing a total project cost of £4.6million. This cost has been (or will be) principally funded by £2.3million SHG and other grants.

Major scheme 2003/04 handovers included in the above were (all being units for rent):-

- Staghills, Rossendale (September 2003):- 13 units.
- West End clearance, Ashton (September 2003) :- 12 units.
- Harmony Street, phase 1, Oldham (October 2003):- 23 houses.

Residential schemes under development, as at 31 March 2004, amounted to total 105 units for rent representing a total project cost of £7.1million. This cost has been (or will be) principally funded by £5.9million SHG and other grants.

Major current development schemes included in the above are:-

- Harmony Street, phase 2, Oldham (September 2003):- 13 units for rent.
- Knowle Hill View, Bury (February 2004):- 10 units for special needs accommodation.

Templar HA – 2003/04 and 2004/05 Development Programmes

In March 2004, Templar HA purchased Bakers Villas (Congleton) and started on-site at Bold Street (Sandbach).

The freehold of Bakers Villas was purchased from the Bakers Benevolent Society, for a price just above £400k, and provides 18 units of elderly persons' accommodation, with 4 on-site staff.

Bold Street represents a "flag-ship" development for Templar, in partnership with Lowood Construction. When completed, in mid-2005, the scheme will provide 22 units of rented apartment accommodation in Sandbach town centre.

Templar continues to progress an active development programme, in particular the provision of affordable rural housing for Crewe and Nantwich and Trafford Borough Councils.

The Group is committed to working with public and private sector partners, especially local authorities in our core areas of Liverpool, Sefton, St. Helens, Wirral, Oldham, Rochdale, Burnley, Blackburn, Macclesfield Congleton, Vale Royal and Crewe & Nantwich. We are also building relationships with other local authorities where we feel we can make an impact.

Our partnerships also include community groups, residents, schools, health professionals and the caring services. This is particularly important in terms of the Government's Supporting People agenda.

Specialist agencies such as:-

- Richmond Fellowship, St. Helens Accommodation Project, TOP Centre (Anfield), and Big Issue in the North Trust,
- Creative Support, Adullam Homes, Nacro, Social Services, East Cheshire HT and English Churches HT.

Templar HA – 2003/04 and 2004/05 Development Programmes (continued...)

play key roles in making projects into homes for people requiring care as well as housing.

2003/04 has seen the continuation of our participation in strategic groups such as:-

- Oldham/ Rochdale and Merseyside Housing Market Renewal Projects.
- Liverpool Vision; the Liverpool Strategic Housing Partnership; the Sefton and St. Helens Housing Liaison Groups, and Tranmere Housing Regeneration Partnership.
- Cheshire Housing Alliance.

We are also actively promoting working partnerships with Black and Minority Ethnic (BME) housing associations operating in complementary areas within the North West. This is part of our Race Equality and Diversity strategy which Board adopted last year, and to this end a Group-wide project team has been set up to implement an Action Plan, with targets set for three years from 2004/05.

Community Investment

West Pennine has been involved in an increasingly wide range of community initiative activities for over six years. These have ranged from employment initiatives to, more recently, a ground-breaking equity-release scheme in partnership with Oldham BC.

Maritime has attached a similar high priority to community initiatives and, in late 2003, received prestigious Investor in Communities (IiC) accreditation. Over the past three years the community initiative activity has been delivered via Heartlands which has been working in partnership with the other Group Associations in the communities where they operate. It has developed people-based programmes which are complementary to its partners' physical construction work. Activities have been focused on two main areas of operation viz training, advice and development to young people and the management of Macclesfield Care-and-Repair Agency, supporting elderly owner-occupiers within their own homes. Following the pending Heartlands transfer of engagements such activities will transfer to West Pennine's and Maritime's management and will continue to be a major focus for Group activity, reflecting its Corporate Vision ("Making the North West a better place to live by becoming a leading regeneration organisation")

Financial Position

Regenda Group's financial strength is based upon our prudent management of resources. Whilst maintaining an ongoing programme of planned maintenance and investment in our stock through Maritime, West Pennine and Templar, together with investment in communities and managing the Macclesfield Care-and–Repair scheme through Heartlands, we have been able to retain a revenue surplus of £1,066k (2003:- £2,204k).

The Group has worked hard to keep our rents at affordable levels and we will not therefore face the requirement to reduce our rents across the board in order to meet the convergence criteria introduced as part of the Government's rent restructuring programme.

We continue to base our financial reporting on principles of open disclosure and more details of the results of the financial year 2003/04 are found in the Financial Review.

A Team Effort

I express my gratitude to the members of Regenda and its Subsidiary Boards for their commitment and dedication to the Group, all given willingly on a voluntary basis. Their range of expertise is a key to the success of the Group and enables Regenda to go from strength to strength in a rapidly changing legal, economic and social context.

During late 2003 / early 2004, a completely new staff structure has been implemented to ensure that the needs of the enlarged Group (following West Pennine's membership last July) can be efficiently and effectively met - both at Group and Subsidiary levels.

In addition, a new Group-wide Finance IT system was successfully implemented from April 2004 and work is underway to implement a new Housing IT system from September 2005.

CHAIRMAN'S STATEMENT

My thanks go to the professional team of Executive Officers and staff, whose efforts have secured our continuing success during a period of considerable upheaval and change for all concerned.

Mel White
Chairman
30 September 2004

FINANCIAL REVIEW

Introduction

Group members have continued to work in partnership with the Housing Corporation, Local Authorities and local communities to facilitate economic regeneration through urban and community renewal. The Group has continued to build upon its successful relationship with private sector developers, in providing innovative solutions to combining city centre living with urban regeneration.

Summary of results

The period under review represents the first complete operational year for the enlarged Regenda Group, including West Pennine HA. In accordance with accounting requirements for a merger, the comparative financial data disclosed in these statements represents the combined results of the enlarged Regenda Group (comprising the previous three primary operating bodies viz:- Maritime H.A., Templar H.A. and Heartlands CA , plus West Pennine HA and its subsidiary Limehurst Village Trust [LVT]).

The consolidated financial results of the Regenda Group for the year are very satisfactory and each of the operating bodies has returned a satisfactory retained surplus, given the demanding environment for the overall Registered Social Landlord (RSL) sector.

The Group's turnover at £32.4 million was £5.5 million (20.5%) higher than last year. Adjusting for the effect of higher property sales at £6.9 million (2003, £3.4 million) the increase in turnover was £2.1 million (8.9%).

Income from social housing lettings was £22.2 million, an increase of £0.5 million (2.3%).

Whilst this reflects a modest increase in the number of units in management, it should also be seen against the backdrop of the second full year of the Government's rent-restructuring programme which imposed an underlying increase of just 2.2% for RSL target rents.

Operating surplus on social housing lettings was £6.1 million, including the effects of:-

- The Group's continuing satisfactory voids and bad debts performance, with costs at £514k and £375k respectively, representing overall 3.94% of gross rents receivable (2003, 3.83%).
- 401k i.e. 6.5% increase in the Group's maintenance and reinvestment expenditure at £6.59 million compared with last year's £6.19 million.

After interest, and tax (but before transfers from reserves) the Group reported a surplus of £916k compared with last year's £2,060k. The result included a £342k lower net income from the Group's Low Cost Home Ownership initiatives and property sales, including under right-to-buy and shared ownership staircasing programmes.

This performance enabled Regenda and Templar to make intra-Group gift aid payments to West Pennine of £80k and £25k respectively, with the provision for a further payment of £225k included for Maritime (2003: overall £225k to Heartlands) . The Group's surplus on ordinary activities was £1,015k (last year £2,300k) resulting in a corporation tax charge fall by £141k, to £99k. This includes the effects of gift aid payments, West Pennine's charitable status and Maritime's prior year's overpayment.

Transfers from major repair reserves rose slightly from £144k to £150k. The Group retained surplus for the year was £1,066k (£2,204k in 2003).

Property assets

All Group members adopt the historic cost basis for disclosure of housing and commercial properties in the balance sheet.

During the year housing properties at cost increased to £317.0 million i.e. by £2.4 million. After taking into account disposals, depreciation and grant receipts, the net book value of housing and commercial properties decreased by £2.1 million to £112.8 million.

Overall Group housing property depreciation charges were £779k. This includes, for the current year only, the impact of a revision to the Maritime and Templar flats useful economic lives from 70 to 100 years. As a result of the Group's progressive and proactive approach to asset management, no change to existing provision has been deemed necessary in respect of property impairment. The income generating capacity of the Group's property assets has remained strong against a background of difficult housing market conditions in some of its areas of operation.

Finance, interest and taxation

At 31 March 2004, the Group had loan facilities of just over £105 million, of which £90 million (86%) was drawn – comprising £57 million (63%) fixed and £33 million (37%) variable. West Pennine accounted for the introduction of £48 million of housing loans.

The £15 million undrawn facilities were within Maritime (£6.2 million); West Pennine (£5.3 million) and Templar (£3.4 million).

The above represents a net decrease in housing loans during the year of £1.3 million, with drawdowns of only £1.3 million – all from the Abbey National facility provided to West Pennine.

The Group's loan interest charges increased from £5.45 million last year to £5.61 million. However, the current period net interest charge is reduced to £5.44 million after taking into account the capitalisation of £174k of loan interest incurred on properties under construction.

The average Group interest rate at 31 March 2004 was 6.08%.

At 31 March 2004, the Group had £9.1 million invested in a combination of money market deposits and deposit accounts at an average 3.57% interest rate.

At 31 March 2004, the Group's adjusted net leverage, based on the revised Housing Corporation performance indicator basis, was 25.8% (2003, 26.8%). Interest cover, adjusted for property depreciation and including surpluses on property sales was 133% (2003, 161%).

The current period taxation charge is £99k, computed at the standard rate of corporation tax of 30%. Irrecoverable expenditure is more than off-set by the impact of charitable West Pennine and by Maritime's prior year over-payment.

Future development activity and financing

The Group continues to progress an active development programme. Total capital commitments of £28.2 million at 31 March 2004 (2003, £26.5 million) will be financed by £14.8 million SHG with the balance funded by unutilised loan facilities, sales proceeds and the Group's reserves.

The £28.2 million figure includes £9.6 million for the re-development of Lydia Anne Street, Liverpool 1; £3.3 million for the development at the Green Lane, Rock Ferry development; £1.2 million at Bold Street (Sandbach) as well as developments at Harmony Street (Oldham) and Knowle Hill View (Bury).

The Group, advised by HACAS Exchequer Services, has embarked on a comprehensive loan re-financing programme and has an attractive loan offer from a syndicate of selected lenders. It is anticipated that Group re-financing will be completed during 2004/05.

Staffing and Systems

Following an external consultants' review of the Group's future Finance Service function requirements, a new staffing structure has been progressively implemented during 2003/04. The revised structure has clarified Parent v. Subsidiary finance service requirements and facilitated the implementation of new across-group Finance IT software which is being implemented on a phased basis during April to December 2004.

Payment of Suppliers

The Group endeavours to pay its suppliers promptly, where they have met agreed terms and conditions.

The Group's financial administration is carried out within each property-owning subsidiary, with a policy to pay suppliers within 30 days of invoicing, unless the supply is made under a specific contract when the Group will adhere to the contract terms. The average number of days between receipt and payment of purchase invoices during the year was 20 (2003: 17) for Maritime; 26 (2003: 27) for West Pennine ; 30 (2003: 28) for LVT and 15 (2003: 13) for Templar.

Internal Financial Controls

The Group has clearly defined procedures documented in departmental procedure manuals and operates comprehensive budgeting and management reporting systems. Monthly and quarterly performance is reported and discussed at Executive Officer and Committee level and is reported to the Board. The

Group has appointed Beever & Struthers (in succession, from 16 June 2003, to KPMG following a re-tender process) to provide an independent internal audit function. Beever & Struthers periodically visit the Group to test the effectiveness both of its financial and non-financial systems.

Following each visit reports are presented to the Executive Officers and to the Group Risk and Audit Committee. At the end of each year a final annual review was presented to the Group Risk and Audit Committee and the Board of Directors.

Following a re-tender process early in 2003, RSM Robson Rhodes LLP were appointed as overall Regenda Group external auditor from 2003/04 onwards.

The reviews and checks carried out by the Executive Officers and the internal and external auditors give the Non-Executive Directors confidence in making their statement of responsibilities shown within the Report of the Board of Directors.

Going Concern

The Group adopts the "going concern" basis in preparing its Accounts. The Group has compiled comprehensive budgets and cash flow forecasts for the five years to 31 March 2009 and has recently updated its thirty-year comprehensive financial model. via a newly-acquired/ industry-standard software package. All new housing projects have been appraised for financial viability over a twenty-five year period. These processes give the Non-Executive Directors confidence in making their statement of responsibilities shown within the Report of the Board of Directors.

Regenda Group membership will enhance the development ambitions and open up new business opportunities for the Group members; it will help retain skilled and ambitious staff whilst bringing benefits of economy of scale, and most importantly for residents, it will enable an improvement and extension of services. At this point there is still a considerable amount of work to be undertaken to ensure that the Group operates as an effective organisation for the benefit of all its members. A Group Management Team and Group Board have operated throughout the year and good progress is being made to ensure the Group delivers the perceived benefits for its current and prospective membership.

John Slater
Group Finance Director

REPORT OF THE BOARD OF DIRECTORS

The Board presents its report and the audited financial statements for the year ended 31 March 2004.

Group Structure

Regenda Limited was incorporated as a company limited by guarantee in December 2001. Maritime HA, Templar HA and Heartlands CA became subsidiaries and the Regenda Group was formally registered in May 2002. West Pennine joined the Group in July 2003.

The principal benefits of Group membership have been identified as:

- Enabling member Associations to invest in a wider geographical area.
- Enabling each Association to share the cost and benefit from a wider range of services available on a Group basis.

One of Regenda's aims is growth by adding new members and we are pleased to report that, post the financial year-end but during the period under review, Wyre HA has expressed an interest in joining the Group and, subject to mutually-acceptable due diligence and all necessary approvals, will do so as soon as possible in 2005.

Wyre is a non-charitable LSVT/ RSL based in Poulton-le-Fylde (near Blackpool) working with and holding stock in several local authority areas within Lancashire and Greater Manchester. The areas of Wyre stock-holding are complementary to those of existing Group members.

Principal Activities and Objectives

The Regenda Group is currently active throughout Merseyside, Oldham, Rochdale and Cheshire, together with West Lancashire, Halton, Ellesmere Port, Neston, Trafford, Burnley and Blackburn.

The principal activities and objectives during the year under review are those shown in the Corporate Framework at the commencement of these Financial Statements.

The Board of Directors and Executive Officers

The Board of Directors and Executive Officers of the Group who served throughout the year ended 31 March 2004 and to the date of this report are shown on the final page of these Financial Statements. The Executive Officers do not hold an interest in Regenda's share capital and they are not able to vote at meetings. The Executive Officers act within the authority delegated to them by the Board of Directors.

The Board comprises up to twelve Non-Executive Directors, who control and direct the policy of Regenda. The Non-Executive Directors retire by rotation. The Board meets at least four times per year. The Group Chief Executive and the Executive Officers also attend meetings of the Board.

The current membership of the Board encompasses a wide range of professions and experience, which provides ample expertise enabling it to take effective decisions and to monitor the Group's performance. The Non-Executive Directors do not earn fees through the activities of the Group and give their time and expertise without financial reward.

Investment Strategy

The Group focuses its development activity in areas where there is demonstrable demand or where local strategic partnerships are in place to secure future demand.

Within the Group, Maritime – formed in 1963 with an initial emphasis on homes for Low Cost Home Ownership - is an experienced provider and marketer of mixed tenure schemes. In particular it is a major force in developing town and city centre apartments for rent and shared ownership to ensure that key workers and people on lower than average income are able to take advantage of new opportunities for city centre living within the Merseyside region.

West Pennine, based in Oldham, was formed in 1973 initially to refurbish terraced accommodation. There has been a steady growth in its owned/ managed general and special needs property portfolio-to almost 4,000 units- in Oldham, Rochdale, Tameside, Burnley and Bury. West Pennine now manages the growing Macclesfield Care and Repair agency, supporting elderly owner–occupiers within their own homes. The agency's success has been made possible by the full support of its sponsoring partners, including Macclesfield Borough Council, Social Services, Health Authority and the ODPM.

Templar was formed in 1975, principally to provide affordable flats for elderly clients in Macclesfield.

Especially from the early 1990's onwards, Templar has additionally provided houses for general and special needs and LCHO throughout Cheshire and South Manchester.

Maritime is a member of the Tranmere Housing Regeneration Partnership, which is successfully regenerating a district in Wirral by working with local residents and other agencies delivering a range of improvements to that area.

Maritime is also a member of the L1 Partnership which has been formed to consult, plan and lead the regeneration of an area, close to Liverpool city centre, which incorporates mixed commercial, light industrial and residential properties and is also home to Liverpool's long-established Chinese community.

Staffing and Employment

Member Associations within the Group have recently retained their individual Investor in People status. The staff training and development programme during the year included in-house sessions on Equality and Diversity and Stress Management. The Group continued to invest in IT training.

The Regenda group is committed to developing a culture in which equality and diversity is mainstream within all our activities, including recruitment. We aim to achieve an inclusive culture that respects and values differences, eliminating discrimination in all areas. We aim to have employee involvement at all levels with the challenges that are ahead so that we can continue to build and develop a motivated and responsive workforce.

A joint consultative committee has reviewed and harmonised (effective July 2004) contractual employment terms and condition across the Group. The Directors, working with a Group Health and Safety Committee, provide a safe and healthy working environment for employees.

Corporate Governance

The Board of Directors acknowledges the publication of the revised NHF Code of governance, issued in May 2004, being effective from 1 July 2004, having complied, where possible, on a voluntary basis, with the principal recommendations of the previous version of the NHF Code of governance. The Board fully supports the new code and will carry out a review of activities against it during the year 2004/05 and determine any actions required to ensure compliance.

Whilst the Board is responsible for the overall strategy and policy framework of the Group, certain decisions are delegated to Committees and Subsidiary Boards. The day-to-day management and implementation of the framework is delegated to the Group Chief Executive and the Executive Officers. Monthly meetings of the Executive Officers as management teams, deal with major management decisions and recommend policy decisions to Committees and Boards. Procedures have been developed for reporting to the Group parent, Regenda Limited.

The Committees, composed of designated members of the Board, each have specific terms of reference which are defined within the Group Governance Document.

Committees meet quarterly, or as required, and are also attended by the Group Chief Executive and Executive Officers.

The Subsidiary Committees are:

- Operations Committees
- Finance Committees
- Area Committees / Tenants' Councils

Supplemented by Group Committees:

- Group Members and Staffing Committee
- Group Risk and Audit Committee

The Group Risk and Audit Committee recommends the appointment of independent external and internal auditors, reviewing the external auditors' management letters and reports from the internal auditors.

As regards the provisions of the National Housing Federation Code of Governance, the Group has complied throughout the accounting year and the period to the date of approval of the financial statements. Group Members and Staffing Committee reviews Board membership and recruits when required, in order to maintain a broad range of skills. Regenda accepts the need to maintain the vitality of the Group's governing bodies and to that end has adopted and published a recruitment policy.

REPORT OF THE BOARD OF DIRECTORS

Statement of Responsibilities of the Board of Directors

The Companies Act and Registered Social Housing legislation require the board to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Company and of the surplus or deficit of the Group and Company for the period. In preparing these statements the board has:

- Selected suitable accounting policies and apply them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Followed applicable accounting standards and the Statement of Recommended Practice: "Accounting by Registered Social Landlords" (Update 2002); and
- Prepared the financial statements on the going concern basis unless.

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 17 of Schedule 1 of the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000. It is also responsible for maintaining an adequate system of internal control and safeguarding the assets of the Group and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

Internal Financial Controls

The Board acknowledges its ultimate responsibility for ensuring that the Group has in place a system of controls that is appropriate to the business environments in which it operates and for reviewing its effectiveness. The Board recognises that no system of internal control can provide absolute assurance against financial misstatement or loss, or eliminate all risk. The system of internal control is designed to manage risk and to give reasonable assurance regarding the achievement of key business objectives and expected outcomes, the reliability of financial information used both within the Group and for publication, the maintenance of proper accounting records, and the safeguarding of assets

In meeting its responsibilities, the Board, with detailed advice through the Group Risk and Audit Committee, has adopted a risk-based approach to internal controls which is embedded within the management and governance of the Group. This includes a regular review of the risks to which the Group is exposed, evaluating their likelihood and impact and is consistent with the Turnbull principles of governance incorporated in the Housing Corporation's circular R2-25 / 01: Internal Control Assurance.

Internal Control Environment

Operating within the Rules of Regenda, a Governance Document together with detailed Standing Orders and Financial Regulations sets out clearly the systems of delegation and authority which are in place.

Experienced and suitably qualified staff working with detailed job descriptions take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance.

Staff are targeted to achieve the Group's Corporate Plan which is agreed annually by Board.

The Group operates under a 30-year Business Plan model with a more-detailed 5 year Plan and Budget projection. The Board agrees an annual Budget before the beginning of each financial year. Executive Officers regularly prepare and present management accounts promptly, providing relevant, reliable, up-to-date financial and other information and investigate significant variances from Budget.

Board reviews performance against a range of Key Performance Indicators on a quarterly basis to assess progress towards achievement of its Corporate Plan. Some benchmarking information is used within this process to assess relative performance.

Separate policies and procedures cover issues such as Board and employee codes of conduct, the combat of fraud, information technology and data protection, treasury management and health and safety.

Identification, Evaluation and Management of Key Risks

The Board has in place a formalised framework to identify, review and manage risk. This framework encompasses a formalised risk management approach. A Risk Map identifies and quantifies key risks to the Group. The Risk Map also identifies the management strategies and controls in operation. On an annual basis the Risk Map is updated to reflect changes in the Corporate Plan and on an ongoing basis is linked to the Internal Audit programme and reviewed to take account of changes in the operating environment.

All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through relevant Committee(s) comprising Board members with attendance by Executive Officers.

Internal and External Audit

The Group Risk and Audit Committee reviews reports from the Executive Officers and the Internal Auditors, together with the External Auditors' management letters, to provide reasonable assurance that control procedures are in place and are being followed. The internal audit approach is risk-based, focusing on the risk management strategies and internal controls which support the achievement of the Corporate Plan. The Group Risk and Audit Committee reports regularly to the Board and formal procedures have been established for instituting and reviewing appropriate action to correct any weaknesses identified from the above reports.

Statement by the Board

On behalf of the Board, the Group Risk and Audit Committee has reviewed the effectiveness of the system of internal financial control in existence in the Group for the year ended 31 March 2004 and to the date of approval of the financial statements.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks facing the Group which has been in place throughout the year under review and to the date of approval of the financial statements.

Going Concern

After reviewing the Group's internal controls, Budgets and cash flow forecasts for the five years to 31 March 2009 together with its Business Plan, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing accounts. Further information relating to the going concern basis is given in the Financial Review which precedes this report.

By Order of the Board
Julie Vincent
30 September, 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF REGENDA LIMITED

We have audited the financial statements pages on 15 to 34.

This report is made solely to the Group's and Company's members, as a body in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Group's and Company's members those matters we are required to state to them in an auditor's report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Company and the Group's and 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

As described on page 11, the Board is responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 2000. We also report to you if, in our opinion, the Report of the Board is not consistent with the financial statements, if 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 is not disclosed.

We read the information contained in the Chairman's Statement, Financial Review and Report of the Board and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

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

AUDITORS REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

REGENDA LIMITED

(continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the Group and the Company as at 31 March 2004 and of the Group's and Company's surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985, the Housing Act 1996, and the Accounting Requirements for Registered Social Landlords General Determination 2000.

RSM Robson Rhodes LLP

RSM Robson Rhodes LLP

Chartered Accountants and Registered Auditors

Manchester, England

30 September, 2004

INCOME & EXPENDITURE ACCOUNT

Year ended 31 March 2004

		Group		Regenda Ltd	
		2004	2003	2004	2003
	notes	£000	£000	£000	£000
Turnover	2	32,414	26,891	1,725	1,765
Cost of sales	2	(6,809)	(3,167)	-	-
Operating costs	2	(19,988)	(17,625)	(1,639)	(1,746)
Operating surplus	2	5,617	6,099	86	19
Surplus on sales of housing properties	6	637	979	-	-
Surplus on sale of other fixed assets		-	1	-	-
Interest receivable	7	199	262	-	-
Interest payable	8	(5,438)	(5,041)	-	-
Surplus on ordinary activities for the period		1,015	2,300	86	19
Gift Aid payment	9	-	-	(80)	-
Surplus for the period before taxation	10	1,015	2,300	6	19
Tax on surplus on ordinary activities	11	(99)	(240)	-	(5)
Surplus for the period		916	2,060	6	14
Transfer to designated reserve	20	(65)	(51)	-	-
Transfer from restricted reserve	21	215	195	-	-
Surplus for the period after transfers		1,066	2,204	6	14
Revenue reserve brought forward		25,478	23,274	14	-
Revenue reserve carried forward		26,544	25,478	20	14

The Group has no recognised gains or losses other than the above surplus for the year.

All amounts relate to continuing activities.

BALANCE SHEET
Year ended 31 March 2004

		Group		Regenda Ltd	
		2004	2003	2004	2003
	notes	£000	£000	£000	£000
Tangible fixed assets					
Housing and commercial properties at cost	12	317,035	314,608	-	-
Depreciation	12	(4,457)	(3,674)	-	-
Net depreciated cost	12	312,578	310,934	-	-
Social housing grant	12	(199,757)	(196,027)	-	-
	12	112,821	114,907	-	-
Other fixed assets	12(i)	2,988	2,854	132	-
		115,809	117,761	132	-
Current assets					
Stock	13	463	1,525	-	-
Debtors	14	5,586	4,154	334	38
Investments	15	9,058	7,920	-	-
Cash at bank and in hand		1,779	2,296	-	-
		16,886	15,895	334	38
Creditors : amounts falling due					
within one year	16	11,291	12,253	446	24
Net current assets		5,595	3,642	(112)	14
Total assets less current liabilities		121,404	121,403	20	14
Creditors : amounts falling due					
after more than one year					
Disposal proceeds and recycled capital					
grant funds	17	2,335	1,945	-	-
Other creditors	17	89,991	91,296	-	-
		92,326	93,241	-	-
Capital and reserves					
Called-up share capital	19	-	-	-	-
Designated reserves	20	1,504	1,439	-	-
Restricted reserve	21	1,030	1,245	-	-
Revenue reserve		26,544	25,478	20	14
Group funds (non-equity)	22	29,078	28,162	20	14
		121,404	121,403	20	14

The financial statements comprising the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes were approved by the Board of Management on 30 September, 2004.

Chairman M White

Deputy Chairman S Conquer

Secretary J A Vincent

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2004

	notes	2004 £000	2003 £000
Reconciliation of operating surplus to net cash flow from operating activities			
Operating surplus		5,617	6,100
Depreciation charges		1,117	1,158
Decrease in stock		1,032	65
(Increase) / decrease in debtors		(36)	1,163
Increase in creditors		(1,843)	(1,183)
Deficit on sale of tangible fixed assets		18	148
Net cash inflow from operating activities		5,905	7,451
Cash flow statement			
Net cash inflow from operating activities		5,905	7,451
Returns on investments and servicing of finance	26	(5,498)	(5,147)
Taxation	26	(232)	(339)
Capital expenditure	26	2,066	(11,769)
Net cash inflow / (outflow) before management of liquid resources and financing		2,241	(9,804)
Management of liquid resources	26	(1,138)	500
Financing	26	(1,269)	10,163
(Reduction) / increase in cash	26	(166)	859
Reconciliation of net cash flow to movement in net debt			
(Decrease) / increase in cash in the year	26	(166)	859
Cash used to increase / (decrease) liquid resources	26	1,138	(500)
Net loans repaid / (received)	26	1,269	(10,163)
Change in net debt	26	2,241	(9,804)
Net debt at start of year	26	(81,920)	(72,116)
Net debt at end of year	26	(79,679)	(81,920)

NOTES TO THE FINANCIAL STATEMENTS

Note 1 : Principal Accounting Policies

The Parent Company, Regenda Limited is a registered company limited by guarantee. All subsidiaries are incorporated under the Industrial & Provident Societies Act 1965. The Parent and all subsidiaries (except Heartlands CA) are separately registered with the Housing Corporation as Registered Social Landlords (RSL's) as defined by the Housing Act 1996.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of Accounting

The financial statements have been prepared in accordance with applicable Accounting Standards and statements of recommended practice. The accounts comply with the Housing Act 1996, the Accounting Requirements for Registered Social Landlords General Determination 2000 and the Statement of Recommended Practice published by the National Housing Federation in 1999 and updated 2002.

In accordance with accounting requirements for a merger, the comparatives also include information relating to West Pennine Housing Association Limited and Limehurst Village Trust.

Turnover

Turnover represents rental income receivable, income from the sale of properties, fees and grants receivable from third parties, other managed bodies, local authorities, the Housing Corporation, consultancy income and local authority grants. Turnover from lettings includes rental income covering 52 weeks for the current period.

Housing and Commercial Properties

Housing and commercial properties are stated at cost less depreciation and social housing and other grants.

Housing and commercial properties in the course of construction are stated at cost less social housing and other grants and are transferred into completed housing or commercial properties when completed.

The cost of a property comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. Directly attributable costs include the employment costs of development staff, legal and professional costs arising directly from the construction of the property, together with other incremental costs which would have been avoided only if the property had not been constructed or acquired. 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. Prior to the adoption of FRS 15 from 1 April 1999 the cost of a property included all costs relating to the development function including attributable overheads. Since that date no development overheads have been capitalised and all such overheads are charged as an expense in the income and expenditure account.

As required by FRS 15, the Group has reviewed the economic useful lives of its housing properties. Depreciation is now charged on the property costs, less grants, freehold land and residual value on a straight line basis using the following economic useful lives :

Housing and commercial properties, houses	100 years
Housing properties, flats up to 4 stories	100 years
Leasehold additions and offices	Unexpired portion of lease

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

All properties are reviewed for evidence of impairment through the continual monitoring of voids and changes in levels of demand.

NOTES TO THE FINANCIAL STATEMENTS

Stock

Stock comprises low cost home ownership properties for sale and is valued at the lower of cost and net realisable value.

Properties for sale

Properties developed for outright sale on shared ownership leases are treated as housing properties within tangible fixed assets. The proceeds of sale of the first tranche are netted off against the cost of the asset. Property sales are further disclosed within turnover as Development for Sale, reflecting their continuing importance in the context of the Group's overall operating activities. If the sale of the first tranche represents the maximum attainable equity for the purchaser, then due account of is taken of any resultant surplus within Turnover as Development for Sale. This policy represents a deviation from the SORP but has been consistently adopted to appropriately recognise the surplus / deficit on disposal of 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. Housing properties are transferred to completed properties when they are ready for letting and sale.

Development Administration Costs

The requirement of the 1999 statement of recommended practice (SORP) has been adopted in that administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the properties into their intended use.

Capitalisation of interest

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

Social Housing Grant

Social Housing Grant has been received by the Group from the Housing Corporation, Local Authorities and the Liverpool Housing Action Trust. The accounting treatment of the Grant has been consistent, irrespective of the source. Where developments have been financed wholly or partly by Social Housing Grant, the cost of these developments has been reduced by the amount of Grant received or receivable at the balance sheet date.

If the Group were voluntarily to sell any of its properties which were financed using Social Housing Grant, it is now no longer liable to repay the grant from the proceeds of sale but must transfer an equivalent amount into 4either the Recycled Capital Grant Fund or the Disposals Proceeds Fund which may then be used by the Group in accordance with criteria laid down by the Housing Corporation. However, Grant may have to be repaid if certain conditions are not met. If the Group sells any of its properties to its tenants under the "Right to Buy" terms of the 1985, 1988 and 1996 Housing Acts, the liability to transfer Social Housing Grant is limited to net sales proceeds after the repayment of outstanding loans and other liabilities.

Where the Group's properties that have been the subject of social housing grant have also been used to secure private loans, then the grant is subordinated behind those loans charged on the properties.

Fixed Assets and Depreciation

Tangible fixed assets, except housing properties, are stated at cost less accumulated depreciation. A capitalisation level of £1,000 was set for all assets excluding personal computers and printers.

Depreciation is charged over the expected useful lives of the assets on a straight line basis at the following annual rates :

NOTES TO THE FINANCIAL STATEMENTS

	Maritime H.A.	Templar H.A.	West Pennine H.A.	Limehurst Village Trust
Freehold Buildings	1%	n/a	1%	n/a
Motor vehicles	25%	25%	20%	25%
Computer equipment	25%	33.3%	20%	n/a
Office equipment, fixtures and fittings	10%	10%	20%	25%
Short leasehold office fixtures	*Duration of Lease*	*n/a*	*n/a*	*n/a*
Supported housing fixtures and fittings	n/a	33.3%	n/a	n/a

Lease Obligations

Rentals paid under operating leases are charged to the income and expenditure account on the accruals basis. Where assets are financed by leasing agreements that give rights approximating to ownership, they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements and the interest is charges to the income and expenditure account using the annuity method.

Housing Loans

Although the Group has entered into general agreements whereby loan facilities are made available, its policy is to account for loans only when specific drawdown obligations have been entered into (see Note 18).

Sterling Debenture Repayment

The Group is a shareholder in HACO Limited which was formed by a group of nine housing associations in order to raise money, inter alia, by the issue of long-dated fixed-interest debenture stock.

The Group has borrowed £7.5 million nominal amount in respect of the stock issued, upon which the interest must be paid half-yearly and the capital redeemed by a payment on maturity in the year 2017. The borrowing was effected in two tranches - £3.0 million was borrowed in 1992 in respect of the first issue and £4.5 million *nominal in respect of the second issue in* 1993.

Deferred Income

During 1993/94 HACO Limited issued a second tranche of the 10.625% several debenture stock 2017. The stock was fully fungible with the first issue but was issued at a premium. The Group borrowed £4.5 million nominal amount of the new stock which raised issue proceeds of £5.3 million. Under Financial Reporting Standard 4, the premium has been treated as deferred income and will be 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.

Cyclical Repairs and Maintenance

Due to the number of properties held and the establishment of regular programmes of repair and maintenance, the Group does not make provision for future works but charges actual costs incurred to the income and expenditure account.

Major Repairs, Designated and Restricted Reserves

The Group sets aside reserves to fund future major repair works on general accommodation on the basis that the costs could not be met from future income streams.

Maritime Housing Association carries out periodic long term financial modelling which has shown that projected major repairs expenditure can be adequately funded from future rental income streams and therefore further transfers to the designated reserve are no longer required. Both Templar Housing Association and West Pennine Housing Association set aside amounts to a designated reserve, based on a stock condition survey, in respect of expenditure that cannot be met from future income streams.

The Group is required by the Housing Corporation to show accumulations of Rent Surplus Fund (RSF) as a reinvestment fund in a restricted reserve. The fund can only be used in accordance with the Housing Corporation's directions for eligible major repair works. The transfer to the RSF Reinvestment Fund is calculated under the method laid down by the Housing Corporation in its Rent Surplus Fund Determination 2003.

Value Added Tax

The Group is VAT registered but a large proportion of its income - rent - is exempt for VAT purposes giving rise to a partial exemption calculation. Expenditure is, therefore, shown inclusive of VAT and the input tax recovered is shown in the income and expenditure account.

Pensions

The cost of providing pensions is charged to the income and expenditure account over the periods benefiting from the employee's services. The difference between the charge to the income and expenditure account and the contributions paid to the scheme is shown as an asset or liability at the balance sheet date.

Deferred Taxation

Deferred taxation is provided in full where a liability arises.

Note 2. Turnover, operating costs, cost of sales and operating surplus / (deficit)

	2004				2003			
	Turnover	Operating costs	Cost of sales	Operating surplus / (deficit)	Turnover	Operating costs	Cost of sales	Operating surplus / (deficit)
Group	£000	£000	£000	£000	£000	£000	£000	£000
Income and expenditure from social housing activities								
Housing accommodation	19,274	14,179	-	5,095	18,823	12,944	-	5,879
Supported housing	1,571	1,061	-	510	1,638	1,084	-	554
Low cost home ownership	1,333	791	-	542	1,219	672	-	547
Total	22,178	16,031	-	6,147	21,680	14,700	-	6,980
Income and expenditure from non-social housing activities								
Development services	3	152	-	(149)	19	145	-	(126)
Properties developed for outright sale	6,861	-	6,809	52	3,433	-	3,167	266
Private sector management services	52	10	-	42	35	25	-	10
Community regeneration	977	945	-	32	239	188	-	51
Project Development	-	186	-	(186)	-	-	-	-
Other social housing activities	2,213	2,520	-	(307)	1,308	2,334	-	(1,026)
Income and expenditure from non-social housing activities								
Market renting	130	144	-	(14)	119	175	-	(56)
Consultancy income	-	-	-	-	58	58	-	-
Total	32,414	19,988	6,809	5,617	26,891	17,625	3,167	6,099
Regenda Limited								
Other social housing activities	1,725	1,639	-	86	1,707	1,688	-	19
Non-social housing activities - consultancy fees	-	-	-	-	58	58	-	-
	1,725	1,639	-	86	1,765	1,746	-	19

Note 2 (a) Income and expenditure from social housing activities

	2004				2003			
	Total	General Needs	Supported Housing	LCHO	Total	General Needs	Supported Housing	LCHO
Income from social housing lettings	£000	£000	£000	£000	£000	£000	£000	£000
Rent	20,611	18,329	1,417	865	19,593	18,029	738	826
Service charges	1,957	1,329	175	453	1,956	1,229	320	407
Other income	(27)	(55)	-	28	550	(38)	564	24
Gross rents receivable	22,541	19,603	1,592	1,346	22,099	19,220	1,622	1,257
Rent losses from voids	(514)	(440)	(61)	(13)	(521)	(468)	(15)	(38)
Net rents receivable	22,027	19,163	1,531	1,333	21,578	18,752	1,607	1,219
Revenue grants	151	111	40	-	102	71	31	-
Total income from *social housing* lettings	22,178	19,274	1,571	1,333	21,680	18,823	1,638	1,219
Expenditure on social housing lettings								
Services	1,882	1,269	127	486	1,988	1,236	334	418
Management	4,668	3,976	444	248	3,811	3,379	238	194
Routine and planned maintenance	3,296	3,175	119	2	3,413	3,238	172	3
Cyclical maintenance	2,610	2,528	80	2	2,231	2,183	45	3
Major repairs expenditure	681	672	9	-	542	540	2	-
Depreciation of housing properties	779	694	33	52	779	702	24	53
Rent losses from bad debts	375	370	4	1	304	289	15	-
Other costs	1,740	1,495	245	-	1,631	1,377	254	-
Total operating *costs from social housing* lettings	16,031	14,179	1,061	791	14,700	12,944	1,084	672
Operating surplus on social housing letting activities	6,147	5,095	510	542	6,980	5,879	554	547
For average number of units	8,674	6,798	786	1,090	8,589	6,787	740	1,062

Note 3. Supported housing managed by agencies

Where the agency carries the financial risk, the Group's income and expenditure account includes only the income and expenditure for which it retains responsibility. The Group (through Templar Housing Association Ltd) owns 47 and leases 51 supported housing units (2003: 47 and 51) that are managed on its behalf, under management agreeements, by other bodies who contract with Supporting People Administering authorities and carry the financial risk relating to the supported housing units.

Prior to 1st April 2003, the Group (through Templar Housing Association Ltd) collected Supported Housing Management Grant of £77,264 in respect of supported housing units, retaining £30,892 within the income and expenditure account and paying £46,372 to two agencies. For 2003, the amount of Supported Housing Mangement Grant payable to each body is shown below:

	Number of Units		SHMG	
	2004	2003	2004	2003
	No.	No.	£000	£000
Nacro	8	8	-	15
Adullam	12	12	-	32
	20	20	-	47

Note 4. Directors' emoluments

Group

The remuneration paid to the executive directors of the Group was :

		Salary	Pension	Benefits	2004	2003
		£	£	£	£	£
Chief Executive						
A. Titterington (to 30 June 2003)	*	91,604	1,785	1,382	94,771	84,023
B. Gallagher (from 1 July 2003)	*	73,341	7,000	3,809	84,150	-
Deputy Chief Executive						
N. Westington (to 30 November 2003)	*	77,860	49,534	6,711	134,105	76,408
Directors of :						
Finance : J. Slater	*	66,796	6,333	534	73,663	61,209
New Business : A Ramsay (from 1 July 2003)	*	49,108	4,723	3,244	57,075	-
Business Strategy : P Curphey (from 5 January 2004)	*	15,477	1,490	630	17,598	-
Business Strategy : W.Lacey (to 30th June 2003)	*	13,003	1,347	790	15,140	60,510
Business Services : R. Oliver (to 16th December 2003	*	50,447	59,038	3,627	113,112	58,111
Total emoluments Regenda Ltd		437,636	131,251	20,727	589,614	340,261

The Chief Executive, Deputy Chief Executive and Directors (indicated *) were employed and paid during the year by the Group parent, Regenda Ltd, under joint contract arrangements. Regenda Ltd recharged the total remuneration costs of these directors to subsidiary group members largely based on the proportion of time they spent working for each body.
A. Titterington, N.Westington and R. Oliver received lump sum payments in compensation for loss of office; in addition, for N.Westington and R.Oliver, there were payments into the pension fund.

W.Lacey is still employed within the Group as Managing Director of Maritme.

The Board of Management of Regenda Ltd comprised 8 members in the year who are all non-executive directors but receive no fees for their services.

	Group		Regenda Ltd	
	2004	2003	2004	2003
	£	£	£	£
Total expenses reimbursed to the Board of Management not chargeable to United Kingdom income tax.	6,285	7,396	3,654	2,814

Emoluments do not include NIC contributions.

Note 5. Employee information

The average monthly number of employees (full time equivalents), including the Chief Executive, Deputy Chief Executive and executive directors was :

	Group		Regenda Ltd	
	2004 Number	2003 Number	2004 Number	2003 Number
Staff engaged in managing and maintaining stock	144	135	1	-
Staff engaged in community investment projects	26	42	-	-
Staff engaged in developing or selling housing stock	13	18	2	-
Staff engaged in group strategic actvities	3	4	3	4
Staff engaged in urban renewal	36	-	-	-
Staff providing central administrative services	33	62	11	22
	255	261	17	26

	2004 £000	2003 £000	2004 £000	2003 £000
Staff costs for the above persons				
Wages and salaries	5,264	4,870	719	755
Social security costs	418	358	64	65
Other pension costs	382	451	65	69
Private health scheme	8	6	5	3
Accommodation for on-site staff	19	20	-	-
	6,091	5,705	853	892

Note 5 (i) Pension obligations

The Group participates in the Social Housing Pension Scheme (SHPS). SHPS is a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme.

The last formal valuation of the scheme was performed at 30 September 2002 by a professionally qualified actuary using the "projected unit credit" method. The market value of the scheme's assets at the last valuation date was £650 million.

The Group paid contributions at the rate of 10.6% during the accounting period. Member contributions vary between 2.0% and 5.0% depending on their age at the date of joining the scheme.

It is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers. Due to the nature of the scheme, the income and expenditure account charge for the period under both SSAP24 and FRS17 represents the employer contribution payable.

Financial Assumptions

The financial assumptions underlying the valuation were as follows :

	% per annum
Rate of return on future contributions	6.60%
Rate of return on accumulated assets	7.20%
Rate of salary increases	4.50%
Rate of pension increases	2.50%
Rate of price inflation	2.50%

Note 5 (i) Pension obligations (continued)

The accumulated assets of the scheme were assumed to earn the same return as if they had been invested in a portfolio comprising 100% UK equities for non-pensioner liabilities and 25% UK equities / 75% index-linked gilts for pensioner liabilities.

Valuation results

The valuation revealed a shortfall of assets compared with the value of liabilities of some £117 million (equivalent to a past service funding level of 85%). The long term contribution rate required from employers and members to meet the cost of future benefit accrual was assessed as 15.0% of pensionable salaries.

Following consideration of the actuarial valuation it has been agreed that, with effect from 1 April 2004 :

The standard employer contribution rate will be increased from 10.6% to 11.7% of pensionable salaries.

Member contributions will also be increased by 1.1% from 2.0 - 5.0% to 3.1 - 6.1% of pensionable salaries depending on age.

Employers that participate in the scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate). This rate will increase from 15.0% to 17.3% of pensionable salaries with effect from 1 April 2004.

Employers that have closed the scheme to new members 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 liabilities from another pension scheme into the SHPS scheme.*

New employers that joined the scheme after 30 September 2002 without any past service liability will pay an employer contribution rate of 9.4% of pensionable salaries with effect from 1 April 2004. This rate will apply until 1 April 2007, after which it will change to the standard employer contribution rate per the actuarial valuation due to take place as at 30 September 2005.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past *service deficit by 31 March 2017.*

Next valuation

The next valuation will be as at 30 September 2005.

Note 6. Sales of housing properties

	Group		Regenda Ltd	
	2004	2003	2004	2003
	£000	£000	£000	£000
Proceeds of sales	3,588	2,488	-	-
Cost of sales	(2,951)	(1,509)	-	-
Surplus for the year	637	979	-	-

Note 7. Interest receivable

	2004	2003	2004	2003
	£000	£000	£000	£000
Interest receivable from unlisted investments	199	262	-	-

Note 8. Interest payable

	2004	2003	2004	2003
	£000	£000	£000	£000
On bank loans, overdrafts, other loans etc. :	5,612	5,450	-	-
	5,612	5,450	-	-
Less : Interest capitalised	(174)	(409)	-	-
	5,438	5,041	-	-

The capitalisation rates applied to determine the finance costs during the period were 4.5% (Maritime), 5.7% (Templar), and 6% (West Pennine).

Note 9. Gift Aid

During the year Regenda Ltd (the group parent) made a gift aid payment of £80k to West Pennine Housing Association Limited.

Note 10. Surplus on ordinary activities before taxation

Surplus on ordinary activities before taxation is stated after charging:

	Group		Regenda Ltd	
	2004	2003	2004	2003
Depreciation	£000	£000	£000	£000
Tangible, owned fixed assets	326	162	-	-
Tangible housing properties	779	779	-	-
Tangible commercial properties	21	18	-	-
Impairment of housing properties	-	200	-	-
Auditors remuneration (including VAT)				
In their capacity as auditors	43	41	2	5
In respect of other services - Group auditors	6	41	-	-
(Surplus) / deficit on disposal of tangible fixed assets other than housing properties	1	(41)	-	-
Operating leases, referring to :-				
Land and buildings	1,101	394	-	-
Motor vehicles and office equipment	247	269	-	-

Note 11. Taxation

a) Taxation charge

	Group		Regenda Ltd	
	2004	2003	2004	2003
	£000	£000	£000	£000
United Kingdom corporation tax @ 30% (2003, 30%)	178	266	-	5
Over provision of corporation tax in previous years	(60)	(22)	-	-
	118	244	-	5
Deferred tax - origination and reversal of timing difference	(19)	(4)	-	-
	99	240	-	5

b) Factors affecting the tax charge for the year

The tax charged for the year is less than would be expected by multiplying the result by the standard tax rate of 30%. The differences are explained below :

	Group		Regenda Ltd	
	2004	2003	2004	2003
	£000	*£000*	*£000*	*£000*
Surplus for the period	1,015	2,300	6	19
Surplus on ordinary activities multiplied by the standard rate of corporation tax of 30%	305	690	2	5
Expenses not deductible for tax purposes	249	128	8	-
Accelerated capital allowances	(75)	(2)	(10)	-
Short term timing differences	70	17	-	-
Utilisation of losses	-	*(280)*	-	-
Capitalised Interest	2	(8)	-	-
Income not chargeable to corporation tax	(180)	-	-	-
Adjustments in respect of prior periods	(61)	(22)	-	-
Adjustments in respect of capital gains	4	-	-	-
Difference in tax rates in UK companies	(1)	-	-	-
Loss on disposal of fixed assets	-	148	-	-
Charitable association (profits) / lossess	(195)	(427)	-	-
Consolidation adjustments	-	-	-	-
Corporation tax charge	118	244	-	5

Note 12. Tangible fixed assets - housing and commercial properties

Group

	Held for letting		Low cost home ownership		Total	Commercial premises		Total
	Completed	Under Construction	Completed	Under Construction	Housing Properties	Completed	Under Construction	Commercial Properties
	£000	£000	£000	£000	£000	£000	£000	£000
Property cost								
Cost at 1 April 2003	256,951	25,062	21,909	7,054	310,976	2,570	1,062	3,632
Schemes completed	26,688	(26,688)	3,152	(3,152)	-	695	(695)	-
Additions	59	7,045	(1,008)	(1,344)	4,752	(34)	1,084	1,050
Disposals	(2,562)	-	(813)	-	(3,375)	-	-	-
Cost at 31 March 2004	281,136	5,419	23,240	2,558	312,353	3,231	1,451	4,682
Social Housing Grant								
At 1 April 2003	170,642	7,036	14,822	2,884	195,384	115	528	643
Schemes completed in the year	8,882	(8,882)	1,946	(1,946)	-	245	(245)	-
Additions	112	3,545	3	745	4,405	-	1,014	1,014
Disposals	(1,172)	-	(517)	-	(1,689)	-	-	-
SHG at 31 March 2004	178,464	1,699	16,254	1,683	198,100	360	1,297	1,657
Historic cost depreciation								
At 1 April 2003	3,415	-	204	-	3,619	55	-	55
Charge for the year	725	-	54	-	779	21	-	21
Eliminated in respect of disposals	(12)	-	(5)	-	(17)	-	-	-
Historic cost depreciation at 31 March 2004	4,128	-	253	-	4,381	76	-	76
Net book value at 31 March 2004	98,544	3,720	6,733	875	109,872	2,795	154	2,949
Net book value at 31 March 2003	82,894	18,026	6,883	4,170	111,973	2,400	534	2,934

Note 12 (i). Tangible fixed assets - other

Group	Leasehold Premises	Motor Vehicles	Computer costs	Fixtures & fittings	Total
	£000	£000	£000	£000	£000
Cost					
Cost at 1 April 2003	2,625	189	1,341	731	4,886
Additions	-	69	316	136	521
Disposals	-	(121)	(9)	(6)	(136)
Cost at 31 March 2004	2,625	137	1,648	861	5,271
Depreciation					
At 1 April 2003	200	99	1,115	618	2,032
Charge for the year	29	34	197	66	326
Eliminated in respect of disposals	-	(66)	(9)	-	(75)
Depreciation at 31 March 2004	229	67	1,303	684	2,283
Net book value at 31 March 2004	2,396	70	345	177	2,988
Net book value at 31 March 2003	2,425	90	226	113	2,854

In the year to 31st March 2004, Regenda Ltd accounted for the acquisition of computer equipment, amounting to £132k.
No depreciation was charged in the year to 31st March 2004.

Note 13. Stock

	Group		Regenda Ltd	
	2004	2003	2004	2003
	£000	£000	£000	£000
Stock of Low Cost Home Ownership properties for sale	463	1,525	-	-

Stock has been written down to the estimated net realisable value.

Note 14. Debtors

	2004	2003	2004	2003
Amounts falling due within one year	£000	£000	£000	£000
Rent arrears	1,980	2,037	-	-
Less provision for bad debts	(1,106)	(1,050)	-	-
	874	987	-	-
Commercial property rent arrears	48	-	-	-
Grants and sales proceeds receivable	1,455	843	-	-
Other managed associations	2	5	-	-
Amounts owed by group undertakings	-	-	328	38
Deferred tax*	19	9	-	-
Other debtors	1,525	947	6	-
Prepayments and accrued income	1,663	1,363	-	-
	5,586	4,154	334	38

* Deferred tax consists of £55k in accelerated capital allowances offset by (£74k) in short term timing differences.

Note 15. Current asset investments

	Group		Regenda Ltd	
	2004	2003	2004	2003
Bank deposits	£000	£000	£000	£000
National Westminster Bank plc	3,152	4,863	-	-
HBOS	3,869	2,271	-	-
Barclays Bank plc	-	125	-	-
Abbey National Bank plc	11	336	-	-
Close Brothers Bank Limited	916	325	-	-
Dexia BIL	1,110	-	-	-
	9,058	7,920	-	-

Note 16. Creditors

Amounts falling due within one year	2004 £000	2003 £000	2004 £000	2003 £000
Housing loans	662	649	-	-
Deferred income - premium on debenture issue	24	22	-	-
Bank overdraft	425	776	-	-
Trade creditors	1,687	2,547	-	-
Social Housing Grant in advance	2,330	1,425	-	-
Corporation tax	198	326	-	5
Other taxes and social security costs	227	84	-	-
Disposal proceeds fund	49	49	-	-
Recycled capital grant fund	-	10	-	-
Rent in advance	751	501	-	-
Leaseholders funds	685	612	-	-
Accruals	3,390	4,828	-	-
Amounts due to group undertakings	-	-	409	19
Other creditors	863	424	37	-
	11,291	12,253	446	24

The Group's financial administration is carried out by Maritime Housing Association , Templar Housing Association, West Pennine Housing Association and Limehurst Village Trust (LVT). The average number of days between receipt and payment of purchase invoices during the year was 20, (2003, 17) for Maritime , 15, (2003, 13) for Templar, 26 for West Pennine (2003, 27), and 30 for LVT (2003, 28).
The National Westminster Bank has a charge over specific housing, land and buildings.

Note 17. Creditors

Amounts falling due after more than one year	2004 £000	2003 £000	2004 £000	2003 £000
Recycled capital grant fund	1,512	1,547	-	-
Disposal proceeds fund	823	398	-	-
Deferred income - premium on debenture issue	562	586	-	-
Housing loans	89,429	90,710	-	-
	92,326	93,241	-	-

Note 18. Housing loans

Housing loans are secured by specific charges on the Group's housing properties and are repayable at varying rates of interest in instalments due as follows :

	Group		Regenda Ltd	
	2004	2003	2004	2003
	£000	£000	£000	£000
In one year or less	662	649	-	-
Between one and two years	1,768	1,318	-	-
Between two and five years	5,839	6,476	-	-
In five years or more	74,322	75,416	-	-
	82,591	83,859	-	-
HACO 10.625% Sterling debenture repayable 2017	7,500	7,500	-	-
	90,091	91,359	-	-

The loans (other than the HACO debenture) are repayable by instalments due up to 40 years, and are at interest rates between 4.025% and 11.55%.

Note 19. Called-up share capital

	Group	
Allotted, issued and fully paid :	2004	2003
At 1 April 2003	7	-
Issued during the year	3	9
Surrendered during the year	(2)	(2)
At 31 March 2004	8	7

Each member of the Board of Directors holds one voting share of £1 in the Company

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.

Note 20. Designated reserves

Non-RSF major repairs reserve / C&R Reserve	2004	2003	2004	2003
	£000	£000	£000	£000
At 1 April 2003	1,439	1,388	-	-
Transferred from income and expenditure account	65	51	-	-
At 31 March 2004	1,504	1,439	-	-

Note 21. Restricted reserve

RSF Reinvestment Fund	2004	2003	2004	2003
	£000	£000	£000	£000
At 1 April 2003	1,245	1,440	-	-
Expenditure	(627)	(568)	-	-
Contribution for the year	412	373	-	-
Transferred to income and expenditure account	(215)	(195)	-	-
At 31 March 2004	1,030	1,245	-	-

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

Note 22. Group's funds

	Group		Regenda Ltd	
	2004	2003	2004	2003
	£000	£000	£000	£000
At 1 April 2003	28,162	26,102	14	-
Net increase in designated reserve	65	51	-	-
Net (decrease) in restricted reserve	(215)	(195)	-	-
Net increase / (decrease) in revenue reserve	1,066	2,204	6	14
At 31 March 2004	29,078	28,162	20	14

Note 23. Capital commitments

	2004	2003	2004	2003
	£000	£000	£000	£000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	9,938	8,142	-	-
Capital expenditure that has been authorised but has not yet been contracted for	18,276	18,407	-	-
	28,214	26,549	-	-

These commitments include £9.6m for the redevelopment of Lydia Anne Street, Liverpool 1, and £3.3m for Green Lane, Rock Ferry (Maritime). They will be financed by Social Housing Grant of £14.8 million with the balance funded through loans, sales proceeds and the Group's reserves.

Note 24. Housing properties

The numbers of units of housing accommodation owned by the Group and managed on behalf of other owners at 31 March 2004, was :

	2004	2003	2003	2002
Social housing owned by the Group :	units	units	units	units
General needs housing accommodation (including sheltered)	7,425	6,798	-	-
Supported housing	806	765	-	-
Low cost home ownership	1,101	1,077	-	-
	9,332	8,640	-	-
Non-social housing owned by the Group :				
Market rented	41	518	-	-
Not in the ownership of the Group :				
Managed on behalf of individual owners and other bodies	396	367	-	-
	9,769	9,525	-	-

Note 25. Legislative provisions

The parent company is limited by guarantee and its subsidiary organisations are incorporated under the Industrial and Provident Societies Act 1965.

Note 26. *Cash flow statement notes*

		Group	
		2004	2003
		£000	£000
Returns on investments and servicing of finance			
Interest received		187	260
Interest paid		(5,685)	(5,407)
		(5,498)	(5,147)
Taxation			
Corporation tax paid		(232)	(339)
Capital expenditure			
Acquisition and construction of properties		(5,834)	(21,386)
Sales of housing properties		3,692	2,626
Social housing grants received		4,684	7,252
Sales of other tangible fixed assets		62	6
Purchase of other tangible fixed assets		(538)	(267)
		2,066	(11,769)
Management of liquid resources			
Reduction in short term deposits		1,138	(500)
Financing			
Housing loans received	*	7,300	12,292
Housing loans repaid	*	(8,569)	(2,128)
Deferred income		-	(1)
		(1,269)	10,163

*The 2004 figures relate to off-setting transactions within the same overall facility.

Analysis of changes in net debt

	2004	cash flows	2003	cash flows	2002
	£000	£000	£000	£000	£000
Cash at bank and in hand	1,779	(517)	2,296	812	1,484
Bank overdraft	(425)	351	(776)	47	(823)
Changes in cash	1,354	(166)	1,520	859	661
Short term investments	9,058	1,138	7,920	(500)	8,420
Loans due within 1 year	(662)	(13)	(649)	(286)	(363)
Loans due after 1 year	(89,429)	1,282	(90,711)	(9,877)	(80,834)
Changes in debt	(90,091)	1,269	(91,360)	(10,163)	(81,197)
Cahnges in net debt	(79,679)	2,241	(81,920)	(9,804)	(72,116)

Note 27. Operating leases

	Group		Regenda Ltd	
	2004	2003	2004	2003
	£000	£000	£000	£000
Land and buildings				
Payments due in the next 12 months on agreements ending :				
In one year or less	-	-	-	-
Between one and five years	255	141		
In more than five years	793	227	-	-
	1,048	368	-	-
Motor vehicles and office equipment				
Payments due in the next 12 months on agreements ending :				
In one year or less	58	36	-	-
Between one and five years	105	199		
In more than five years	-	1	-	-
	163	236	-	-

Note 28. Pension obligations

	2004	2003	2004	2003
	£000	£000	£000	£000
The total employee costs for the year amounted to	382	451	65	69

There were no outstanding amounts in respect of employer contributions as at 31 March 2004.

Note 29. Contingent liabilities

During the year to March 2003, Maritime Housing Association completed the development of a supported housing initiative, comprising 11 flats for rehabilitated drug users and their families. The scheme, at Summergrove, Liverpool 8, cost £1.1 million to develop and was wholly funded by grants from the Housing Corporation and the Liverpool City Council. Following objections by local residents, Liverpool City Council has granted the scheme planning approval only until July 2004; renewal beyond that date will be subject to review by the Council, the date of which has not been finalised. If planning approval is not extended, the project will be forced to close and the Association may be liable for the repayment of grant. Alternative uses for the building would then be sought, possibly an outright or partial sale under a grant assisted low cost home ownership initiative and it is anticipated that a substantial part of the Association's costs will be recovered.

Note 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 Ltd	Industrial and Provident Society Act	England	Registered Social Landlord	Control over Board membership
Limehurst Village Trust	Industrial and Provident Society Act	England	Registered Social Landlord	Control over Board membership
Heartlands Charitable Association Limited	Industrial and Provident Society Act	England	Neighbourhood Regeneration	Control over Board membership

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

ESTABLISHMENT

Board of Directors during the year		
Chairman	M White, MIPD	
Deputy Chairman	S Conquer, JP, ACIB	
Members	P Coffey, MRTPI	
	C Gibaud, BSc to - 29th March 2004	
	W Barker FCA CTA (Rtd)	
	R Chadwick, MA, FIA	
	F Parkinson, BSc, Dip Ed, OU Dip	
	A Marrington	
	J Thomson, MRICS	
Executive Officers		
Group Chief Executive	B Gallagher, MBA, DMS, FCIH	
Group Deputy Chief Executive	N Westington, BA (Hons), MBA, FCIH, MRICS - to 30 November 2003	
Group Director of Finance	J Slater, BSc, PhD, FCMA	
Group Director of New Business	A Ramsay, BA MCIoH	
Group Director of Business Strategy	P Curphey, BA (Hons) M.Phil. from 5th January 2004	
Group Director of Corporate Services	T Johnson, MCIPD. from 19th January 2004	
Secretary	R V Oliver, MAAT to 16th December 2003	
Secretary	J A Vincent, M.Inst.L.Ex from 16th December 2003	
Solicitors	Bell, Lamb & Joynson, 1, Grange Road West, Birkenhead, Wirral, CH41 4BY.	Brabners Chaffe Street 1 Dale Street, Liverpool L2 2ET
Auditors	**External,** RSM Robson Rhodes LLP Colwyn Chambers 19 York Street Manchester, M2 3BA	**Internal,** Beevers & Struthers St Georges House 215-219 Chester Road Manchester, M15 4JE
Bankers	National Westminster Bank plc, 22 Castle Street, Liverpool, L69 2BE.	
Registered Office	Commutation Plaza, 1 Commutation Row, Liverpool, L3 8QF. Tel : 0151 482 5252 Fax : 0151 482 5200 E-Mail : info@regenda.org.uk	