

**Ashiana Housing Association**  
(A Company Limited by Guarantee)

**Report of the Directors  
&  
Financial Statements**

**For the year ended  
31 March 2007**

# **Ashiana Housing Association** **(A Company limited by Guarantee)**

Report of the Directors and Financial Statements for the year ended  
31 March 2007

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# Ashiana Housing Association (A Company limited by Guarantee)

## Directors and Advisers

### Board of management:

L Hansen (Chairman)  
M Khaliq  
M Khan  
M Bernard (Vice Chairman from 1/11/06)  
E Dyson (resigned 1/4/06)  
M Williams  
R Sharnim  
A Piracha (resigned 1/4/06)  
A Quraishi  
K Rehman  
A Huang  
A Farrah  
M Hall (co-opted from 7/6/06)  
H Simjee (co-opted from 7/6/06 resigned 14/3/07)

### Managing Director:

M Ahmed

### Secretary:

P Elwy

### Registered Office:

Southern Gate  
729 Princess Road  
Manchester  
M20 2LT

### Housing Corporation Register Number:

LH3913

### Companies Act Registration Number:

2327735

### Registered Charity Number:

702905

### Website:

[www.greatplaces.org.uk](http://www.greatplaces.org.uk)

Ashiana is a member of the National Housing Federation and the Federation of Black Housing Organisations.

### External Auditors:

Beever and Struthers  
St George's House  
215-219 Chester Road  
Manchester  
M15 4JE

### Internal Auditors:

Beever and Struthers  
St George's House  
215-219 Chester Road  
Manchester  
M15 4JE

Mitchell Charlesworth  
Chavasse Court  
24 Lord Street  
Liverpool  
L2 1TA

Mazars LLP have been appointed as Internal Auditors from 1<sup>st</sup> April 2007.

### Solicitors:

Trowers & Hamlins  
Heron House  
Albert Square  
Manchester  
M2 5HD

Wrigley Claydon  
Prudential Buildings  
Union Street  
Oldham  
OL1 1HR

Beachcroft Wansbroughs  
St Ann's House  
St Ann Street  
Manchester  
M2 7LP

### Bankers:

The Royal Bank of Scotland plc  
P.O. Box 356  
38 Mosley Street  
Manchester  
M60 2BE

Co-operative Bank plc  
1 Balloon Street  
Manchester  
M60 4EP

# **Ashiana Housing Association**

## **Report of the Directors for the year ended 31 March 2007**

The Directors present their report and the audited financial statements for the year ended 31 March 2007.

The financial statements have been prepared in accordance with the Accounting Requirements for Registered Social Landlords General Determination 2006. Their format is also based upon the 'Statement of Recommended Practice' published by the National Housing Federation in 1999 as amended in 2005.

### **Principal Activities**

The principal activity of the Association is the provision of rented accommodation and related services for people primarily from black and ethnic minority communities in the North West of England.

### **Review of Business**

On the 1<sup>st</sup> April 2006 Ashiana Housing Association, with Manchester Methodist Housing Group, formed the Great Places Housing Group. The Association has achieved a trading surplus for the period of £20k (2006: £238k). The Association has disposed of three of its properties in the financial year generating a surplus of £97k. The Association has spent £1,583k on its maintaining its current housing stock in the year; this is an increase of 15.3% in comparison to the previous year, and is the main reason for the fall in the Association's surplus in comparison to last year.

### **Going Concern**

These financial statements have been produced on the basis that Ashiana is a going concern.

### **Future Developments**

The Association continues to adopt its current approach of growth that will only occur when additional housing stock proves to have a positive contribution to the financial position of Ashiana. This approach has been adopted in the development of a robust business plan.

# **Ashiana Housing Association**

## **Report of the Directors for the year ended 31 March 2007**

### **Changes in Fixed Assets**

Details of fixed assets are set out in notes 10 and 11.

### **The Board of Directors and Managing Director**

The Board of Directors and Managing Director of the Association are listed on page 1.

### **Statement of Board of Directors' Responsibilities**

The Companies Act and housing association legislation require the Board of Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing these financial statements, the Board of Directors is required to:

1. Select suitable accounting policies and then apply them consistently;
2. Make judgements and estimates that are reasonable and prudent;
3. State whether applicable accounting standards have been followed;
4. Prepare the financial statements on the going concern basis unless it is inappropriate.

The Board of Directors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable the Board to ensure that the financial statements comply with the Companies Act 1985 and the Housing Act 1996. The Board of Directors is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities by establishing and maintaining a satisfactory system of control over the Association's accounting records, cash holdings and all its receipts and payments. We have an internal audit service that meets the needs of the Association.

In so far as the directors are aware:

- There is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant information and to establish with section 385 of the Companies Act 1985.

### **Statement on the Association's System of Internal Control**

The Board of Directors is ultimately responsible for the Association's system of internal control and for reviewing its effectiveness. However such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Association's assets and interests.

# **Ashiana Housing Association**

**Report of the Directors (continued)  
for the year ended 31 March 2007**

## **Statement on the Association's System of Internal Control (continued)**

In fulfilling these responsibilities the Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. This approach includes the evaluation of the nature and extent of risks the Association is exposed to. This is consistent with the Turnbull principles as incorporated in the Housing Corporation's circular R2-25/01:internal controls assurance.

The main processes by which the Board reviews the effectiveness of the system of internal control are:

On 1st April 2006 Ashiana Housing Association, together with Manchester Methodist Housing Group, formed Great Places Housing Group. From this date a range of services were then provided centrally by Great Places, under service level agreement arrangements. The Ashiana Audit Committee has been discontinued and assurance is now provided through the Great Places Group Audit Committee.

- **Identification and Evaluation of Key Risks**

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the association's activities. The management team regularly considers and receives reports on significant risks facing the association and a risk evaluation process (including a report thereon) forms an embedded part of each report going to the Board and the management team of Ashiana Housing Association. The Board of the Great Places Group, the Group Audit Committee and the Group Finance Committee, as well as the Group Executive team, all play key roles in this process. The Managing Director is responsible for reporting to the Board any significant changes affecting key areas.

- **Environment and Control Procedures**

The Board retains responsibility for a defined range of issues covering strategic, operational and financial and compliance issues. Policies and procedures cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection. Of these policies, many now exist at Group level and are cascaded down to Ashiana Housing Association and the other Group subsidiaries.

- **Information and financial reporting systems**

These services are provided to Ashiana Housing Association by Great Places Housing Group under a service level agreement arrangement. Financial reporting processes include a long term business plan, detailed budgets for the year ahead, detailed management accounts produced monthly and forecasts for the remainder of the financial year and for subsequent years. These are reviewed in detail by the management team and are considered and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

# Ashiana Housing Association

Report of the Directors (continued)  
For the year ended 31 March 2007

- **Monitoring and corrective action**  
A process of regular management reporting on control issues provides assurance to senior management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the Financial Statements and delivery of our services.

The board confirms that there is an ongoing process for identifying and managing significant risks. This has been in place for the year to 31<sup>st</sup> March 2007 and up to the date of the annual report and financial statements.

## Employees

The Association operates an equal opportunities policy, however, the Association's offices are not, currently, wheelchair accessible. The Association's policy on training, career development and promotion is in place. The Association is committed to consulting staff on all aspects of its operations through management structures and regular staff meetings. Involvement of staff is considered essential in providing a high quality service to the Association's tenants. The importance the Association places on training and on involving its staff is reflected in its attainment of the "Investors in People" award.

## Auditors

The auditors, Beaver and Struthers, are willing to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

By order of the Board



L Hansen  
Chair

Date 11/7/07 -

# Ashiana Housing Association

**Financial Statements  
For the Year Ended 31 March 2007**

## **Independent Auditors' Report to the Members**

We have audited the financial statements of Ashiana Housing Association Limited for the year ended 31 March 2007 on pages 8 to 28 which have been prepared under the historical cost convention and on the basis of accounting policies set out therein.

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

### **Respective Responsibilities of the Board and Auditors**

As described in the Statement of the Board's Responsibilities on page 3, the Association's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom 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, Schedule 1, Paragraph 16 of the Housing Act 1996 (as amended by the Housing Act 2004) and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you if, in our opinion, the information given in the Report of the Directors is consistent with the financial statements, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Association is not disclosed.

We read information contained in the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

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



# Ashiana Housing Association

**Financial Statements**  
**For the Year Ended 31 March 2007**

**Independent Auditors' Report to the Members (continued)**

## **Basis of audit opinion (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 as to whether the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of the Association's affairs as at 31 March 2007 and of its surplus for the year then ended.
- the financial statements have been properly prepared in accordance with the Companies Act 1985, Schedule 1, Paragraph 16 of the Housing Act 1996 (as amended by the Housing Act 2004) and the Accounting Requirements for Registered Social Landlords General Determination 2006; and
- the information given in the Directors' Report is consistent with the financial statements.



**BEEVER AND STRUTHERS**  
**Chartered Accountants and Registered Auditors**

**Date: 11 July 2007**

BEEVER AND STRUTHERS  
ST. GEORGE'S HOUSE  
215-219 CHESTER ROAD  
MANCHESTER M15 4JE  
TEL: 0161 832 4901  
FAX: 0161 835 3668

# Ashiana Housing Association

## Income and Expenditure Account for the year ended 31 March 2007

	Note	2007 £000	2006 £000
TURNOVER	2	3,861	4,143
OPERATING COSTS	2	(3,199)	(3,223)
OPERATING SURPLUS	2	662	920
Surplus on sale of fixed assets	23	97	26
<b>OPERATING SURPLUS ON ORDINARY ACTIVITIES BEFORE INTEREST</b>	8	759	946
Interest receivable	6	104	76
Interest payable	7	(843)	(784)
<b>SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		20	238
Tax on surplus on ordinary activities	9	-	-
<b>SURPLUS FOR YEAR AFTER TAXATION</b>	16	<u>20</u>	<u>238</u>

There were no recognised gains and losses other than those included in the Income and Expenditure Account and therefore no separate statement of recognised gains and losses has been produced.

All amounts relate to continuing activities.

The above surpluses are the historical cost surpluses.

The Notes to the Financial Statements contained in pages 12 to 28 form an integral part of the Financial Statements

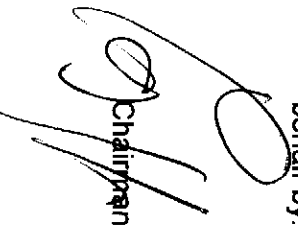
# Ashiana Housing Association

## Balance Sheet at 31 March 2007

	Note	2007 £000	2006 £000
<b>TANGIBLE FIXED ASSETS</b>			
Housing properties at cost	10	36,130	35,329
Social housing grant	10	(21,498)	(21,098)
Depreciation	10	(2,306)	(1,851)
Other fixed assets	11	12,326	12,380
		638	689
		<u>12,964</u>	<u>13,069</u>
<b>CURRENT ASSETS</b>			
Debtors	12	535	345
Cash at bank and in hand		1,992	1,967
		<u>2,527</u>	<u>2,312</u>
<b>CREDITORS: Amounts falling due within one year</b>	13	(2,271)	(1,808)
<b>NET CURRENT ASSETS</b>		<u>256</u>	<u>504</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><u>13,220</u></u>	<u><u>13,573</u></u>
<b>CREDITORS: Amounts falling due after more than one year</b>	14	<u>11,308</u>	<u>11,681</u>
<b>CAPITAL AND RESERVES</b>			
Designated reserve	16	1,267	1,267
Revenue reserve	16	645	625
		<u>1,912</u>	<u>1,892</u>
		<u>13,220</u>	<u>13,573</u>

The Notes to the Financial Statements contained in pages 12 to 28 form an integral part of the Financial Statements.

The Financial Statements were approved by the Board on 11/7/07 and were signed on its behalf by:

  
Chairman

  
Director

  
Secretary

# Ashiana Housing Association

## Cash Flow Statement for the year ended 31 March 2007

	2007 £000	2006 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	792	1,861
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(660)	(708)
NET CASH INFLOW FROM INVESTING ACTIVITIES	271	169
NET CASH INFLOW FROM OPERATING ACTIVITIES	403	1,322
FINANCING	(378)	(719)
INCREASE IN CASH AND CASH EQUIVALENTS	25	603
<b>1 RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		
Operating surplus	759	946
Surplus on sale of housing properties	(97)	(26)
Depreciation	512	419
Working capital movements:	1,174	1,339
Debtors	(190)	72
Creditors	(85)	450
Other movements	(107)	-
	792	1,861

# Ashiana Housing Association

## Cash Flow Statement for the year ended 31 March 2007 (continued)

		2007 £000	2006 £000
<b>2 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received	104	76	
Interest paid	(764)	(784)	
Net cash outflow from returns on investments and servicing of finance	<u>(660)</u>	<u>(708)</u>	
<b>3 NET CAPITAL EXPENDITURE</b>			
Purchase and construction of housing properties	(20)	(64)	
Social housing grant received	18	36	
Sales of housing properties	273	255	
Purchase of other fixed assets	-	(58)	
Net cash inflow on capital expenditure	<u>271</u>	<u>169</u>	
<b>4 FINANCING</b>			
Housing loans repaid	(171)	(719)	
Partner Leases repaid	(207)	-	
Net cash outflow from financing	<u>(378)</u>	<u>(719)</u>	
<b>5 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT</b>			
(Increase) in cash in the period	(25)	(603)	
Cash used to repay loans	(378)	(719)	
Change in net debt	<u>(403)</u>	<u>(1,322)</u>	
Non-cash movement	276	150	
Net debt at 1 April	<u>10,149</u>	<u>11,321</u>	
Net debt at 31 March	<u>10,022</u>	<u>10,149</u>	
<b>6 ANALYSIS OF CHANGES IN NET DEBT</b>			
	At 1 April 2006 £000	Cash Flows £000	Other Changes £000
Cash and bank	1,967	25	-
Debt due within one year	(387)	171	(193)
Debt due after one year	(6,186)	-	190
Partner Leases due within one year	(281)	207	(362)
Partner Leases due after one year	(5,262)	-	89
	<u>(10,149)</u>	<u>403</u>	<u>(276)</u>
			<u>(10,022)</u>

# Ashiana Housing Association

## Notes to the Financial Statements for the year ended 31 March 2007

### 1. Principal Accounting Policies

The Association is incorporated under the Companies Act 1985 as a private company limited by guarantee without a share capital and is registered with The Housing Corporation as a Registered Social Landlord as defined by the Housing Act 1996. A summary of the more important policies, which have been applied consistently in dealing with items which are considered material in relation to the Association's financial statements, is set out below.

#### **Basis of Accounting**

The financial statements have been prepared in accordance with applicable Accounting Standards and statements of recommended practice. The financial statements comply with Schedule 1 of the Housing Act 1996, the Accounting Requirements for Registered Social Landlords General Determination 2006 and the Statement of Recommended Practice published by the National Housing Federation in March 1999 and updated in 2005. The financial statements are prepared on the historical cost basis of accounting.

#### **Turnover**

Turnover represents rental and service charge income receivable, management fees receivable and revenue grants receivable from local authorities, The Housing Corporation, the Housing Associations Charitable Trust and other income.

#### **Leases**

All leases, except for property leases with a term of 21 years or more, are accounted for as 'Operating Leases' and the rental costs are charged to the income and expenditure account on a straight-line basis over the life of the lease.

Property leases with a term of 21 years or more are capitalised and depreciated over the life of the lease once they have been signed.

#### **Pension Costs**

The Association participates in an industry-wide defined-benefit final salary pension scheme, the Social Housing Pension Scheme. The assets of this scheme are held separately from those of the Association in trustee-administered funds. Pension costs are determined in accordance with the advice of an independent qualified actuary on the basis of triennial valuations. Costs include the regular cost of providing benefits, which it is intended should remain a substantially level percentage of current and expected future earnings of the employees covered. Variations from the regular pension costs are charged to management expenses so as to spread the costs over the average remaining service lives of current employees.

# Ashiana Housing Association

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

## 1. Principal Accounting Policies (continued)

### Revenue-based Grants

Grants of a revenue nature are credited to the Income and Expenditure Account in the period to which they relate.

### Taxation

The Association has been granted exemption from Corporation Tax under Section 505(1) of the Income and Corporation Taxes Act 1988 on the grounds that all of its income is applied for charitable purposes.

### Value added tax

The Association 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 Association 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.

### Loan Finance Issue Costs

These are written off evenly over the life of the related loan. Loans are stated in the Balance Sheet at the amount of net proceeds after issue.

### Housing Properties

Housing properties are stated at cost less depreciation, Social Housing Grant and other housing grant. The cost of properties is their purchase price and building costs, together with incidental costs of development including interest payable on the loan financing the development up to the date of practical completion. Other directly attributable costs relating to development activities are capitalised including salary costs, which are based on actual management time spent on this activity.

Depreciation of housing properties is now charged as a result of requirements under the Statement of Recommended Practice published in March 1999 and updated in 2005. Depreciation is provided on the cost of these assets, net of the related capital grants and land value, to write them down to their estimated residual values by equal instalments over their expected economic useful lives. The principal annual rates of depreciation used are:

New Build Properties	1%
Rehab Properties	2%

Housing properties in the course of construction are stated at cost and are not depreciated. Housing properties are transferred to completed properties when they are ready for letting. Housing properties are reviewed for impairment annually.

# Ashiana Housing Association

Notes to the Financial Statements (continued)  
For the year ended 31 March 2007

## 1. Principal Accounting Policies (continued)

### Social Housing Grant

Where developments have been financed wholly or partly by Social Housing Grant (SHG) (previously termed Housing Association Grant), the cost of these developments has been reduced by the amount of grant received. The grants are receivable from The Housing Corporation, their amounts being calculated on a fixed basis depending on the size, location and type of housing property. Social Housing Grant is a subordinated unsecured repayable debt. Where, following the sale of a property, SHG becomes repayable, it is included as a current liability until it is repaid.

Grant due from The Housing Corporation or received but not spent is included as a current asset or liability, in the latter case taking into account all properties under construction. Grant receivable in respect of revenue expenditure is credited to the Income and Expenditure Account as part of turnover in the same period as the expenditure to which it relates is charged.

### Works to Existing Properties

Improvements to housing properties which prolong their economic lives, add to the value of the properties or reduce the ongoing running costs of the property are capitalised. This may include expenditure required to ensure a property meets the requirements of new legislation or regulations, which the property must now meet or else it could not be made available for letting. No addition is made in respect of internal administration costs. Like for like expenditure of a replacement nature is not capitalised.



# Ashiana Housing Association

Notes to the Financial Statements (continued)  
For the year ended 31 March 2007

## 1. Principal Accounting Policies (continued)

### Other Fixed Assets and Depreciation

Other fixed assets are stated at cost less accumulated depreciation and capital grants. Depreciation is provided on the cost of these assets, net of the related capital grants, to write them down to their estimated residual values by equal instalments over their expected economic useful lives. The principal annual rates of depreciation used are:

Freehold office buildings	2%
Improvements to leasehold office premises	lesser of 20% or remaining term of lease
Office furniture and equipment	20%
Computer equipment	33.3%

### Impairment

Housing 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 the recoverable amount. Any such write down is charged to operating surplus.

### Low Start Loans

The full rate of interest of all loans is reflected in the Income and Expenditure Account.

### Designated Reserves

The association designates a reserve which has been set aside for uses which, in the judgment of the Board, prevent them from being regarded as part of the free reserves of the association.

The Association's commitment to fund future major repairs is recognised by the transfer of amounts from the accumulated surplus to the Major Repairs Reserve. Since the great majority of the Association's schemes have been funded by fixed SHG and therefore Major Repairs SHG is not available, the amount of the annual transfer to the reserve is based on the expected future liabilities which may arise on these schemes.

### Properties Managed as Agents

Where the Association carries the financial risk on property managed as agent for various partner housing associations, all the income and expenditure arising from the property is included in the Income and Expenditure Account. Where the partner housing association carries the financial risk, the Income and Expenditure Account includes only that income and expenditure which relates solely to the Association.

# Ashiana Housing Association

## Notes to the Financial Statements (continued) For the year ended 31 March 2007

### 2 TURNOVER, OPERATING COSTS & OPERATING SURPLUS/(DEFICIT)

Turnover £000	Operating Costs £000	Operating Surplus/ (Deficit) £000
------------------	----------------------------	--------------------------------------------

Year ended 31 March 2007 –

#### Income and expenditure from social housing lettings:

Housing accommodation	3,223	(2,576)	647
	<u>3,223</u>	<u>(2,576)</u>	<u>647</u>

#### Other income and expenditure:

Managed properties	632	(622)	10
Other	6	(1)	5
	<u>3,861</u>	<u>(3,199)</u>	<u>662</u>

Other activities relate to the New Initiatives activities of the organisation. These are community based projects.

Year ended 31 March 2006 –

#### Income and expenditure from social housing lettings:

Housing accommodation	3,270	(2,410)	860
	<u>3,270</u>	<u>(2,410)</u>	<u>860</u>

#### Other income and expenditure:

Managed operations	606	(587)	19
Other	267	(226)	41
	<u>4,143</u>	<u>(3,223)</u>	<u>920</u>

# Ashiana Housing Association

## Notes to the Financial Statements (continued) For the year ended 31 March 2007

	2007	2006
<b>3 INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS</b>		
Rents net of identifiable service charges and voids	3,168	3,220
Service charges	55	50
Net rental income	<u>3,223</u>	<u>3,270</u>
Expenditure on social housing letting activities:		
Services	(45)	(50)
Management	(409)	(465)
Routine maintenance	(1,057)	(880)
Planned maintenance	(276)	(257)
Major Repairs expenditure	(230)	(185)
Rent losses from bad debts	15	(35)
Depreciation of housing properties	(71)	(85)
Depreciation of leased properties	(300)	(281)
Lease payments to partners	(203)	(172)
Total expenditure on social housing letting activities	<u>(2,576)</u>	<u>(2,410)</u>
Operating surplus on social housing letting activities (see Note 2)	<u>647</u>	<u>860</u>
Void losses	<u>74</u>	<u>84</u>

# Ashiana Housing Association

## Notes to the Financial Statements (continued) For the year ended 31 March 2007

### 4 DIRECTORS' EMOLUMENTS

The directors are defined as the Managing Director (and other persons reporting directly to the Board/Managing Director and considered to be a member of the Senior Management Team) and the Board of Directors.

None of the Board of Directors received any emoluments.  
The aggregate emoluments of the Directors during the year were:

2007	2006
£000	£000

Aggregate emoluments (including pension contributions and benefits in kind)

<u>136</u>	<u>207</u>
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The emoluments of the Managing Director, who was also the highest paid director were:  
Emoluments (excluding pension contributions and including benefits in kind)

<u>77</u>	<u>66</u>
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### 5 EMPLOYEE INFORMATION

The average number of employees (full-time equivalents) during the year was:

2007	2006
No.	No.

Administration  
Housing

3	7
<u>23</u>	<u>21</u>
<u>26</u>	<u>28</u>

Staff costs were -

Wages and salaries  
Social security costs  
Other pension costs (see note 20)

2007	2006
£000	£000
604	705
49	52
56	58
<u>709</u>	<u>815</u>

# Ashiana Housing Association

## Notes to the Financial Statements (continued) For the year ended 31 March 2007

### 6 INTEREST RECEIVABLE AND OTHER INCOME

	2007	2006
	£000	£000
Bank deposit interest receivable	104	76

### 7 INTEREST PAYABLE AND SIMILAR CHARGES

	2007	2006
	£000	£000
On loans repayable wholly or partly in more than five years	419	378
On leases	424	406
	<u>843</u>	<u>784</u>

### 8 OPERATING SURPLUS

Operating surplus is stated after charging/(crediting):		
Bad debts	(15)	35
Auditors' remuneration (incl VAT):		
for audit services	10	12
for non-audit services	-	-
Depreciation of housing properties	71	84
Depreciation of other tangible fixed assets	51	53
Depreciation of leased properties	299	281
Operating lease charges	203	236
	<u>          </u>	<u>          </u>

### 9 TAXATION

The Association has currently been granted exemption from Corporation Tax under Section 505(1) of the Income and Corporation Taxes Act 1988 on the grounds that all of its income is applied for charitable purposes.

# Ashiana Housing Association

## Notes to the Financial Statements (continued) For the year ended 31 March 2007

### 10 TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	2007	2006
	Completed Schemes	Completed Schemes
<b>Cost</b>		
At 1 April	35,329	35,507
Addition in respect of capitalised lease	923	14
Capitalisation of major repairs	20	51
Disposals during year	(142)	(243)
At 31 March	<u>36,130</u>	<u>35,329</u>
<b>Social Housing Grant</b>		
At 1 April	21,086	21,187
Receivable in year in respect of capitalised lease	467	-
Disposals during year	(67)	(101)
At 31 March	<u>21,486</u>	<u>21,086</u>
<b>Other Housing Grant</b>		
At 1 April 2006 and 31 March 2007	<u>12</u>	<u>12</u>
<b>Depreciation</b>		
At 1 April	1,851	1,494
Charge for year	370	366
Adjustment in respect of capitalised lease	91	-
Disposals during year	(6)	(9)
At 31 March	<u>2,306</u>	<u>1,851</u>
<b>Net book value</b>		
At 1 April	<u>12,380</u>	<u>12,814</u>
At 31 March	<u>12,326</u>	<u>12,380</u>
Housing properties comprise:		
Freehold land and buildings	6,717	6,837
Long leasehold land and buildings	5,609	5,543
	<u>12,326</u>	<u>12,380</u>

Expenditure to existing properties: £111,000 (2006: £155,000) has been spent on works to existing properties, of which £20,000 (2006: £51,000) has been capitalised, and £91,000 (2006: £104,000) has been treated as revenue. Note all properties are general needs properties.

# Ashiana Housing Association

## Notes to the Financial Statements (continued) For the year ended 31 March 2007

### 11 TANGIBLE FIXED ASSETS – OTHER ASSETS

	Freehold Office Premises £000	Leasehold Improvements £000	Office Furniture & Equipment £000	Computer Equipment £000	Total £000	2006 Total £000
<b>Cost</b>						
At 1 April	673	33	131	180	1,017	960
Additions in year	-	-	-	-	-	57
Disposals	-	-	-	-	-	-
At 31 March	<u>673</u>	<u>33</u>	<u>131</u>	<u>180</u>	<u>1,017</u>	<u>1,017</u>
<b>Depreciation</b>						
At 1 April	85	-	83	149	317	264
Charge for year	4	6	14	27	51	53
Disposals	-	-	-	-	-	-
At 31 March	<u>89</u>	<u>6</u>	<u>97</u>	<u>176</u>	<u>368</u>	<u>317</u>
<b>Capital Grants</b>						
At 1 April	-	-	7	4	11	11
Additions in year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31 March	<u>-</u>	<u>-</u>	<u>7</u>	<u>4</u>	<u>11</u>	<u>11</u>
<b>Net Book Value</b>						
At 1 April	<u>588</u>	<u>33</u>	<u>41</u>	<u>27</u>	<u>689</u>	<u>685</u>
At 31 March	<u>584</u>	<u>27</u>	<u>27</u>	<u>-</u>	<u>638</u>	<u>689</u>

The freehold office premises were valued in July 2004 at £675,000.

# Ashiana Housing Association

Notes to the Financial Statements (continued)  
For the year ended 31 March 2007

## 12 DEBTORS

	2007 £000	2006 £000
<b>Amounts falling due within one year:</b>		
Arrears of rent and service charges	555	539
Less: Provision for bad and doubtful debts	<u>(142)</u>	<u>(255)</u>
Net Rental debtors	413	284
Due by group association	2	-
Prepayments and accrued income	7	48
Trade debtors	27	-
Other debtors	86	13
	<u>535</u>	<u>345</u>

## 13 CREDITORS: Amounts falling due within one year

	2007 £000	2006 £000
Housing loans	350	375
Non-housing loans	59	12
Property leases	436	281
Amounts due to partner housing associations	144	689
Trade Creditors	90	105
Taxation and Social Security	16	-
Accruals and deferred income	511	241
Due by group association	105	-
Prepayments of rent and service charges	103	104
Recycled Capital Grant Fund	-	-
Disposals Proceeds Fund	189	-
Other creditors	268	1
	<u>2,271</u>	<u>1,808</u>



# Ashiana Housing Association

## Notes to the Financial Statements (continued) For the year ended 31 March 2007

### 14 CREDITORS: Amounts falling due after more than one year

	2007 £000	2006 £000
Housing Loans	5,365	5,722
Non-housing loans	631	464
Property leases	5,173	5,262
Recycled Capital Grant Fund	27	-
Disposal Proceeds Fund	112	233
	<u>11,308</u>	<u>11,681</u>

The loans are repayable in instalments due as follows:

	Loans	
	2007 £000	2006 £000
Within one year	411	387
Between one and two years	412	387
Between two and five years	1,126	1,288
In five years or more	4,497	4,554
Total falling due after more than one year	6,035	6,229
Less: loan issue costs	(41)	(43)
	<u>6,405</u>	<u>6,573</u>

Loans are secured by specific charges on the Association's housing properties. The interest rates are fixed between 7.13% and 10.5% or vary with building society rates. The Association also has deferred interest loans of £831k which are also secured by specific charges on the Association's housing properties.

# Ashiana Housing Association

## Notes to the Financial Statements (continued) For the year ended 31 March 2007

### 14 CREDITORS: Amounts falling due after more than one year (continued)

Property Leases	2007	2006
	£000	£000
Lease payments due as follows:		
Within one year	436	281
Between one and two years	436	518
Due in years 2-5	1,307	607
Due thereafter	3,430	4,137
Total falling due after more than one year	5,173	5,262
	<u>5,609</u>	<u>5,543</u>

### 15 RCGF AND DPF CREDITORS

#### a) Recycled Capital Grant Fund

	£000
As at 1 <sup>st</sup> April 2006	-
Inputs to reserve:	
Grants recycled	27
Interest accrued	-
Transfers to other Group members	-
Other	-
As at 31 <sup>st</sup> March 2007	<u>27</u>

#### b) Disposals Proceeds Fund

As at 1 <sup>st</sup> April 2006	233
Inputs to reserve:	
Grants recycled	98
Interest accrued	13
Other	-
Outputs from reserve:	
Transfers to other Group members	(43)
As at 31 <sup>st</sup> March 2007	<u>301</u>

# Ashiana Housing Association

## Notes to the Financial Statements (continued) For the year ended 31 March 2007

### 16 RESERVES

	Major Repairs reserve £000	Revenue Reserve £000	Total £000
At 1 April 2006	1,267	625	1,892
Surplus for year	-	20	20
Transfer from revenue reserve	-	-	-
Transfer to revenue reserve	-	-	-
At 31 March 2007	<u>1,267</u>	<u>645</u>	<u>1,912</u>

### 17 CAPITAL COMMITMENTS

Commitments at the end of the financial year, for which no provision has been made in these financial Statements, comprised:

	2007 £000	2006 £000
Expenditure contracted for less cumulative amount certified	-	-
Expenditure authorised by the Board of Management but not yet contracted	-	-
	<u>-</u>	<u>-</u>

### 18 OPERATING LEASES

At 31 March 2007 the Association had annual commitments under operating leases as follows:

	2007 £000	2006 £000
<b>Operating Equipment</b>		
Leases expiring within the next year	-	-
Leases expiring in the second to fifth year	-	-
<b>Partner Leases</b>		
Due within the next year	212	600
	<u>212</u>	<u>600</u>

### 19 SOCIAL HOUSING GRANT

The accumulated SHG received or receivable at the balance sheet date in respect of both capital and revenue sources is

<u>21,813</u>	<u>18,951</u>
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# Ashiana Housing Association

## Notes to the Financial Statements (continued) For the year ended 31 March 2007

### 20 PENSION SCHEME

Ashiana Housing Association Limited participates 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 1/60<sup>th</sup> accrual rate, to March 2007. From April 2007 there are three benefit structures available, namely:

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

Ashiana Housing Association has elected to operate the final salary with a 1/60<sup>th</sup> accrual rate benefit structure for active members as at 31<sup>st</sup> March 2007 and the career average revalued earnings with a 1/60<sup>th</sup> accrual rate benefit structure for new entrants from 1<sup>st</sup> 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 Ashiana Housing Association paid contributions at the rate of 11.7%. Member contributions varied between 3.1% and 6.1% depending on their age. As at the balance sheet date there were 17 active members of the Scheme employed by Ashiana Housing Association (2006: 25).

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 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 SHPS Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they 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.

# Ashiana Housing Association

## Notes to the Financial Statements (continued)

### For the year ended 31 March 2007

#### 20 PENSION SCHEME (continued)

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

	<u>% p.a.</u>
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 valuation was carried out using the PA92C2025 mortality table for non-pensioners and PA92C2015 mortality table for pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

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

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

	Long-term joint contribution rate (% of pensionable salaries)
Benefit structure	
Final salary with 1/60 <sup>th</sup> accrual rate	17.6
Final salary with 1/70 <sup>th</sup> accrual rate	15.3
Career average revalued earnings with a 1/60 <sup>th</sup> 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 Ashiana Housing Association will be 12.30% to 14.05% and 4.70% to 8.45% of pensionable salaries respectively.

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 the SHPS Scheme.

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

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

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require 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 SHPS 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.

# Ashiana Housing Association

## Notes to the Financial Statements (continued) For the year ended 31 March 2007

### 20 PENSION SCHEME (continued)

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.

As shown above, the total pension cost for the association was £56,000 (2006: £58,000). The Managing Director is a member of the SHPS Scheme. No enhancement or special terms apply to his membership. The association makes no contribution to any pension arrangements in respect of the Managing Director other than the ordinary employer's contributions required by the SHPS Scheme. The association's contribution to the Managing Director's pension during the year was £7,722 (2006: £6,981).

Ashiana Housing Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30<sup>th</sup> September 2005. As of this date the estimated employer debt for Ashiana Housing Association was £1,488,000.

### 21 NUMBER OF UNITS

	2007	2006
	Number	Number
Under management at end of the year:		
Housing accommodation – general needs	808	817
Managed on behalf of other bodies	667	671
	<u>1,475</u>	<u>1,488</u>

### 22 RELATED PARTY TRANSACTIONS

Mr A. Piracha, who served as a board member of the association is also a tenant of the Association. His tenancy agreement is under normal commercial terms. He resigned from the board on 1<sup>st</sup> April 2006 to serve on the Great Places Housing Group board from that date.

### 23 SALE OF HOUSING PROPERTIES

Proceeds received from sales	2007	2006
Cost of sales	£000	£000
	274	27
	(177)	(1)
Gain on sale	<u>97</u>	<u>26</u>

### 24 ULTIMATE CONTROLLING PARTY

The ultimate controlling party of the Association is Great Places Housing Group Limited which is a company registered under the Industrial and Provident Societies Act 1965 and which is a registered social landlord. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the group.