

Ashiana Housing Association Limited
(A Company Limited by Guarantee)

**Report of the Directors
&
Financial Statements**

**For the year ended
31 March 2008**

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

Report of the Directors and Financial Statements for the year ended
31 March 2008

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Ashiana Housing Association Limited

(A Company limited by Guarantee)

Directors and Advisers

Board of management:

L Hansen (Chairman)
M Khalig
M Khan (Vice Chairman from 14/11/07)
M Bernard (resigned 19/3/08)
M Williams
R Shamim
A Quraishi
S Quraishi (co-opted from 15/1/08)
K Rehman
S Solkar (co-opted from 19/3/08)
A Huang
A Farrah
M Hall (resigned 11/7/07)

Managing Director:

G Cresswell

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

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:

Mazars LLP
Merchant Exchange
Whitworth Street West
Manchester
M1 5WG

Solicitors:

Trowers & Hamlins
Heron House
Albert Square
Manchester
M2 5HD

Devonshires Solicitors

Salisbury House
London Wall
LONDON
EC2M 5QY

Howarth Goodman

8 King Street
Manchester
M60 8HG

Bankers:

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

Ashiana Housing Association Limited

Report of the Board for the year ended 31 March 2008

The Directors present their report and the audited financial statements for the year ended 31 March 2008.

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

The Association has achieved a trading surplus for the year of £5k (2007: £20k). The Association has disposed of six of its properties in the financial year generating a surplus of £159k (2007: £97k). The Association has spent £1,937k (2007: £1,583k) on maintaining its current housing stock in the 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 Limited

Report of the Board for the year ended 31 March 2008

Changes in Fixed Assets

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

The Board of Management and Managing Director

The Board of Management 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 association'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 acknowledges that it has overall responsibility for establishing, maintaining and monitoring the whole system of internal control and for reviewing its effectiveness. This responsibility applies to all the activities of the Association.

Ashiana Housing Association Limited

**Report of the Board (continued)
for the year ended 31 March 2008**

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

The Board recognises that no systems of internal control will provide absolute assurance and/or eliminate risk. The systems of internal control are designed to manage risk and provide reasonable assurance that business objectives will be achieved; that key performance indicators will be met; and expected process outcomes met. Our control systems also give reasonable assurance relating to the preparation and reliability of financial/operational information, and the safeguarding of the Association's assets and interests.

In meeting these responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within the governance and management culture of the Association. The Association has an ongoing and regularly reviewed process for identifying, evaluating and managing the risks it faces and also has a policy for "Dealing with Fraud and Misappropriation" that deals with identifying, evaluating and managing those risks.

This approach includes an annual review of the nature and extent of the risks facing the Association and is consistent with the principles of Turnbull, as set out in Housing Corporation Circular 07/07: Internal Controls Assurance.

IDENTIFICATION AND EVALUATION OF KEY RISKS

Responsibilities have been clearly defined for the identification, evaluation and control of significant risks. The Board, the Group Audit Committee and the Management all have clearly identified roles.

Group Audit Committee

The Group Audit Committee is responsible for making recommendations to the Board on the effectiveness of internal controls and management systems. It fulfils this role by reviewing the Internal and External Audit services and reviewing progress with risk management and management's progress in addressing control weaknesses. It considers the report on internal control, recommending it for approval by the Board. The Group Audit Committee Chair reports to the Board on the Committee's work.

Internal Audit

Internal Audit provides the Board with an annual Summary Report on internal control, based upon its audits of both financial and non-financial systems in the year. Audits in 2007/8 have reviewed key internal control areas such as rent accounting, payroll, property services, asset management, ICT, Supported Housing, Development appraisal, risk management and customer care, in addition to a rigorous follow up process.

New internal auditors, Mazars, were appointed in April 2007 following a comprehensive EU compliant selection process. A carefully planned handover process included undertaking a detailed Audit Needs Analysis exercise, drawing on the perceptions of the control environment of a cross-section of the Group's managers, including the Executive Team.

Ashiana Housing Association Limited

**Report of the Board (continued)
For the year ended 31 March 2008**

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

This was followed by the development of a new three-year Internal Audit Plan which was approved by the Group Audit Committee in July 2007, the first year of which has been successfully implemented including all of the areas mentioned above. The plan is reviewed annually to ensure it remains up to date, relevant and reflective of the risk environment.

Each audit results in an action plan aimed at addressing control weaknesses and/or opportunities for adopting best practice. At each visit, the auditors also complete a review of the progress made in implementing the recommendations agreed in previous audits.

Risk management

The risk management process continually reviews the risks to the achievement of the Association's goals and objectives. Through regular updates to Management meetings and the Group Audit Committee, it provides an assessment of the effectiveness of existing controls and the requirement and plans for strengthened controls.

The Association operates an inclusive process for risk identification, drawing upon the knowledge and ideas of staff from across the organisation. Responsibility for the evaluation and control of risk is clearly defined.

The Association recognises that embarking on new initiatives can present heightened or unpredictable levels of risk. Robust project management, together with regular reporting through the "Major new initiatives" report help ensure that the Association's risk management balances learning from previous projects with a well planned forward looking approach.

ENVIRONMENTAL AND CONTROL PROCEDURES

The Board retains responsibility for defining and ensuring compliance with organisational objectives and values, establishing strategies and policies to achieve the objectives. The Board also retains responsibility for approving the budget and financial accounts and meeting all regulatory requirements. A range of policies and procedures cover operational control issues such as delegated authority, treasury management, health and safety, procurement and fraud prevention and detection.

Governance

The Association's governance framework has been independently reviewed and revised in 2007, ensuring compliance with best practice. The framework sets out the focus of authority through terms of reference for Committees and a clear scheme of delegation. The senior management of the Association has considered, the assurance framework in relation to the internal control activities for which they are responsible and a report has been considered and reviewed by the Group Audit Committee on behalf of the Board.

Strategies, Policies and Procedures

The Association ensures that its policies and procedures are kept up to date, relevant and reflect best practice. In the Autumn the Board approved a fundamentally updated set of Financial Regulations and this is being supported by a revised Schedule of Delegated authority which is currently being rolled out. During the year other policies and strategies that have been reviewed include the Procurement Policy, the Regeneration Policy, the Equality and Diversity Strategy, the Hedging Strategy and the Growth Strategy.

Ashiana Housing Association Limited

Report of the Board (continued)
For the year ended 31 March 2008

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

INFORMATION AND FINANCIAL REPORTING SYSTEMS

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. These are reviewed in detail by management and are considered and approved by the Board. The Board also regularly reviews a range of key performance indicators produced within a balanced scorecard to assess progress towards the achievement of key business objectives, targets and outcomes.

Financial planning, accounting and reporting

The Board receives regular financial management reports, incorporating progress against the annual budgets, explanation of variances and corrective action taken. Revised forecasts are presented to the Board for approval. The accounts are prepared by competent and experienced finance staff utilising clear accounting policies. Budget holders receive monthly budget reports and participate in meetings with finance staff to review financial performance and project future outturn.

Performance monitoring and reporting

The Board receives regular performance monitoring information in a summary balanced scorecard format, identifying actual and projected performance against key targets. More detailed supporting information is provided where performance on high-level indicators is not in line with targets. Management consider the full scorecard monthly, identifying performance trends and initiating corrective action where necessary. In addition, managers and staff review performance for arrears, voids, lettings and repairs regularly, often on a weekly basis.

MONITORING AND CORRECTIVE ACTION

A process of regular management reporting on control issues provides assurance to 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.

Management Review

A programme of regular meetings ensure that the Association is focused on its business objectives, working to agreed targets and budgets, and responsive to customer, staff and stakeholder requirements. To fulfil this function, management receive reports from all business areas.

Benchmarking and external reviews

The Association participates in a range of benchmarking activity, welcomes reviews from third parties such as external audit, the Housing Corporation, the Audit Commission's Housing Inspectorate and Chartermark assessors, and measures its success through participation in appropriate award competitions.

These activities help identify instances of good and poor performance and practice, as well as control weaknesses. Careful considered action plans feature clear responsibility and timescales for implementation, and progress is monitored by Management and the Group Audit Committee.

Ashiana Housing Association Limited

Report of the Board (continued)
For the year ended 31 March 2008

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

Dealing with Fraud and Misrepresentation

The Group Audit Committee regularly reviews the Fraud register. The register includes details of actual and attempted fraud and details of the actions subsequently to ensure learning takes place. Following an attempted cheque fraud, the Association met with its bankers to ensure the control environment was appropriate, whilst following instances of cash fraud, procedures were tightened up and efforts renewed to minimise the receipt of cash.

CONCLUSION

The Board has been assured by the Audit Committee that it has received a report regarding internal controls and that the Committee has conducted its own review of the effectiveness of the systems currently in place.

The Board believes that the overall control structures are satisfactory and no control weaknesses have resulted that have led to any material financial loss to the Association.

The Board confirms that it is satisfied there are on-going processes in place to identify, evaluate, control and manage any significant risks faced by the Association. These processes have been in place throughout the year under review, up to the date of the annual report and accounts, and they are regularly reviewed by the Board.

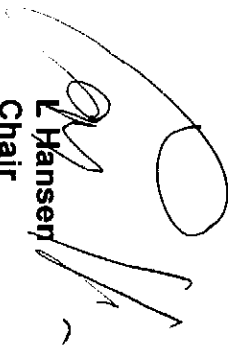
Employees

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 Hanser
Chair

Date 9th July 2008

Ashiana Housing Association Limited

**Financial Statements
For the Year Ended 31 March 2008**

Independent Auditors' Report to the Members

We have audited the financial statements of Ashiana Housing Association Limited for the year ended 31 March 2008 on pages 10 to 30 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 whether the implications of our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (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 Limited

Financial Statements
For the Year Ended 31 March 2008

Independent Auditors' Report to the Members (continued)

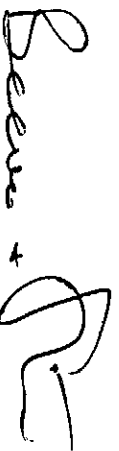
Basis of audit opinion (continued)

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 2008 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.
St. George's House
215-219 Chester Road
MANCHESTER
M15 4JE

Date: 9th July 2008

Ashiana Housing Association Limited

Income and Expenditure Account for the year ended 31 March 2008

	Note	2008 £000	2007 £000
TURNOVER	2	4,174	3,861
OPERATING COSTS	2	(3,588)	(3,199)
OPERATING SURPLUS	2	586	662
Surplus on sale of fixed assets	23	159	97
OPERATING SURPLUS ON ORDINARY ACTIVITIES BEFORE INTEREST	8	745	759
Interest receivable	6	145	104
Interest payable	7	(885)	(843)
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		5	20
Tax on surplus on ordinary activities	9	-	-
SURPLUS FOR YEAR AFTER TAXATION	16	<u>5</u>	<u>20</u>

All recognised gains and losses are included in this statement.

All amounts relate to continuing activities.

The above surpluses are the historical cost surpluses.

The Notes to the Financial Statements contained in pages 14 to 30 form an integral part of the Financial Statements

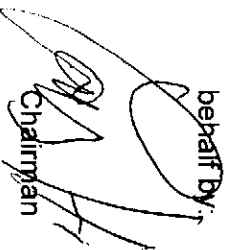
Ashiana Housing Association Limited

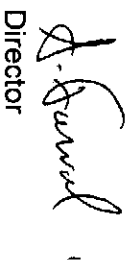
Balance Sheet at 31 March 2008

	Note	2008 £000	2007 £000
TANGIBLE FIXED ASSETS			
Housing properties at cost	10	40,286	36,130
Social housing grant	10	(24,007)	(21,498)
Depreciation	10	(1,858)	(2,306)
Other fixed assets	11	14,421	12,326
		<u>615</u>	<u>638</u>
		15,036	12,964
CURRENT ASSETS			
Debtors	12	656	535
Cash at bank and in hand		673	1,992
		<u>1,329</u>	<u>2,527</u>
CREDITORS: Amounts falling due within one year	13	(2,327)	(2,271)
		<u>(998)</u>	<u>256</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>14,038</u>	<u>13,220</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>14,038</u>	<u>13,220</u>
CREDITORS: Amounts falling due after more than one year	14	12,121	11,308
CAPITAL AND RESERVES			
Designated reserve	16	-	1,267
Revenue reserve	16	1,917	645
		<u>1,917</u>	<u>1,912</u>
		14,038	13,220

The Notes to the Financial Statements contained in pages 14 to 30 form an integral part of the Financial Statements.

The Financial Statements were approved by the Board on 9th July 2008 and were signed on its behalf by:


Chairman


Director


Secretary

Ashiana Housing Association Limited

Cash Flow Statement for the year ended 31 March 2008

	2008 £000	2007 £000
	Note	
NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES	1 (458)	792
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	2 (720)	(660)
NET CASH (OUTFLOW) / INFLOW FROM INVESTING ACTIVITIES	3 (2,279)	271
NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES	(3,457)	403
FINANCING	4 2,138	(378)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,319)	25
	2008 £000	2007 £000
1 RECONCILIATION OF OPERATING SURPLUS TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		
Operating surplus	745	759
Surplus on sale of housing properties	(159)	(97)
Depreciation	397	512
	983	1,174
Working capital movements:		
Debtors	(121)	(190)
Creditors	425	(85)
Other movements	(1,745)	(107)
	(458)	792

Ashiana Housing Association Limited

Cash Flow Statement for the year ended 31 March 2008 (continued)

		2008	2007
		£000	£000
2	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
	Interest received	145	104
	Interest paid	(865)	(764)
	Net cash outflow from returns on investments and servicing of finance	<u>(720)</u>	<u>(660)</u>
3	NET CAPITAL EXPENDITURE		
	Purchase and construction of housing properties	(4,486)	(20)
	Social housing grant received	221	18
	Sales of housing properties	1,986	273
	Purchase of other fixed assets	-	-
	Net cash (outflow)/inflow on capital expenditure	<u>(2,279)</u>	<u>271</u>
4	FINANCING		
	Housing loans repaid	(192)	(171)
	Property Leases repaid	(120)	(207)
	Intergroup loan received	2,450	-
	Net cash inflow/(outflow) from financing	<u>2,138</u>	<u>(378)</u>
5	RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT		
	Decrease/(increase) in cash in the period	1,319	(25)
	Cash used to repay loans	(312)	(378)
	Intergroup loan received	2,450	-
	Change in net debt	<u>3,457</u>	<u>(403)</u>
	Non-cash movement	(1,745)	276
	Net debt at 1 April 2007	10,022	10,149
	Net debt at 31 March 2008	<u>11,734</u>	<u>10,022</u>
6	ANALYSIS OF CHANGES IN NET DEBT		
	At 1 April 2007	£000	At 31 March 2008
	£000		£000
	Cash and bank	1,992	673
	Debt due within one year	(409)	(189)
	Debt due after one year	(5,996)	(6,024)
	Intergroup debt	-	(2,450)
	Property Leases due within one year	(436)	(338)
	Property Leases due after one year	(5,173)	(3,406)
		<u>(10,022)</u>	<u>(11,734)</u>
		<u>(3,457)</u>	<u>1,745</u>

Ashiana Housing Association Limited

Notes to the Financial Statements for the year ended 31 March 2008

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 Limited

Notes to the Financial Statements (continued)
For the year ended 31 March 2008

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 Limited

Notes to the Financial Statements (continued)
For the year ended 31 March 2008

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 Limited

Notes to the Financial Statements (continued)
For the year ended 31 March 2008

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	25%

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.

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 Limited

Notes to the Financial Statements (continued) For the year ended 31 March 2008

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

Turnover £000	Operating Costs £000	Operating Surplus/ (Deficit) £000
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Year ended 31 March 2008 –

Income and expenditure from social housing lettings:

Housing accommodation	3,627	(2,989)	638
	<u>3,627</u>	<u>(2,989)</u>	<u>638</u>

Other income and expenditure:

Managed properties	532	(599)	(67)
Other	15	-	15
	<u>4,174</u>	<u>(3,588)</u>	<u>586</u>

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

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

Ashiana Housing Association Limited

Notes to the Financial Statements (continued) For the year ended 31 March 2008

	2008	2007
	£000	£000
3 INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS		
Rents net of identifiable service charges and voids	3,567	3,168
Service charges	60	55
Net rental income	3,627	3,223
Expenditure on social housing letting activities:		
Services	(51)	(45)
Management	(427)	(409)
Routine maintenance	(1,101)	(1,057)
Planned maintenance	(508)	(276)
Major Repairs expenditure	(266)	(230)
Rent losses from bad debts	(57)	15
Depreciation of housing properties	(81)	(71)
Depreciation of leased properties	(293)	(300)
Lease payments to partners	(205)	(203)
Total expenditure on social housing letting activities	(2,989)	(2,576)
Operating surplus on social housing letting activities (see Note 2)	638	647
Void losses	69	74

Ashiana Housing Association Limited

Notes to the Financial Statements (continued) For the year ended 31 March 2008

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:

2008	2007
£000	£000

Aggregate emoluments (including pension contributions and benefits in kind) 93 136

The emoluments of the Managing Director, who was also the highest paid

director were:

Emoluments (excluding pension contributions and including benefits in kind) 82 77

The association's contribution to the Managing Director's pension during the year was £10,667 (2007: £7,722).

5 EMPLOYEE INFORMATION

2008	2007
No.	No.

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

Administration	3	3
Housing	<u>24</u>	<u>23</u>
	<u>27</u>	<u>26</u>

Staff costs were -

Wages and salaries	638	604
Social security costs	48	49
Other pension costs (see note 20)	<u>52</u>	<u>56</u>
	<u>738</u>	<u>709</u>

2008	2007
£000	£000

Ashiana Housing Association Limited

Notes to the Financial Statements (continued) For the year ended 31 March 2008

6 INTEREST RECEIVABLE AND OTHER INCOME	2008	2007
	£000	£000
Bank deposit interest receivable	<u>145</u>	<u>104</u>
7 INTEREST PAYABLE AND SIMILAR CHARGES		
	2008	2007
	£000	£000
On loans repayable wholly or partly in more than five years	443	419
On leases	<u>442</u>	<u>424</u>
	<u>885</u>	<u>843</u>
8 OPERATING SURPLUS		
	2008	2007
	£000	£000
Operating surplus is stated after charging/(crediting):		
Bad debts	57	(15)
Auditors' remuneration (including VAT):		
for audit services	10	10
for non-audit services	-	-
Depreciation of housing properties	81	71
Depreciation of other tangible fixed assets	23	51
Depreciation of leased properties	293	299
Operating lease charges	<u>205</u>	<u>203</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 Limited

Notes to the Financial Statements (continued) For the year ended 31 March 2008

10 TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	2008	Completed Schemes
Cost		
At 1st April 2007	36,130	
Addition in respect of capitalised lease	6,889	
Capitalisation of major repairs	62	
Disposals during year	(2,795)	
At 31st March 2008	<u>40,286</u>	
Social Housing Grant		
At 1st April 2007	21,486	
Receivable in year	2,655	
Disposals during year	(146)	
At 31st March 2008	<u>23,995</u>	
Other Housing Grant		
At 1 st April 2007 and 31st March 2008	<u>12</u>	
Depreciation		
At 1st April 2007	2,306	
Charge for year	374	
Disposals during year	(822)	
At 31st March 2008	<u>1,858</u>	
Net book value		
At 1st April 2007	<u>12,326</u>	
At 31st March 2008	<u>14,421</u>	
Housing properties comprise:		
Freehold land and buildings	2008	2007
	£'000	£'000
Long leasehold land and buildings	8,812	6,717
	5,609	5,609
	<u>14,421</u>	<u>12,326</u>

Expenditure to existing properties: £328,000 (2007: £111,000) has been spent on works to existing properties, of which £62,000 (2007: £20,000) has been capitalised, and £266,000 (2007: £91,000) has been treated as revenue. Note all properties are general needs properties.

Ashiana Housing Association Limited

Notes to the Financial Statements (continued) For the year ended 31 March 2008

11 TANGIBLE FIXED ASSETS – OTHER ASSETS

	Freehold Office Premises £000	Leasehold Improvements £000	Office Furniture & Equipment £000	Computer Equipment £000	Total £000
Cost					
At 1st April 2007	673	33	131	180	1,017
Additions in year	-	-	-	-	-
Disposals	-	-	(7)	(180)	(187)
At 31st March 2008	673	33	124	-	830
Depreciation					
At 1st April 2007	89	6	97	176	368
Charge for year	3	7	13	-	23
Disposals	-	-	-	(176)	(176)
At 31st March 2008	92	13	110	-	215
Capital Grants					
At 1st April 2007	-	-	7	4	11
Additions in year	-	-	-	-	-
Disposals	-	-	(7)	(4)	(11)
At 31st March 2008	-	-	-	-	-
Net Book Value					
At 1st April 2007	584	27	27	-	638
At 31st March 2008	581	20	14	-	615

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

Ashiana Housing Association Limited

Notes to the Financial Statements (continued) For the year ended 31 March 2008

12 DEBTORS

	2008 £000	2007 £000
Amounts falling due within one year:		
Arrears of rent and service charges	618	555
Less: Provision for bad and doubtful debts	(139)	(142)
Net Rental debtors	<u>479</u>	<u>413</u>
Due by group association	51	2
Prepayments and accrued income	5	7
Trade debtors	49	27
Other debtors	<u>72</u>	<u>86</u>
	<u><u>656</u></u>	<u><u>535</u></u>

13 CREDITORS: Amounts falling due within one year

	2008 £000	2007 £000
Housing loans	170	350
Non-housing loans	19	59
Property leases	338	436
Amounts due to partner housing associations	477	144
Trade Creditors	125	90
Taxation and Social Security	16	16
Accruals and deferred income	393	511
Due to group association	85	105
Prepayments of rent and service charges	112	103
Recycled Capital Grant Fund	27	-
Disposals Proceeds Fund	111	189
Other creditors	<u>454</u>	<u>268</u>
	<u><u>2,327</u></u>	<u><u>2,271</u></u>

Ashiana Housing Association Limited

Notes to the Financial Statements (continued) For the year ended 31 March 2008

14 CREDITORS: Amounts falling due after more than one year

	2008 £000	2007 £000
Housing Loans	5,372	5,365
Non-housing loans	652	631
Property leases	3,406	5,173
Due to group association	2,450	-
Recycled Capital Grant Fund	43	27
Disposal Proceeds Fund	198	112
	<u>12,121</u>	<u>11,308</u>

The loans are repayable in instalments due as follows:

	Loans	
	2008 £000	2007 £000
Within one year	191	411
Between one and two years	192	412
Between two and five years	546	1,126
In five years or more	5,324	4,497
Total falling due after more than one year	6,253	6,035
Less: loan issue costs	(40)	(41)
	<u>6,213</u>	<u>6,405</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.

In December 2007, Great Places Group completed a refinancing exercise. As a result, several housing loans held by MMHA, Space and Ashiana were repaid and refinanced through new Group facilities. The new facilities and loans made to Great Places Housing Group Limited and then on-lent to its subsidiaries under a guarantee structure. As such these loans are presented in MMHA, Space and Ashiana as intercompany loans.

Ashiana Housing Association Limited

Notes to the Financial Statements (continued) For the year ended 31 March 2008

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

Property Leases	2008	2007
	£000	£000
Lease payments due as follows:		
Within one year	338	436
Between one and two years	338	436
Due in years 2-5	1,015	1,307
Due thereafter	2,053	3,430
Total falling due after more than one year	<u>3,406</u>	<u>5,173</u>
	<u><u>3,744</u></u>	<u><u>5,609</u></u>

15 RCGF AND DPF CREDITORS

a) Recycled Capital Grant Fund	£000
As at 1 st April 2007	27
Inputs to reserve:	
Grants recycled	40
Interest accrued	3
Transfers to other Group members	-
Other	-
As at 31 st March 2008	<u><u>70</u></u>

b) Disposals Proceeds Fund

As at 1 st April 2007	301
Inputs to reserve:	
Grants recycled	181
Interest accrued	16
Other	-
Outputs from reserve:	
New build	(189)
As at 31 st March 2008	<u><u>309</u></u>

Ashiana Housing Association Limited

Notes to the Financial Statements (continued) For the year ended 31 March 2008

16 RESERVES

	Major Repairs reserve £000	Revenue Reserve £000	Total £000
At 1st April 2007	1,267	645	1,912
Surplus for year	-	5	5
Transfer from revenue reserve	-	-	-
Transfer to revenue reserve	(1,267)	1,267	-
At 31st March 2008	<u>-</u>	<u>1,917</u>	<u>1,917</u>

17 CAPITAL COMMITMENTS

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

2008	2007
£000	£000
Expenditure contracted for less cumulative amount certified	-
Expenditure authorised by the Board of Management but not yet contracted	10,409
	<u>-</u>
	<u>10,409</u>

18 OPERATING LEASES

At 31 March 2008 the Association had annual commitments under operating leases as follows:

2008	2007
£000	£000
Operating Equipment	
Leases expiring within the next year	-
Leases expiring in the second to fifth year	-
Partner Leases	
Due within the next year	436
	<u>212</u>
	<u>436</u>
	<u>212</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>24,386</u>	<u>21,813</u>
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Ashiana Housing Association Limited

Notes to the Financial Statements (continued) For the year ended 31 March 2008

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 1/60th accrual rate, until 31 March 2007. From April 2007 there are three benefit structures available, namely:

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

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

Ashiana Housing Association has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31st March 2007 and the career average revalued earnings with a 1/60th accrual rate benefit structure for new entrants from 1st 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 12.3% to 14.05%. Member contributions varied between 4.7% and 8.45% depending on their age. As at the balance sheet date there were 14 active members of the Scheme employed by Ashiana Housing Association. The annual pensionable payroll in respect of these members was £52,000. Ashiana Housing Association continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis 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 2007. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,760 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £209 million, equivalent to a past service funding level of 89%. 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 Limited

Notes to the Financial Statements (continued) For the year ended 31 March 2008

20 PENSION SCHEME (continued)

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

	% p.a.	
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 PA92C2013 mortality table for pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

	Males	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:

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

The long-term joint contribution rates require from employers and members where contributions are set their on an age related basis are:

Age	Under 30	30 – 40	Over 40
	Long-term joint contribution rate (% of pensionable salaries)		
Benefit Structure			
Final salary with a 1/60 th accrual rate	16.1	17.1	18.1
Final salary with a 1/70 th accrual rate	13.8	14.8	15.8
Career average revalued earnings with a 1/60 th accrual rate	12.6	13.6	14.6

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

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

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

Employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.0% 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.

Ashiana Housing Association Limited

Notes to the Financial Statements (continued) For the year ended 31 March 2008

20 PENSION SCHEME (continued)

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.

The next full actuarial valuation will be carried out as at 30 September 2008

As a result of pension scheme 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.

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 31st March 2007. As of this date the estimated employer debt for Ashiana Housing Association was £1,264,000.

21 NUMBER OF UNITS

	2008	2007
	Number	Number
Under management at end of the year:		
Housing accommodation – general needs	773	808
Managed on behalf of other bodies	657	667
	<u>1,430</u>	<u>1,475</u>

22 RELATED PARTY TRANSACTIONS

Two Ashiana tenants are members of the Ashiana Board. Their tenancies are on normal commercial terms and they cannot use their positions to their advantage. There were no other related party transactions.

23 SALE OF HOUSING PROPERTIES

	2008	2007
	£000	£000
Proceeds received from sales	476	274
Cost of sales	(317)	(177)
Gain on sale	<u>159</u>	<u>97</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.