

**AKSA HOUSING
ASSOCIATION LIMITED**

ACCOUNTS

For the year ended 31st March 2006

AKSA HOUSING ASSOCIATION LIMITED

ACCOUNTS

For the year ended 31st March 2006

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AKSA HOUSING ASSOCIATION LIMITED

ASSOCIATION DETAILS

For the year ended 31st March 2006

Board of Management

Aslam Khan (Chairman)
Abdul Quayum (Vice-Chairman)
Joseph Oliver
Masood Chaudry (Resigned September 2005)
Nasim Ullah Khan
Anjam Shahzad
Asghar Ali
Helen Smith
Habibar Rahman
Iram Nisar
Nasir Ilyas
Wizarat J Siddiqi
Virinder Kalra (Resigned September 2005)

Secretary

D McLoughlin

Registered Office

Aksa House
2 Medtia Square
Phoenix Street
Oldham
OL1 1AN

Auditors

Mitchell Charlesworth
5 Temple Square
Temple Street
Liverpool
L2 5RH

Bankers

National Westminster Bank Plc.
212 Middleton Road
Oldham
OL9 6BH

Registered under:

Industrial and Provident Societies Act 1965 (No. 27003R)
The Housing Corporation (No. LH 3917)

AKSA HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31st March 2006

The Board of Management presents its annual report and the audited accounts for the year ended 31st March 2006.

Principal activities

The Association's aim is to provide and manage high quality housing at an affordable cost to meet a wide range of housing needs in the North West.

The Association is a non-profit making body administered by a voluntary Board of Management. The Association's principal activity continued to be that of residential letting.

Business review

During the past year Akxa has continued to make significant impact on improving the housing conditions of communities throughout the North West. Akxa has continued to invest considerable resources in its own stock to improve the homes of its tenants.

On the 8th November 2005 Akxa joined the New Charter Housing Trust Group. Akxa is now a strong and robust organisation but will still face new challenges both from legislation and market changes. As part of the New Charter Housing Trust Group it is now better equipped to deal with these external factors. New Charter Building Company Limited has made a charitable donation to Akxa Housing Association Limited of £2 Million during the year which the board have agreed will be made to facilitate an Academy in Tameside. Now Charter Housing Trust Limited made a charitable donation of £400k which the board have agreed will be used for the provision of additional floating support services and Community Development projects. There were also 31 units transferred into management during the year. In respect of the new properties, 21 of them were initially transferred on lease agreements and it is anticipated that they will be purchased during the next financial year, the other 10 properties having been bought outright. The Association has also got funds available for future developments and is currently identifying available opportunities.

Joining the group will enable Akxa to benefit from the back office support services, it has already benefited from the IT and telephony infrastructure provided by the group and in the long term will be able to remain a focused community based organisation with the strong financial backing of a large group. This will ensure it is in a position to continue to invest in the communities it serves and compete in the changing housing environment.

Directors

The Association is controlled by a voluntary Board of Management. The Board members in office during the year are listed on page 1. Members of the Board did not undertake any transactions with the Association during the year except for the reimbursement of expenses shown in note 4.

Each full Board member holds one fully paid share of £1 in the Association.

Environmental, Health And Safety

The Association seeks to comply with all Health and Safety Regulations and regularly reviews its policies and procedures.

Insurance

The Association insures against risks including liability insurance for the Management Board Members and senior personnel in relation to the Association.

Employment policies

The Association is an equal opportunities employer and supports the employment of disabled persons.

AKSA HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31st March 2006

Political and charitable contributions

During the year the Association made no political contributions and any charitable contributions were made within the Association's normal activities.

Development

Aksa continues to grow with the development of new properties through Housing Corporation funding and by entering into the group structure with New Charter Housing Trust Group we hope to accelerate this process due to the financial backing of a large organisation. This will enable us to better compete within the housing markets in the North West, and present us with opportunities that have been limited due to financial constraints.

Fixed assets

The changes in fixed assets during the year are in note 10 to the financial statements.

Events since the end of the year

There were no post balance sheet events, other than matters referred to in the business review.

Corporate information

Aksa Housing Association Limited is a registered social landlord registered as an Industrial and Provident Society and an exempt charity with the Registrar of Friendly Societies (Registration Number 27003R).

The Association is registered with the Housing Corporation under the Housing Act 1996 (Registration Number LH 3917) and is also a member of the National Housing Federation.

The Association's registered office is Aksa House, 2 Media Square, Phoenix Street, Oldham, OL1 1AN.

Statement of Board of Management responsibilities

The Industrial and Provident Societies Acts require the Board of Management to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice, which give a true and fair view of the state of affairs of the Association and of the Income and Expenditure of the Association for that period. In preparing the financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and for ensuring that the financial statements comply with the Industrial and Provident Societies Acts. It 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.

AKSA HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31st March 2006

Statement of internal controls

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and provide reasonable assurance that key business objectives and expected outcomes will be achieved. 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.

In meeting its 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 regular evaluation of the nature and extent of risks to which the association is exposed and is consistent with the Turnbull principles as incorporated in the Housing Corporation circular R2-25/01: *Internal Controls Assurance*.

The process adopted by the board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework includes:

➤ **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 on-going process of management review in each area of the Associations activities. This process is co-ordinated through a regular reporting framework by The Risk Panel. The executive team regularly considers reports on significant risks facing the Association and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

➤ **Monitoring and corrective action**

A process of control self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of 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 with a material impact on the financial statements. The organisation has adopted a Business Excellence approach to achieving 'continuous improvement', utilising the EFQM Excellence Model and 'RADAR' review techniques.

➤ **Control environment and control procedures**

The board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. The board has adopted and disseminated to all employees, the code of governance Competence and Accountability 2000. This sets out the Association's policies with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud detection and prevention.

➤ **Information and financial reporting systems**

Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

AKSA HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

FOR THE YEAR ENDED 31ST MARCH 2006

Statement of internal controls (Continued)

The internal control framework and the risk management process are subject to regular review by internal audit who are responsible for providing independent assurance to the board via its audit committee. The audit committee considers internal control and risks at each of its meetings during the year.

The Board has received the Chief Executives annual report, has conducted its annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of risk management and the control process.

The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Association. This process has been in place throughout the year under review, up to the date of the annual report, and is regularly reviewed by the Board.

Corporate governance

The Association has complied with the good practice requirements of the Housing Corporation and accepts the recommendations in the National Housing Federation's Code of Governance. It has established a formal policy on Governance appropriate to the needs of the Association.

Auditors

The auditors, Messrs. Mitchell Charlesworth, have indicated their willingness to accept re-appointment.

BY ORDER OF THE BOARD

D McLoughlin

Secretary

Mitchell Charlesworth

Chartered Accountants

5 Temple Square . Temple Street . Liverpool L2 5RH

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

AKSA HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Aksa Housing Association Limited for the year ended 31st March 2006 which are set out on pages 7 to 24. These accounts have been prepared under the historical cost convention and the accounting policies set out on pages 12 to 14.

This report is made solely to the Association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. 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 of Management and Auditors

The Board of Management's responsibilities for preparing the annual report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Board of Management's Responsibilities

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002. We also report to you if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by the law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information accompanying the financial statement and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Committee 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.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Association's affairs as at 31st March 2006 and of its surplus for the year then ended.
- the financial statements have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000, and
- The information given in the Board of Management Report is consistent with the financial statements.

MITCHELL CHARLESWORTH
Registered Auditor

AKSA HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT

For the year ended 31st March 2006

	Notes	2006 £	2005 £
Turnover	2	5,319,154	2,949,844
Operating costs	2	<u>2,024,103</u>	<u>1,699,064</u>
Operating surplus	2	3,295,141	1,250,780
Profit on sale of fixed assets		2,288	-
Interest receivable and other income	6	66,353	37,420
Interest payable and similar charges	7	<u>(853,464)</u>	<u>(1,000,007)</u>
Surplus on ordinary activities for the year	8	2,510,318	288,193
Transfer to designated reserves	15	(2,637,036)	(202,346)
Transfer from designated reserves	15	<u>389,715</u>	<u>178,348</u>
Surplus for the year after designations		262,997	264,195
Surplus at start of year		<u>1,583,200</u>	<u>1,319,005</u>
Accumulated surplus carried forward		<u>1,846,197</u>	<u>1,583,200</u>

All of the activities for the above two years relate to continuing operations.

The notes on pages 12 to 24 form part of the accounts.

There are no recognised gains or losses arising in either of the above two years other than the surpluses for those years.

AKSA HOUSING ASSOCIATION LIMITED

BALANCE SHEET

As at 31st March 2006

	Notes	2006	2005
		£	£
Fixed assets			
Housing properties	10	46,525,860	42,798,093
<u>Less: Social Housing Grant</u>	10	30,699,044	28,423,428
Depreciation	10	<u>915,061</u>	<u>772,186</u>
		<u>(31,614,105)</u>	<u>(29,195,614)</u>
Other fixed assets	10	<u>14,911,755</u> <u>803,070</u>	<u>13,602,479</u> <u>825,148</u>
		15,714,825	14,427,627
Current assets			
Debtors	11	228,198	169,711
Investments		3,846,187	1,479,593
Cash at bank and in hand		<u>419,683</u>	<u>108,068</u>
		4,494,068	1,757,372
<u>Less: Creditors amounts falling due within one year</u>	12	<u>1,033,963</u>	<u>802,515</u>
Net current assets		<u>3,460,105</u>	<u>954,857</u>
Total assets less current liabilities		<u>19,174,930</u>	<u>15,382,484</u>
Creditors amounts falling due after more than one year	13	13,859,486	12,577,358
Capital and reserves			
Called up share capital	14	34	34
Designated reserves	15	3,469,213	1,221,892
Income and expenditure account (page 7)		<u>1,846,197</u>	<u>1,583,200</u>
		<u>5,315,444</u>	<u>2,805,126</u>
		<u>19,174,930</u>	<u>15,382,484</u>

The financial statements on pages 7 to 24 were approved by
The Board of Management on
and were signed on its behalf by:

..... Secretary

.....
Members of the Board
of Management

AKSA HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

For the year ended 31st March 2006

	Notes	2006 £	2005 £
Net cash inflow from operating activities	1	4,327,687	1,524,850
Returns on investments and servicing of finance	2	(787,110)	(962,587)
Net capital expenditure	3	<u>(1,383,565)</u>	<u>1,630,405</u>
Net cash inflow before financing and liquid resource movement		2,157,012	2,192,668
Management of liquid resources	4	(2,366,594)	(591,733)
Financing	5	<u>521,197</u>	<u>(1,548,183)</u>
Net inflow on activities for the year		<u>311,615</u>	<u>52,752</u>

AKSA HOUSING ASSOCIATION LIMITED

NOTES TO THE CASH FLOW STATEMENT

For the year ended 31st March 2006

1. Reconciliation of operating surplus to net cash inflow from operating activities	2006 £	2005 £
Operating surplus	3,295,141	1,250,780
Depreciation charges	182,012	168,465
Change in debtors	(58,487)	(32,006)
Change in creditors	<u>909,021</u>	<u>137,611</u>
	<u>4,327,687</u>	<u>1,524,850</u>
2. Returns on investments and servicing of finance	2006 £	2005 £
Interest received	66,353	37,420
Interest paid	(853,463)	(1,000,007)
Payments under management contracts	<u>-</u>	<u>-</u>
	<u>(787,110)</u>	<u>(962,587)</u>
3. Net capital expenditure	2006 £	2005 £
Housing land and buildings - cost	(3,906,644)	(4,825,131)
- SHG	2,397,288	6,368,094
Acquisition and construction of new head office		-
Purchase of fixtures and fittings	(870)	(7,951)
Purchase of motor vehicles	(20,269)	-
Sale of assets	<u>146,930</u>	<u>95,393</u>
	<u>(1,383,565)</u>	<u>1,630,405</u>
4. Management of liquid resources	2006 £	2005 £
Current asset investments	<u>(2,366,594)</u>	<u>(591,733)</u>
5. Financing	2006 £	2005 £
Shares issued	-	3
Loans received	-	-
Loans repaid	521,197	(1,548,186)
Issue costs incurred	<u>-</u>	<u>-</u>
	<u>521,197</u>	<u>(1,548,183)</u>

AKSA HOUSING ASSOCIATION LIMITED

NOTES TO THE CASH FLOW STATEMENT

For the year ended 31st March 2006

6. Reconciliation of movement in cash to movement in net debt	2006	2005
	£	£
Increase in cash in the period	311,615	52,752
Cash used to repay loans	521,197	1,548,186
Cash received from loans	-	-
Change in loan creditors	(2,081,477)	479,590
Cash paid from liquid resources	<u>2,366,594</u>	<u>591,733</u>
Change in net debt	1,117,929	2,672,261
Net debt at 1st April 2005	<u>(10,994,178)</u>	<u>(13,666,439)</u>
Net debt at 31st March 2006	<u>(9,876,249)</u>	<u>(10,994,178)</u>

7. Analysis of changes in net debt	At	Cash flows	Other	At
	01/04/2005		Changes	31/03/2006
	£	£	£	£
Cash at bank and in hand	108,068	311,615	-	419,683
Debt due within one year	(112,569)	-	(115,629)	(228,198)
Debt due after one year	(12,469,270)	521,197	(1,965,848)	(13,913,921)
Current asset investment	<u>1,479,573</u>	<u>2,366,594</u>	<u>-</u>	<u>3,846,187</u>
	<u>(10,994,178)</u>	<u>2,576,176</u>	<u>2,081,477</u>	<u>(9,876,249)</u>

AKSA HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2006

1. Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, (including the Statement of Recommended Practice - "Accounting by Registered Housing Associations (SORP)", the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000). A summary of the more important accounting policies is set out below.

(a) Basis of accounting

The financial statements are prepared on the historical cost basis of accounting.

(b) Turnover

Turnover represents rental income receivable, fees and grants receivable from third parties and other income.

(c) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Improvements to leased office properties	Over the life of the lease
Office fixtures and fittings	20%
Motor vehicles	25%
Office Building	2%

(d) Housing properties

Housing properties are disclosed at cost less Social Housing Grant received. Freehold land is not a wasting asset and is not depreciated. The Association has a programme of maintenance and repairs to buildings to prolong the useful lives of buildings and maintain their residual values.

Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the schemes will not be developed to completion.

Interest is capitalised where the Association uses short term loans to finance development expenditure.

Freehold land is not depreciated. Depreciation is charged so as to write down the cost (net of Social Housing Grant) of freehold housing properties other than freehold land to their estimated residual value on a straight line basis over their expected useful economic lives at the following annual rates:

General needs	A range of 1% - 2%
Supported housing	A range of 1% - 2%
Sheltered housing	1%

Properties held on long leases are depreciated over their estimated useful economic lives or the life of the lease if shorter.

For properties with an estimated useful economic life of more than 50 years, impairment reviews are carried out on annual basis in accordance with FRS 11.

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

AKSA HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2006

1. Principal accounting policies (Continued)

(e) Social Housing Grant

Where developments have been financed wholly or partly by Social Housing Grant (S.H.G.), the cost of these developments has been reduced by the amount of the grant received.

Social Housing Grant received for items of cost written off in the Income and Expenditure Account are matched against those costs as part of turnover.

Social Housing Grant can be recycled under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the S.H.G. can be used for projects approved by the Housing Corporation. However, S.H.G. may have to be repaid if certain conditions are not met.

The net Social Housing Grant received and not spent is included in current liabilities, taking into account all properties under construction. Social Housing Grant is a subordinated unsecured repayable debt.

(f) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date.

(g) Recycling of capital grant

Where Social Housing Grant is recycled, as described above, the S.H.G. is credited to a fund which appears as a creditor until spent.

(h) Designated reserves

(i) Reserve for major repairs

Under the terms of its leases the Association is required to set aside money for future major repairs to the properties as well as for its owned properties. The Association designates an amount to the reserve calculated at 0.5% per annum on original cost.

(ii) Cyclical repairs and maintenance

The Association plans to repair and repaint the exterior of its properties approximately every 5 years and so the Association initially made an annual transfer to a designated reserve to meet this expenditure. The Board now anticipates that one fifth of properties will be repainted each year giving a regular charge in the accounts.

(iii) Property reinvestment

Following a compulsory purchase order on one of the Association's properties the proceeds have been credited to a property investment reserve to be used in the Oldham area.

(iv) Office major repairs

The Association reserve for future major repairs to the office calculated at 0.5% per annum at original cost.

(v) Academy

The Association has set aside money to fund an Academy over a four year period. The money was gift aided from the New Charter Building Company Limited in March 2006.

AKSA HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2006

1. Principal accounting policies (Continued)

(vi) **Community development**

The Association has set aside monies received by Gift Aid to help cover the cost of schemes in the community which will not attract funding from outside sources.

(i) **Operating leases**

Annual rentals are charged to the income and expenditure account as incurred.

(j) **Leased assets**

Where assets are financed by leasing agreements that give rights approximating to ownership, they are treated as if they had been purchased outright, in accordance with the provisions of SSAP21. The assets are shown at cost less grants and the corresponding leasing commitments are shown as obligations to the lessor. Where the lease repayments are less than interest charges the charges will be deferred to future periods.

(k) **Pension costs**

The Association participates in the Social Housing Pension Scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 'Retirement Benefits' accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged in the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

(l) **Loan finance issue costs**

Issue costs are written off over the life of the related loan. Loans are stated in the balance sheet at the amount of the net proceeds after issue, plus increases to the carrying amount equivalent to amounts subsequently written off to the income and expenditure account.

(m) **Bad and doubtful debts**

The Association provides against rent arrears of current and former tenants to the extent that they are considered to be irrecoverable.

(n) **VAT**

The Association joined the New Charter Housing Trust Group VAT registration with effect from 1st January 2006.

Inter company transactions are incurred exclusive of VAT. The majority of the expenditure is subject to irrecoverable VAT and is shown gross in the accounts.

2. Turnover, operating costs & operating surplus	2006		
	Turnover £	Operating costs £	Operating surplus £
Social housing lettings			
Income			
Income & expenditure from lettings	2,456,061	1,604,877	851,184
Other Social Housing Activities – Supporting People	81,019	64,335	16,684
Gift Aid Donation	400,000	-	400,000
Other income & expenditure			
Other	326,498	299,225	27,273
The Big Lottery (note26)	55,576	55,576	-
Gift Aid Donation	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>
	<u>5,319,154</u>	<u>2,024,013</u>	<u>3,295,141</u>

AKSA HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2006

2. Turnover, operating costs & operating surplus (Continued)	2005		
Social housing lettings	Turnover	Operating costs	Operating Surplus
	£	£	£
Income			
Income & expenditure from lettings	2,516,121	1,284,200	1,231,921
Other Social Housing Activities	81,016	74,336	6,680
Other income & expenditure			
Other	303,269	291,090	12,179
The Big Lottery (note 26)	<u>49,438</u>	<u>49,438</u>	<u>-</u>
	<u>2,949,844</u>	<u>1,699,064</u>	<u>1,250,780</u>
		General needs Housing	General needs Housing
3. Particulars of income & expenditure from social housing lettings		2006	2005
		£	£
Income from lettings			
Rents receivable		2,431,761	2,319,843
Service charges receivable		<u>38,900</u>	<u>38,900</u>
Gross rents receivable		2,470,661	2,346,121
<u>Less:</u> Rent losses from voids		<u>(14,600)</u>	<u>(12,622)</u>
Net rents receivable		2,456,061	2,346,087
Revenue grants from Housing Corporation and others		<u>-</u>	<u>170,000</u>
Total income from lettings		<u>2,456,061</u>	<u>2,516,121</u>
Expenditure on social housing lettings			
Services		60,051	54,835
Management		481,153	415,187
Routine maintenance		425,648	366,175
Planned maintenance		67,144	112,939
Major repairs		389,717	178,348
Rent losses from bad debts		36,604	29,044
Depreciation of housing properties		<u>144,560</u>	<u>127,672</u>
Total expenditure on letting		<u>1,604,877</u>	<u>1,284,200</u>
Operating surplus on letting activities		<u>851,184</u>	<u>1,231,921</u>
4. Directors emoluments			
The remuneration paid to the directors of the Association (the Board of Management and the directors) was:		2006	2005
		£	£
Emoluments:			
Including pension contributions and benefits in kind		<u>78,507</u>	<u>69,271</u>
Excluding pension contributions, including amounts paid to the higher paid director (the director)		<u>70,559</u>	<u>62,409</u>

AKSA HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2006

4. Directors emoluments (Continued)

The director is an ordinary member of the pension scheme and no enhanced or special terms apply. There are no additional pension arrangements. A contribution by the Association of £7,948 (2005 £6,862) was made in addition to the personal contribution of the director.

	2006 £	2005 £
Total expenses reimbursed to the Committee of Management not chargeable to U.K. income tax	413	35
	<u> </u>	<u> </u>

The Board of Management members received no remuneration in the year.

5. Employee information

	2006 No	2005 No
The average weekly number of persons (including the Chief Executive) employed during the year was:		
Office staff	19	18
Project staff	8	9
	<u> </u>	<u> </u>

	2006 £	2005 £
Staff costs (for the above persons):		
Wages and salaries	474,491	406,598
Social security costs	40,076	35,151
Other pension costs	<u>29,279</u>	<u>37,333</u>
	543,846	479,082
	<u> </u>	<u> </u>

	2006 £	2005 £
6. Interest receivable and similar income		
Bank interest receivable	66,353	37,420
Interest receivable from staff car loans	<u> </u>	<u> </u>
	66,353	37,420
	<u> </u>	<u> </u>

	2006 £	2005 £
7. Interest payable and similar charges		
On bank loans, overdrafts and other loans:		
Repayable wholly within 5 years by instalments	-	-
Repayable wholly or partly in more than 5 years by instalments	778,102	756,966
Amounts payable to landlords under management agreements	75,362	73,041
Loan breakage and refinance costs	<u> </u>	<u>170,000</u>
	853,464	1,000,007
	<u> </u>	<u> </u>

AKSA HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2006

8. Surplus on ordinary activities before taxation

Surplus on ordinary activities is stated after charging/(crediting):	2006	2005
	£	£
Depreciation		
Tangible owned fixed assets - Housing property	144,560	127,672
- Other	37,452	40,793
	<u> </u>	<u> </u>
Auditors remuneration		
In their capacity as auditors (inc. VAT)	6,566	6,406
	<u> </u>	<u> </u>
Sale Proceeds		
Profit on Sale of Motor Vehicle	2,288	-
	<u> </u>	<u> </u>

9. Taxation

The Association has charitable status and is therefore exempt from United Kingdom corporation tax.

10. Tangible fixed assets

	Office Building	Housing properties	Office property improvements	Motor vehicles	Office fixtures & fittings	Total
	£	£	£	£	£	£
Cost						
At start of year	737,689	42,798,093	79,324	50,659	106,527	43,772,292
Additions	-	3,906,644	-	20,269	870	3,927,783
Disposals	<u>-</u>	<u>(178,877)</u>	<u>-</u>	<u>(19,768)</u>	<u>-</u>	<u>(198,645)</u>
At end of year	<u>737,689</u>	<u>46,525,860</u>	<u>79,324</u>	<u>51,160</u>	<u>107,397</u>	<u>47,501,430</u>
Social housing grant						
At start of year	-	28,423,428	-	-	-	28,423,428
Received in year	-	2,340,210	-	-	-	2,340,210
Disposals	<u>-</u>	<u>(64,594)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(64,594)</u>
At end of year	<u>-</u>	<u>30,699,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,699,044</u>
Depreciation						
At start of year	19,934	772,186	14,975	28,655	85,487	921,237
Charge for the year	9,200	144,560	7,524	10,492	10,236	182,012
On disposals	<u>-</u>	<u>(1,685)</u>	<u>-</u>	<u>(14,003)</u>	<u>-</u>	<u>(17,976)</u>
At end of year	<u>29,134</u>	<u>915,061</u>	<u>22,499</u>	<u>25,144</u>	<u>95,723</u>	<u>1,087,561</u>
At start of year	<u>717,755</u>	<u>13,602,479</u>	<u>64,349</u>	<u>22,004</u>	<u>21,040</u>	<u>14,427,627</u>
At end of year	<u>708,555</u>	<u>14,911,755</u>	<u>56,825</u>	<u>26,016</u>	<u>11,674</u>	<u>15,714,825</u>

AKSA HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2006

10. Tangible fixed assets (Continued)

The tenure of the housing properties is as follows:	Short leases £	Freehold £	Total £
Cost	9,930,066	36,595,794	46,525,860
Social housing grant	5,755,578	24,943,466	30,699,044
Depreciation	<u>104,934</u>	<u>810,127</u>	<u>915,061</u>
Net book value	<u>4,069,554</u>	<u>10,842,201</u>	<u>14,911,755</u>

All properties are completed rented accommodation.

11. Debtors

	2006 £	2005 £
Amounts falling due in less than one year:		
Rental debtors	143,913	131,284
<u>Less: Provision for doubtful debts</u>	<u>(128,374)</u>	<u>(94,952)</u>
Net rental debtors	15,539	36,332
Prepayment and accrued income	212,617	133,379
Ultimate parent undertaking	<u>42</u>	<u>-</u>
	<u>228,198</u>	<u>169,711</u>

12. CREDITORS: Amounts falling due within one year

	2006 £	2005 £
Housing loans		
Obligations under finance leases	189,836	112,569
Rents received in advance	33,813	41,011
Accruals, deferred income and other creditors	<u>810,314</u>	<u>648,935</u>
	<u>1,033,963</u>	<u>802,515</u>

13. Creditors: Amounts falling due after more than one year

	2006 £	2005 £
Housing loans		
Obligations under finance leases	3,771,357	2,651,236
Banks	9,821,191	9,818,034
Funds held on behalf of Oldham Housing Investment Partnership	83,533	51,660
Disposal Proceeds Fund	<u>183,405</u>	<u>56,428</u>
	<u>13,859,486</u>	<u>12,577,358</u>

The bank loan from Royal Bank of Scotland Plc. and Bradford & Bingley are secured by charges on housing properties. Interest on the fixed rate loans is charged at rates between 5.5% and 5.85% and the loans are for 25 years.

The obligations under finance leases relate to properties leased from the North British Housing Association Limited and West Pennine Housing Association Limited. Under the terms of the original leases, a proportion of the interest arising in the opening years was deferred to future periods. Interest is charged at a rate of 1.5% above bank base rate.

AKSA HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2006

13. Creditors: Amounts falling due after more than one year (Continued)

The loans are repayable at varying rates of interest in instalments falling due as follows:

	2006 £	2005 £
Loans repayable by instalments:		
Between one and two years	-	-
Between three and five years	-	-
Greater than five years	13,782,384	12,577,560
Loans not repayable by instalments:		
In five years or more	-	-
<u>Less: issue costs net of loan premium</u>	<u>-</u>	<u>-</u>
	<u>13,782,384</u>	<u>12,577,560</u>

14. Called up share capital

	2006 £	2005 £
Allotted, issued and fully paid:		
At 1st April 2005	34	31
Issued during the year	<u>-</u>	<u>3</u>
At 31st March 2006	<u>34</u>	<u>34</u>

	Community Development £	Academy £	Property re- investment £	Major Repairs £	2006 Total £	2005 Total £
15. Designated reserves						
At 1st April 2005	-	-	54,000	1,167,892	1,221,892	1,197,894
Transfers from income & expenditure account	400,000	2,000,000	-	237,036	2,637,036	202,346
Transfers to income & expenditure account	<u>-</u>	<u>-</u>	<u>-</u>	<u>(389,715)</u>	<u>(389,715)</u>	<u>(178,348)</u>
At 31st March 2006	<u>400,000</u>	<u>2,000,000</u>	<u>54,000</u>	<u>1,015,213</u>	<u>3,469,213</u>	<u>1,221,892</u>

16. Capital commitments

The Board have approved the purchase of developments at a cost of £792,280. The Board have also approved the purchase of a number of the freehold properties held on short leases. This is expected to cost approximately £3.5 million and finance has been arranged.

17. Contingent liabilities

There were no known contingent liabilities at 31st March 2006 (2005 - £NIL).

AKSA HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2006

18. Pension obligations

Aksa Housing Association Limited participates in the Social Housing Pension Scheme (SHPS).

SHPS is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The 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 so that the Scheme can meet its pension obligations as they fall due.

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 Aksa Housing Association Limited 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 25 active members of the Scheme employed by Aksa Housing Association Limited and the Association continue to offer membership of the Scheme to its employees.

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

The last formal valuation of the Scheme was performed as at 30th September 2002 by a professionally qualified actuary using the "project unit credit" method. The market value of the Scheme's assets at the valuation date was £650 million. The valuation revealed a shortfall of assets compared to liabilities of £117 million.

Aksa Housing Association Limited has subsequently been notified of the preliminary results of the triennial valuation carried out on 30th September 2005. This indicates an increase in the assets of the Scheme to £1,278 million and an increase in the shortfall of assets compared with liabilities to £283 million. This valuation, and any consequent alteration to future contribution rates, is currently the subject of consultation with participating employers and members. The outcome of this consultation will be made known in September 2006, and any consequent changes to contribution rates applied from 1st April 2007. The following notes therefore relate to the formal valuation of September 2002.

Financial assumptions

The financial assumptions underlying the valuation were as follows:		% p.a.
➤	Rate of return on future contributions	6.6
➤	Rate of return on accumulated assets	7.2
➤	Rate of salary increases	4.5
➤	Rate of pension increases	2.5
➤	Rate of price inflation	2.5

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

Valuation results

The valuation revealed a shortfall of assets compared with the value of liabilities of some £117 million (equivalent to a past service funding level of 85%).

The long-term joint contribution rate required from employers and members to meet the cost of future benefit accrual was assessed as 15.0% of pensionable salaries.

AKSA HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2006

18. Pension obligations (continued)

Following consideration of the results the actuarial valuation it was agreed that, with effect from 1st April 2004:-

- The standard employer contribution rate would be increased from 10.6% to 11.7% of pensionable salaries.
- Member contributions would also be increased by 1.1% from 2.0 - 5.0% to 3.1 - 6.1% of pensionable salaries depending on age.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (ie. a combined employer and employee rate). This rate was increased from 15.0% to 17.3% of pensionable salaries with effect from 1st April 2004.

Employers that have closed the Scheme to new members are required to pay an additional employer contribution loading of 3.0% to reflect the higher costs of a closed arrangement.

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

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

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

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.

Aksa Housing Association Limited participates in the Pensions Trust's Growth Plan.

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

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

AKSA HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2006

18. Pension obligations (continued)

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

The actuarial valuation assesses whether the Plan's assets at the valuation date are likely to 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.

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

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 Plan was performed at 30th September 2002 by a professionally qualified actuary. The market value of the Plan's assets at the valuation date was £418 million. The financial assumptions underlying the valuation were as follows:

	% pa
Rate of return on accumulated assets	6.7
Bonuses on accrued benefits	0.0
Rate of price inflation	2.5

The valuation revealed that the assets of the Plan broadly equalled the accrued liabilities as at the valuation date.

The next actuarial valuation will be carried out as at 30th September 2005. The results of the valuation will be available before the end of September 2006.

AKSA HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2006

18. Pension obligations (continued)

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 Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buyout basis, i.e. the cost of security benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. 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 Plan's pre October 2001 liabilities attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 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 Plan liabilities. Plan 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.

19. Legislative provisions

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Housing Corporation as a Registered Social Landlord as defined by the Housing Act 1996.

20. Income and expenditure account - Social Housing Grant

The S.H.G. received to date and dealt with in the income and expenditure account is £ NIL (2005 - £ NIL).

21. Significant non-cash transactions

During the year the Association entered into finance leases in respect of housing properties with a cost of £3,906,644 (2005: £1,250,176) and S.H.G. of £2,340,210 (2005: £712,217).

22. Units of management

	2006	2005
	£	£
The Association had the following units in management at 31st March 2006:		
Owned properties	556	549
Leased properties	86	46
Accommodation managed on behalf of another body	<u>28</u>	<u>47</u>
	670	642
	<u> </u>	<u> </u>

23. Reconciliation of capital and reserves

	2006	2005
	£	£
Surplus for the year	2,510,318	288,193
Shares issued	<u>-</u>	<u>3</u>
Increase in capital and reserves	2,510,318	288,196
Opening capital and reserves	<u>2,805,126</u>	<u>2,516,930</u>
Closing capital and reserves	<u>5,315,444</u>	<u>2,805,126</u>

AKSA HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2006

24. Related parties

Tenant members of the Board of Management have tenancies on the Association's standard terms.

On 8th November 2005 Aksa Housing Association Limited became a member of the New Charter Housing Trust Group. New Charter have the right to appoint 2 people to the Board of Aksa but at the year end had not invoked this right. Four members of Aksa's Board have been appointed to the Board of New Charter Housing Trust Limited. New Charter Housing Trust Limited is the ultimate parent undertaking as it has the right to remove members from Aksa's Board.

Balances at 31st March 2006 with New Charter Housing Trust Limited are debtor £42 and with New Charter Building Company Limited £NIL.

Transactions during the year with Group companies were as follows:-

New Charter Housing Trust Limited

Sales	£42
Management charge	£1,600
Gift Aid Donation	£400,000

New Charter Building Company Limited

Sales	£55
Purchases	£86,135
Gift Aid Donation	£2,000,000

25. Ultimate Parent Undertaking

The company is a subsidiary of new Charter Housing Trust Limited, which is incorporated in the United Kingdom.

26. Grants Receivable	<i>Provision of Holistic Development Activities</i>	<i>Provision of Holistic Development Activities</i>
Big Lottery Fund MK/1/010091137	Year ended 31/3/2006	Year ended 31/03/2005
	£	£
Received during the year	62,685	55,938
Deferred carried forward	(13,609)	(6,500)
Deferred brought forward	<u>6,500</u>	—
	55,576	49,438
Expenditure during year	<u>(55,576)</u>	<u>(49,438)</u>
	—	—
Restricted funds carried forward	<u>13,609</u>	<u>6,500</u>
Total funding received to date	<u>134,479</u>	<u>71,794</u>