

AKSA HOUSING ASSOCIATION LIMITED

(Industrial and Provident Society No 27003)

REPORT

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2007

AKSA HOUSING ASSOCIATION LIMITED

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AKSA HOUSING ASSOCIATION LIMITED

MEMBERS, SENIOR STAFF, ADVISORS, BANKERS AND LEAD FUNDERS

Board of Management

Chair	Aslam Khan
Vice-Chair	Abdul Quayum
Other Members	Joseph Oliver Nasim Ullah Khan Anjam Shahzad Asghar Ali Helen Smith Habibar Rahman Iram Nisar Nasir Ilyas Wizarat J Siddiqi

Group Chief Executive Ian Munro

Executive Officers

Group Director of Finance & Deputy Chief Executive	Martin Frost
Group Company Secretary & Director of Legal Services	Danny McLoughlin
Managing Director of Aksa	Sajjad Hussain

Registered Office Aksa House
2 Media Square
Phoenix Street
Oldham
OL1 1AN

Registered by the Housing Corporation (LH3917)

Auditors KPMG LLP
St James Square
Manchester
M2 6DS

Internal Auditors

Deloitte & Touche LLP
PO Box 500
201 Deansgate
Manchester
M60 2AT

Principal Bankers

National Westminster Bank PLC
212 Middleton Road
Chadderton
Oldham
OL9 6BH

Funders

Royal Bank of Scotland
Housing Finance
5th Floor
135 Bishopsgate
London
EC2M 3UR

Bradford and Bingley Building Society
PO Box 88 Crossflatts
Bingley
West Yorkshire
BD16 2UA

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2007

The Board of Management presents its annual report and the audited accounts for the year ended 31st March 2007

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 Board of Management. The Association's principal activity continued to be that of residential letting.

FUTURE DEVELOPMENT

The Association was set up to provide large family accommodation primarily to the BME Community

EMPLOYMENT PRACTICES

The Group has an Equal Opportunities Policy, applicable to each company, which is fully compliant with all discrimination legislation and ensures that all applicants for jobs with any company receive a full and fair consideration based upon their aptitudes and abilities and regardless of any disability.

The Group is fully compliant with all discrimination legislation and, in particular, the Disabilities Discrimination Act 1995. Wherever possible, if an employee should suffer a disability during their period of employment, the Group will make reasonable adjustments to enable the employee to continue with their employment and any associated training etc.

Through its Equal Opportunities Policy, the Group ensures that all persons with a disability have access to training, career development and promotion. Through related policies, the company is committed to ensuring that all employees shall be free from discrimination of any kind.

The Group has regularly informed employees of issues relevant to their employment through meetings with Trade Union representatives and through direct means of communication.

During the course of the year's trading, the Group has continued to apply its policy on Trade Union recognition and met regularly with Trade Union workforce representatives. Furthermore the Group established an Employees Forum, comprising management and workforce representatives and this met regularly to discuss relevant work issues.

Meetings are held regularly with senior managers to inform them of the financial and economic factors affecting the business through the medium of the Business Plan. The main objectives of the Business Plan and internal and external factors affecting the same, regularly form the basis of discussion with workforce representatives and managers who then disseminate to all employees. This system of communication was strengthened this year by the Employee Forum.

REVIEW OF THE YEAR

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

Aksa 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 Aksa Housing Association Limited of £1.4 Million during the year which the board has agreed will be used for future development. New Charter Housing Trust Limited made a charitable donation of £250k which the board has agreed will be used for the provision of additional floating support services and Community Development projects in line with the approved Social and Investment policy. During the year the Association purchased 55 properties from Places for People which were previously on lease agreements. This purchase was funded by reserves set aside for this purpose. The Association has also got funds available for future developments and is currently identifying available opportunities.

Joining the group has enabled Aksa to benefit from the back office support services and from the IT and telephony infrastructure provided by the group and in the long term Aksa 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.

In summary, there has been significant achievement during the year. The thanks of the Directors are due to our staff for the part they have played in this.

NEW CHARTER MISSION

New Charter was born out of the Local Authority housing service provision. Its primary purpose as a Registered Social Landlord is to provide great homes for people in great neighbourhoods - places where they want to live.

Our Mission is:

New Charter Housing Trust Group exists to build and support communities in the provision of safe, comfortable, secure and affordable homes through partnership with customers and others

Put more simply, we want:

Great Homes, Great Neighbourhoods, Great Staff

NEW CHARTER AIMS

We underpin our mission by five key aims:

- Improve
- Invest
- Image
- Involve
- Innovate

These aims are supported by key objectives, set once again following consultation with tenants.

OPERATING REVIEW – Our Performance in 2006/07

1 IMPROVE

Improvements to the void process have consistently delivered better results, with total numbers of void properties steadily reducing. At the end of March void numbers were at a very low level of 273. Void turnaround times however, are above target, but we have recently seen a substantial reduction due to recent changes to the process but low demand properties are still having a detrimental effect on turnaround times. Recently void properties are being turned around in about 36 days but lettings of sheltered bedsits are still having a detrimental effect on our official reported figures.

The rolling rent collection rate has at 99.75%, exceeded the Business Plan target of 99.3% and problems experienced with the new Housing Benefit system have now been overcome.

Performance on repairs generally remains excellent, although we encountered some processing issues earlier on in the year, which have now been dealt with and resultant delays have been significantly reduced.

The average time taken to complete 'All repairs' is now at 6.17 days in comparison to 6.14 days for the previous year. The main reason for this has been a slight reduction in performance on routine repairs and a number of issues have been highlighted where some remedial action has been taken. We are still working on some wider issues including changing the information on works orders to give a more accurate description and target time, this has improved performance over the last few months. Year end figures for 2006/7 for Gas Servicing show that only 48 properties are 'out of time' with 99.64% of properties having a valid Gas certificate. Power of entry notices are being served on other properties as appropriate.

2 INVEST

In terms of increasing stock levels, the number of Right to Buy/Acquire outstanding applications have continued to fall as have completions, which are now averaging 9 per month (Group). There have been a total of 112 Group sales against a Business Plan projection of 200. We have been successful in becoming a preferred partner for Gedling and now have a development resource to deliver a minimum of 50 new properties. The Association has purchased 55 properties during the year which were previously on lease agreements.

3 IMAGE

In terms of continuing to work on areas of customer satisfaction in the 2006 customer survey, the January 2007 survey showed a further increase in tenant satisfaction overall. Satisfaction levels increased from 89.7% last year to 92.8% in 2007. Other areas within the survey also showed significant increases in performance and Heads of Service and GMT Members engaged in improvement projects "From Good to Great".

We have continued to develop “Employer of Choice” strategies. We have Performance management in place, a new pay structure, excellent flexible working take-up, new benefits developed and a growing learning centre with most targets being achieved or exceeded. New leaflets promoting New Charter benefits have been produced and a new Flexible Benefits scheme was launched in October 2006 with the system fully operational in January 2007.

We have continued to improve the attractiveness of our neighbourhoods and have invested money in environmental improvements.

4 INVOLVE

We have implemented and further developed our tenant involvement policy. The 2006 Survey showed 89% satisfaction with opportunities for involvement whereas the 2007 figures show 94% satisfaction with opportunities for involvement.

The 2006 Survey showed 73% satisfaction with neighbourhood management services. We have consulted with Tenants and leaseholders to assess required levels of services and have shaped them accordingly. The 2007 survey showed an increase to 81% satisfaction with neighbourhood management services i.e. an increase of 8%.

We have pursued further inclusivity through work with others on equality and diversity in line with the Housing Corporation good practice notes 4 and 8 and have Targets established in the Equality and Diversity Action Plan. We have also recruited 2 Community Development Worker posts to extend the work into the Tameside area.

We have continued to increase involvement in community leadership through funding specific regeneration activities and resourcing a regeneration team. Specific regeneration schemes in place are

- Youth Diversion Project
- Community Sporting Events
- Garden Tool Box
- Skills for Life Training at Neighbourhood Offices

We have studied and attempted to respond to the issues raised by customers on this Business Plan consultation such as reviewing Digital TV coverage and possibilities for provision of Interactive services. Family fun days have been held on a number of estates and other events have been sponsored.

5 INNOVATE

In terms of developing and launching a range of consultancy services, we have carried out a number of market testing exercises including external training in Revenues and continual improvement/Management development, carried out a number of pieces of work for other landlords in terms of anti-social behaviour issues, tendered (and been shortlisted) for a significant customer first training project for Housing Hartlepool and have jointly developed a product for performance improvement services in conjunction with the Northern Housing Consortium which was launched in April 2007.

In developing the use of the internet and new technology to address low percentage accessibility of service and improved business processes, we have looked at a number of areas. The IT strategic plan has been agreed by Boards and it includes an e-business plan. Some simple transactions such as reporting repairs and basic contacts are already available and personal Digital Assistants (PDAs) have been developed for Property Maintenance Officers, Gas Servicing and Neighbourhood Management Officers.

FINANCIAL REVIEW

The financial position and results for the year are set out on pages **18** to **35** of these statements.

Results for the year

Aksa Housing Association surplus for the year, before movements in reserves, was **£1.9m** which was within the approved plan. This compares with a surplus of **£2.5m** in the previous year.

The main reason for the reduced surplus was:

- A decrease in the charitable donation and other income.

Surplus/reserves

Total reserves as at 31st March 2007 were **£7.2m** (2006 - £5.3m).

These reserves represent accounting surpluses/deficits from previous years, and movements on the designated reserves.

Summary Balance Sheet

Aksa's Balance Sheet as at 31st March 2007 is summarised on page **19** of these financial statements. The key factor affecting the balance sheet is the inclusion of our housing stock at cost less depreciation (rather than at valuation).

The financial statements show a net revenue reserve of **£2.1m** (2006 - £1.8m)

Cash flows

Aksa's cash flows are summarised on page **20**.

The principal sources of cash inflows in the year were:

- rental and other income of **£4.7m** (2006 - £5.3m),

The principal cash outflows were:

- operating costs of **£2.070m** (2006 - £2.024m),
- investment in assets, particularly housing stock, of **£302k** (2006 - £390k), and
- servicing of debt of **£815k** (2006 - £853k).

Capital structure and treasury policy

The Company's financial strategy is underpinned by a Business Plan, which has been used to secure long term funding, over a thirty year period to enable it to invest in future development. The current facility is £13m of which £9.8m has been drawdown. There are currently two funders who are the Royal Bank of Scotland and the Bradford and Bingley Building Society. All covenants have been achieved during the year.

DIRECTORS

The Directors of the Company who served during the year were:

Chair	Aslam Khan
Vice-Chair	Abdul Quayum
Other Members	Joseph Oliver Nasim Ullah Khan Anjam Shahzad Asghar Ali Helen Smith Habibar Rahman Iram Nisar Nasir Ilyas Wizarat J Siddiqi

The Board wishes to record its appreciation of the work and commitment shown by Directors and staff during this trading year.

AUDITORS

At the Board meeting of New Charter Housing Trust Ltd on 25th April 2000 the Directors appointed KPMG to act as Auditors for the Group and for each of the Companies therein. KPMG was reappointed at the Annual General Meeting of the Company held on 22nd November 2001. Following the conversion of KPMG into a limited liability partnership, the Board of the Company on 8th July 2002 accepted the resignation of KPMG and appointed KPMG LLP as Auditors. KPMG LLP were re-appointed as Auditors at the Annual General Meeting of the Company on 28th September 2006. They were also appointed as auditors for Aksa Housing Association Limited on the same date.

The Auditors, KPMG LLP, are willing to continue in office however a resolution will be to appoint auditors following the outcome of the tender process at the next Annual General Meeting..

Statement of directors' responsibilities in respect of the Director's Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of the surplus or deficit for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

The Directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Internal Financial Controls

The Board acknowledges its ultimate responsibility for ensuring that the Company has in place a system of controls that is appropriate to the various business environments within which it operates. These controls are designed to give reasonable assurance with respect to:

- The reliability of financial information used within the Company or for publication;
- The maintenance of proper accounting records
- The safeguarding of assets against unauthorized use or disposition.

It is the Board's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable assurance but not absolute assurance against material financial mis-statement or loss.

In undertaking this responsibility the Board should ensure that:

- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorized use of the Company's assets;
- Experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- Forecasts and budgets are prepared which allow the Board and management to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated, as appropriate;
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant Committees comprising Board members;
- The Audit Committee reviews reports from management, from the internal auditors and from the external auditors, to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Company. The Audit Committee makes regular reports to the Board;
- Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

On behalf of the Board, the Audit Committee has reviewed the effectiveness of the system of internal control in existence in the Company for the year ended 31st March 2007, and has approved the following statement of the Group Chief Executive.

Internal Control

No system of internal control can possibly seek to eliminate all risks. The system adopted at New Charter is designed to manage risk insofar as possible given the present understanding of the internal and external risks faced by the Group.

The system is based around a thorough understanding of New Charter's business and operational environment and management of the risk which arises.

I can report that there have been no significant changes in levels of risk during the course of the year nor have there been any significant failings during the period. There has been no evidence of substantial fraudulent activity.

Board Members have been actively engaged in understanding and prioritising risk.

Mechanisms to provide effective internal control

I have reviewed the systems & policies designed to deliver internal control and I am satisfied that these have remained in place throughout the financial year 2006/07. They can be summarised as follows: -

- The Group has a well-designed and robust business planning process, which clearly sets out business aims and objectives and has outcomes against which progress can be demonstrated. Non-Executives staff and tenants are closely involved in formulation and approval of the Business Plan.
- Boards and Committees have a clear understanding of risk and risk management and have demonstrated a desire to ensure risk management features in all deliberations.
- The Group Loan Facility provides for a formal annual approval by Funders of the Business Plan.
- Monitoring of control systems by Audit Committee, Internal Audit & GMT.
- All Board reports are required to show a Risk Evaluation in terms of Financial & Legal/Governance implications.
- Management information & performance control systems are in place to regularly report financial results and other performance indicators to Group management team and to Boards
- Contract Standing Orders, Financial Regulations and Scheme of Delegations are in place and were reviewed during 2006/7.
- The fraud-register and whistle blowing policy are in place. The fraud register is considered at every Audit Committee.
- All policies & procedures are programmed for regular review including Health & Safety and IT Disaster Recovery.
- There is on-going development of continual improvement culture across the Group.
- Culture of risk awareness developed through individual Key Work Objectives, with performance managed through regular review process.

Process for assessing and managing risk during 2006/7

- The Audit Committee has continued to meet on a regular basis to consider reports from Officers and Auditors.
- Membership of the Audit Committee is drawn from across the Boards of the Group, includes co-opted members and is chaired by an independent Director of the Trust Board.
- Internal and External Auditors have unfettered access to Audit Committee members.
- In line with best practice, Audit Committee members hold an annual meeting with Internal and External Auditors in the absence of officers.
- Audit Committee have agreed and monitored an annual audit programme, which has been determined against an analysis of known and anticipated risk.
- All Internal Audit reports are presented to Audit Committee who take responsibility for ensuring recommendations are implemented. Internal audit also undertake follow up assignments to ensure compliance, as appropriate.
- Audit Committee kept informed of developing best practice including Housing Corporations Risk Management Topic Papers.
- Internal Audit remains a contracted out service.
- Audit Committee has taken control and ownership of the recruitment process for the replacement of internal and external auditors by October 2007.
- Risk register produced to identify, evaluate & manage risks to organizational objectives. Presented to & monitored by Audit Committee.
- Work with external auditors both before and during closure of accounts meant an unqualified opinion was offered.
- KPMG LLP presented their Audit Strategy Memorandum to the February 2007 Audit Committee. The Audit Committee considered their Audit Highlights Memorandum in August 2007.
- The Housing Corporation Assessment for the Group places all factors at “green”.
- The Housing Corporation’s Annual Viability Statement makes clear that the Group “complies with the Regulatory code. The Group has satisfactory financial condition and exposures are mitigated to an acceptable degree”
- A number of weaknesses and threats were identified which must be addressed. within the Business Planning process:
 - Management cost savings are to be achieved
 - There is a need to tightly control responsive repairs expenditure
 - The investment programme is at risk of cost inflation pressures

- Management reports on operational and financial matters have continued to be provided to all relevant Boards and Committees.
- There has continued to be timely and regular reporting of key business information and performance indicators at Management and Board meetings.
- Insurance risk remains well managed.
- There has been no instance of substantial fraud during the year; indeed there are no entries in the fraud register for the year 2006/7.
- No Regulatory or Supervisory action by the Housing Corporation has been taken during the year, beyond normal, planned, regulatory engagement.

The very few significant control weaknesses identified by, Internal Auditors, during the course of the year, were either promptly attended to or clear plans developed to minimise risk.

My conclusion is that systems of internal control provide assurance that risk is understood and managed.

There are no areas of exceptional or undue concern within the business.



I H MUNRO
GROUP CHIEF EXECUTIVE
NEW CHARTER HOUSING TRUST Ltd

1st August 2007

The report of the Board of Management was approved on 25th September 2007 and signed on its behalf by:

Mr D O McLoughlin
Group Company Secretary
New Charter Housing Trust Limited
Cavendish 249
Cavendish Street
Ashton-under-Lyne
OL6 7AT



St James' Square
Manchester
M2 6DS

Report of the independent auditors 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 2007 which comprise the Income and Expenditure Account, the Balance Sheet and the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the association's members, as a body, in accordance with Schedule 1 paragraph 16 to the Housing Act 1996 and 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 Directors and auditors

As described on page 10, the association's Directors are responsible for the preparation of the Directors' report, and the preparation of financial statements in accordance with applicable United Kingdom law and UK accounting standards (UK 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 (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the requirements of the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the audited financial statements. We also report to you if, in our opinion, 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 the directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors 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 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 affairs of the association as at 31st March 2007 and of its surplus/(deficit) for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP
Chartered Accountants
St James' Square
Manchester
M2 6DS

AKSA HOUSING ASSOCIATION LIMITED
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2007

		2007	2006
		£'000	£'000
Turnover	2	4,724	5,319
Operating costs	2	(2,070)	(2,024)
Operating deficit	2	<u>2,654</u>	<u>3,295</u>
Surplus on sale of fixed assets	4	-	2
SURPLUS ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		<u>2,654</u>	<u>3,297</u>
Interest receivable and other income	5	68	66
Interest payable and similar charges	6	(815)	(853)
DEFICIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>1,907</u>	<u>2,510</u>
TAXATION			
Taxation on ordinary activities	10	-	-
SURPLUS FOR THE YEAR		<u>1,907</u>	<u>2,510</u>
REVENUE RESERVE BROUGHT FORWARD		1,846	1,583
TRANSFER TO DESIGNATED RESERVES		(1,915)	(2,637)
TRANSFER FROM DESIGNATED RESERVES		302	390
REVENUE RESERVE CARRIED FORWARD		<u><u>2,140</u></u>	<u><u>1,846</u></u>

All of the above results derive from continuing operations.

There were no recognised gains or losses other than those shown in the Income and Expenditure/Profit and Loss account for the year.

The notes on pages 21 to 35 form an integral part of the financial statements.

AKSA HOUSING ASSOCIATION LIMITED

BALANCE SHEET

AS AT 31 MARCH 2007

		2007		2006
		£'000	£'000	£'000
FIXED ASSETS				
Tangible assets - housing properties	11	46,197		46,526
Less Social Housing Grant		(30,602)		(30,699)
Less depreciation		<u>(1,059)</u>		<u>(915)</u>
		14,536		14,912
Other tangible assets	12	<u>758</u>		<u>803</u>
		15,294		15,715
CURRENT ASSETS				
Debtors	13	106		228
Investments		2,676		3,846
Cash at Bank		<u>1,575</u>		<u>420</u>
		4,357		4,494
CREDITORS				
Amounts falling due within one year	14	<u>(633)</u>		<u>(1,034)</u>
NET CURRENT ASSETS/(LIABILITIES)		3,724		3,460
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>19,018</u>		<u>19,175</u>
CREDITORS				
Amounts falling due after more than one year	15		11,771	13,859
CAPITAL AND RESERVES				
Designated Reserves	17	5,107		3,469
Share Capital		-		1
Revenue reserve	17	<u>2,140</u>		<u>1,846</u>
		7,247		5,316
		<u>19,018</u>		<u>19,175</u>

The financial statements on pages 18 to 35 were approved on behalf of the Board on the 25th September 2007 and were signed by :

D O McLoughlin

(Group Company Secretary)

Board Member

Board Member

The notes on pages 21 to 35 form an integral part of the financial statements.

AKSA HOUSING ASSOCIATION LIMITED

CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2007

	£'000	2007 £'000	£'000	2006 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	18	2,721		4,328
RETURNS ON INVESTMENTS AND SERVICING FINANCE				
Interest received	68		66	
Interest paid	<u>(815)</u>		<u>(853)</u>	
		(747)		(787)
CAPITAL EXPENDITURE				
Developments, improvements and other capital works	500		(1,530)	
Other capital expenditure	<u>-</u>		<u>-</u>	
	500		(1,530)	
Sale of housing properties & Land	<u>-</u>		<u>147</u>	
		500		(1,384)
CASHFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		<u>2,474</u>		<u>2,157</u>
MANAGEMENT OF LIQUID RESOURCES		-		(2,367)
FINANCING				
Loans advances received	-		-	
Loans repaid	<u>(2,488)</u>		<u>521</u>	
		(2,488)		521
INCREASE/DECREASE IN CASH		<u><u>(14)</u></u>		<u><u>312</u></u>

The notes on pages 21 to 35 form an integral part of the financial statements.

AKSA HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and the Statement of Recommended Practice (SORP) "Accounting by Registered Social Landlords" updated in 2005. A summary of the more important accounting policies which have been applied consistently is set out below.

Basis of Accounting

The financial statements have been prepared under the historical cost convention as amended for the valuation of housing properties and comply with the Accounting Requirements for Registered Social Landlords General Determination 2006

Recent Accounting Standards

The Association operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

Financial Reporting Standard 18 (FRS18) Accounting Policies has been adopted.

After careful review the directors are satisfied that the current Accounting Policies are the most appropriate and therefore no changes in Accounting Policies are required.

Turnover

Turnover represents rental and service charge income and sundry housing and non-housing services income

Housing Properties

The policy is to revalue housing properties on an annual basis. All properties are valued on the basis of an Existing Use Value (Social Housing) with the assumption that target rent is the maximum rent. Properties under construction are held at cost.

Major repairs to properties of a capital nature which will result in an increase in the net rental income over the life of the property are included in the cost of the properties when the expenditure is incurred.

Depreciation of Housing Properties

Housing Properties are depreciated over their expected useful economic lives on a straight line basis. The depreciation is calculated by deducting the land value from the revalued sum.

Housing Properties - Transferred/Acquired Stock	50 years	(2% per annum)
Housing Properties - New Developments	100 years	(1% per annum)

Impairment

In accordance with Financial Reporting Standard 11 (FRS11) Impairment of Fixed Assets and Goodwill, for assets with a remaining economic life greater than 50 years an impairment review is undertaken. For those assets with a lower economic life an impairment review is undertaken where there is an indication the assets may be impaired. If assets are found to be impaired the amount of impairment is disclosed in the note 3 analysis to the income and expenditure account.

AKSA HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

Social Housing Grant and other capital grants

Where developments have been financed wholly or partly by Social Housing Grant (SHG) or any other form of capital grant subsidy, the cost of those developments is reduced by the grant received.

When SHG in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

Where SHG is retained following the disposal of property, it is shown under the disposal proceeds and recycling capital grant funds in 'Creditors: amounts falling due after more than one year'. These funds will be used for the provision of new social housing for rent and sale.

Other Fixed Assets

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

Freehold premises	30 to 50 years	(between 2% and 3.33% per annum)
Plant & machinery	5 years	(20% per annum)
Office furniture & equipment	5 years	(20% per annum)
Computer equipment - infrastructure	5 years	(20% per annum)
Computer equipment - new acquisitions	5 years	(20% per annum)
Computer equipment - other	2 years	(50% per annum)
Leasehold premises	Over life of lease	

Pension Costs

The company operates a defined benefit pension scheme based on final pensionable salary. Details of the scheme are set out in note 20. Contributions from the Group and participating employees are paid into an independently administered fund. These payments are made in accordance with triennial calculations by professionally qualified independent actuaries. In the intervening years, the actuary reviews the continuing appropriateness of the rates of contributions.

Designated Reserves

Reserves are held to cover the cost of specific major repairs and to fund social and environmental activities.

Revaluation Reserve

The revaluation reserve represents the changes in valuation of housing properties.

VAT

New Charter Housing Trust Group is registered as a Group for VAT purposes. The Trust's main income stream, being rent, is exempt from VAT. The majority of expenditure is subject to VAT, which the Trust is unable to reclaim, this expenditure is therefore shown inclusive of VAT. VAT can be reclaimed under the partial exemption method for certain other activities and is credited to the Income and Expenditure Account. The Trust's Group status allows the Building Company to process inter-company transactions exclusive of VAT.

Bad and Doubtful Debts

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

Capitalisation Policy

A revised Capitalisation Policy has been adopted by the Group inline with FRS15 and the revised SORP. The Capitalisation Policy includes the capitalisation of roofs, doors and windows, with the balance being expended through the Income & Expenditure Account.

AKSA HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

2 PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	Turnover	2007 Operating costs	Operating surplus	Turnover	2006 Operating costs	Operating surplus
	£'000	£'000	£'000	£'000	£'000	£'000
Income and expenditure from social housing lettings						
Housing accommodation	2,546	1,656	890	2,456	1,605	851
	<u>2,546</u>	<u>1,656</u>	<u>890</u>	<u>2,456</u>	<u>1,605</u>	<u>851</u>
<i>See Note 3 for further detail.</i>						
Other income and expenditure from social housing lettings						
Supporting People Contract Income	72	66	6	81	64	17
Other activities	2,106	348	1,758	2,782	355	2,427
	<u>2,178</u>	<u>414</u>	<u>1,764</u>	<u>2,863</u>	<u>419</u>	<u>2,444</u>
	<u>4,724</u>	<u>2,070</u>	<u>2,654</u>	<u>5,319</u>	<u>2,024</u>	<u>3,295</u>

AKSA HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

3 INCOME FROM SOCIAL HOUSING LETTINGS	2007			2006		
	General needs £'000	Temporary social £'000	Total £'000	General needs £'000	Temporary social £'000	Total £'000
Gross rent receivable (net of service charges)	2,537	-	2,537	2,432	-	2,432
Charges for Support Services		-	-	-	-	-
Service charges receivable	39	-	39	39	-	39
Gross rents and service charges receivable	<u>2,576</u>	<u>-</u>	<u>2,576</u>	<u>2,471</u>	<u>-</u>	<u>2,471</u>
Net rents receivable	<u>2,576</u>	<u>-</u>	<u>2,576</u>	<u>2,471</u>	<u>-</u>	<u>2,471</u>
Other income	-	-	-	-	-	-
Turnover from social housing lettings	<u>2,576</u>	<u>-</u>	<u>2,576</u>	<u>2,471</u>	<u>-</u>	<u>2,471</u>
EXPENDITURE ON SOCIAL HOUSING LETTING ACTIVITIES						
Management	528	-	528	481	-	481
Services	66	-	66	60	-	60
Routine maintenance	493	-	493	426	-	426
Planned maintenance	123	-	123	67	-	67
Major repairs expenditure	302	-	302	390	-	390
Rent losses from bad debts	-	-	-	37	-	37
Depreciation of housing properties	144	-	144	145	-	145
Impairment of housing properties	-	-	-	-	-	-
Depreciation of other assets	-	-	-	-	-	-
Operating costs on social housing lettings	<u>1,656</u>	<u>-</u>	<u>1,656</u>	<u>1,605</u>	<u>-</u>	<u>1,605</u>
Operating (deficit)/surplus on social housing lettings	<u>920</u>	<u>-</u>	<u>920</u>	<u>866</u>	<u>-</u>	<u>866</u>
Less: rent loss from voids	<u>(30)</u>	<u>-</u>	<u>(30)</u>	<u>(15)</u>	<u>-</u>	<u>(15)</u>

Service Charge income is fully eligible for Housing Benefit.

AKSA HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

	2007	2006
	£'000	£'000
4 PROFIT/LOSS ON SALE OF FIXED ASSETS		
Proceeds of sale	-	-
Cost of sales	-	-
Profit/Loss on disposal of assets	<u>-</u>	<u>-</u>
	2007	2006
	£'000	£'000
5 INTEREST RECEIVABLE AND OTHER INCOME		
Bank interest receivable	68	66
Inter company loan interest receivable	-	-
	<u>68</u>	<u>66</u>
	2007	2006
	£'000	£'000
6 INTEREST PAYABLE		
On bank loans, overdrafts and other loans	815	853
	<u>815</u>	<u>853</u>
	2007	2006
	£'000	£'000
7 SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		
Is stated after charging:		
Depreciation	174	182
Auditors remuneration (inc VAT)		
- in their capacity as auditors	7	12
other audit costs	6	5
	<u>6</u>	<u>5</u>
	2007	2006
	£'000	£'000
8 DIRECTORS EMOLUMENTS		
Remuneration and expenses payable to members of the Board who were neither officers nor employees of the Company	107	79
	<u>107</u>	<u>79</u>
	2007	2006
9 EMPLOYEE INFORMATION		
The average number of persons employed during the year		
Management	2	2
Administrative	17	19
Financial services	3	3
Strategic housing services	3	3
	<u>25</u>	<u>27</u>
Office Staff	18	19
Project Staff	7	8
	<u>25</u>	<u>27</u>
Staff costs for the above persons were:		
Wages and salaries	458	544
Social security costs	21	23
Other pension costs	17	19
	<u>496</u>	<u>544</u>

AKSA HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

	2007	2006
	£'000	£'000
10 TAXATION ON SURPLUS ON ORDINARY ACTIVITIES		

No tax is payable due to the status of the Association.

AKSA HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

11 TANGIBLE FIXED ASSETS - FREEHOLD HOUSING PROPERTIES

	Housing Properties Completed £'000	Under Construction £'000	Total £'000
COST			
As at 1st April 2006	46,526	-	46,526
Additions in year:			
Improvements	-	-	-
Completed	180	-	180
Under construction	-	-	-
Revaluation	-	-	-
Disposals	(509)	-	(509)
At 31st March 2007	<u>46,197</u>	<u>-</u>	<u>46,197</u>
LESS GRANT FUNDING			
At 1st April 2006	-	-	-
Completed schemes in year	-	-	-
Received during the year	-	-	-
Disposals	-	-	-
At 31st March 2007	<u>-</u>	<u>-</u>	<u>-</u>
LESS SOCIAL HOUSING GRANT			
At 1st April 2006	(30,699)	-	(30,699)
Completed schemes in year	-	-	-
Received during the year	-	-	-
Disposals	97	-	97
At 31st March 2007	<u>(30,602)</u>	<u>-</u>	<u>(30,602)</u>
LESS DEPRECIATION			
At 1st April 2006	(915)	-	(915)
Charge for year	(144)	-	(144)
Disposals	-	-	-
Revaluation	-	-	-
At 31st March 2007	<u>(1,059)</u>	<u>-</u>	<u>(1,059)</u>
NET BOOK VALUE AT 31st MARCH 2007	<u>14,535</u>	<u>-</u>	<u>15,535</u>
NET BOOK VALUE AT 31st MARCH 2006	<u>14,912</u>	<u>-</u>	<u>14,912</u>

Comparable amounts determined according to the historical cost convention

Cost and valuation is represented by:

	£	£	£
Historic cost	14,680	-	14,680
Depreciation	(144)	-	(144)
Revaluation reserve	-	-	-
	<u>14,535</u>	<u>-</u>	<u>14,535</u>

AKSA HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

12 FIXED ASSETS - OTHER TANGIBLE ASSETS

	Office Building £'000	Property Improvements £'000	Motor Vehicles £'000	Furniture & equipment £'000	Total £'000
COST					
At 1st April 2006	738	79	51	107	975
Additions in year	-	-	-	-	-
Disposals	-	-	(15)	(11)	(26)
At 31st March 2007	<u>738</u>	<u>79</u>	<u>36</u>	<u>96</u>	<u>949</u>
DEPRECIATION					
At 1st April 2006	29	22	25	96	173
Charge for year	9	9	12	-	30
Disposals	-	-	(12)	-	(12)
At 31st March 2007	<u>38</u>	<u>31</u>	<u>25</u>	<u>96</u>	<u>191</u>
NET BOOK VALUE					
At 31st March 2007	<u>700</u>	<u>48</u>	<u>11</u>	<u>-</u>	<u>758</u>
NET BOOK VALUE					
At 31st March 2006	<u>709</u>	<u>57</u>	<u>26</u>	<u>12</u>	<u>803</u>

AKSA HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

13 DEBTORS	2007 £'000	2006 £'000
Arrears of rent and service charges	158	144
less Provision for bad and doubtful debts	<u>(55)</u>	<u>(128)</u>
	103	16
Trade Debtors	120	-
less Provision for bad and doubtful debts	<u>(120)</u>	<u>-</u>
	-	-
Amount due from parent and from fellow subsidiaries - Trade	-	1
Amount due from parent and from fellow subsidiaries - Loans	-	-
Prepayments and accrued income	3	213
Other debtors	-	-
	<u>106</u>	<u>229</u>

14 CREDITORS - Amounts falling due within one year	2007 £'000	2006 £'000
Trade creditors	263	359
Accruals and deferred income	219	451
Obligations under finance leases	113	190
Rent and service charges paid in advance	38	34
	<u>633</u>	<u>1,034</u>

AKSA HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

	£'000	2007 £'000	2006 £'000
15 CREDITORS - Amounts falling due after more than one year			
Obligations under finance leases		1,562	3,771
Banks		9,818	9,821
Funds held on behalf of Oldham Hsg Invest Ptnership		84	84
DPF balance brought forward	183		
Additions in the year	124		
Expenditure during the year	-		
Disposal Proceeds Fund balance		307	183
		<u>11,771</u>	<u>13,859</u>

	2007 £'000	2006 £'000
	Housing Loans by instalments	Housing Loans by instalments
16 LOANS		
Within one year or on demand	-	-
In more than five years	11,380	13,782
	<u>11,380</u>	<u>13,782</u>

The housing loans are drawn down from total facilities of £13m

17 RESERVES	Social Investment Fund	Academy £'000	Property Re-investment £'000	Major Repairs £'000	Revenue Reserve £'000	Total £'000
	£'000					
As at 1st April 2006	400	2,000	54	1,015	1,846	5,315
Additions in the year	250	91	1,420	245	294	2,300
Expenditure in the year	(66)			(302)	-	(368)
At 31st March 2007	<u>584</u>	<u>2,091</u>	<u>1,474</u>	<u>958</u>	<u>2,140</u>	<u>7,247</u>

The Social Investment fund is held to fund social and community activities, the Academy fund is held to fund the sponsorship of the Academy, the property re-investment fund is held for investment in future development and the Major repairs fund is held for costs identified in the stock condition survey.

AKSA HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

18 NOTES TO THE CASHFLOW STATEMENT

a Reconciliation of operating surplus to net cash inflow from operating activities

	2007		2006
	£'000		£'000
Operating surplus/deficit	2,653		3,295
Depreciation charges	144		182
Decrease/(Increase) in debtors	122		(58)
(Decrease)/Increase in creditors	(198)		909
Loss on disposal on improvements to housing properties	-		-
Net cash inflow from operating activities	<u>2,721</u>		<u>4,328</u>

b Reconciliation of net cash inflow to movement in net debt

	2007		2006
	£'000		£'000
(Reduction)/increase in cash in year	(14)		2,678
Change in net debt resulting from cash flows	2,475		1,118
Change in net debt	<u>2,461</u>		<u>3,796</u>
New finance leases	3,456		(2,678)
Net debt at beginning of year	2,236		1,118
Net debt at end of year	<u>8,153</u>		<u>2,236</u>

c Analysis of changes in net debt

	At 31st March 2007	Cash Flows	At 31st March 2006
	£'000	£'000	£'000
Cash & investments	4,252	(14)	4,266
	<u>4,252</u>	<u>(14)</u>	<u>4,266</u>
Debt due within one year	(633)	401	(1,034)
Debt due after one year	(11,771)	2,088	(13,859)
	<u>(12,404)</u>	<u>2,489</u>	<u>(14,893)</u>
	<u>(8,153)</u>	<u>2,475</u>	<u>(10,628)</u>

AKSA HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

19 CAPITAL COMMITMENTS	2007 £'000	2006 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	875	792
Capital expenditure that has been authorised by the Board of Management but has not yet been contracted for	1,622	3,500

The board of management have agreed to develop a scheme at Manor Road which will be to develop 13 properties for large family accommodation.

20 PENSIONS

1. Akxa Housing Association participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the state scheme.
2. 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"
- 3 The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate, to March 2007. From April 2007 there are three benefit structures available, namely
 - 3.1 Final Salary with a 1/60th accrual rate
 - 3.2 Final Salary with a 1/70th accrual rate
 - 3.3 Career average revalued earnings with a 1/60th accrual rate
4. An employer can elect to operate different benefit structures for their active members (as as 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.
5. Akxa Housing Association has elected to operate the final salary scheme with a 1/60th accrual rate benefit structure for active members as at 1st April 2007 and the final salary with a 1/60thaccrual rate, benefit structure for new entrants from 1st April 2007.
6. 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 ass they fall due. From April 2007 the split of the total contribution rate between member and employer is set at an individual employer level, subject to the employer paying no less than 50% of the total contribution rate.
7. The actuarial valuation assesses whether the Scheme's assets as the valuation date are likely to be sufficient to pay the pensions 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.
8. During the accounting period AKSA Housing Association paid contributions at the rate of 11.7%. Member contributions varied between 3.1% and 6.1% depending on their age.
9. As at the balance sheet date there were 12 active members of the Scheme employed by AKSA Housing Association. AKSA Housing Association continues to offer membership of the Scheme to its employees.
10. 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.
11. The last formal valuation of the Scheme was performed as 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%.
12. The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2006. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,515 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £235 million, equivalent to a past service funding level of 87%. Annual funding updates of the SHPS Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However, they will provide a good indication of the financial progress of the scheme since the last full valuation.
13. Since the contribution rates payable to the Scheme have been determined by reference to the last actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2005.
14. The financial assumptions underlying the valuation as at 30 September 2005 were as follows:
 - Investment return pre retirement - 7.2%pa
 - Investment return post retirement - 4.8%pa
 - Rate of salary increases to 30 September 2010 - 5.0%pa
 - Rate of salary increase from 1 October 2010 - 4.0%pa
 - Rate of pension increases - 2.5%pa
 - Rate of Price inflation - 2.5%pa

AKSA HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

assets of the Scheme to £1.515 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £2.55 million, equivalent to a past service funding level of 87%. Annual funding updates of the SHPS Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However, they will provide a good indication of the financial progress of the scheme since the last full valuation.

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

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

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

15. The valuation was carried out using the PA92C2025 mortality table for non-pensioners and PA92C2013 mortality table for pensioners. The table below illustrates and assumed life expectancy in years for pension Scheme members at age 65 using these mortality assumptions:

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

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

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

17. 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.

18. 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.

19. With effect from 1 April 2007 the employer and employee contribution rate for Akxa Housing Association will be 16% and 6% of pensionable salaries respectively.

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

21. 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.

22. 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.

23. 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. The 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.

24. 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.

25. A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the 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.

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

27. 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.

28. 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

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FOR THE YEAR ENDED 31 MARCH 2007

17. 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.
18. 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.
19. With effect from 1 April 2007 the employer and employee contribution rate for Aksa Housing Association will be 16% and 6% of pensionable salaries respectively.
20. Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).
21. 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.
22. 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.
23. 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. The 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.
24. 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.
25. A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the 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.
26. The next full actuarial valuation will be carried out as at 30 September 2008. An Actuarial Report will be prepared as 30 September 2007 in line with statutory regulations.
27. 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.
28. 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.
29. 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 depend 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 amount of debt can therefore be volatile over time.

21 LEGISLATIVE PROVISIONS

The Trust is registered with the Housing Corporation under the Housing Act 1996 .
Registration LH3917.

22 HOUSING STOCK

Dwellings owned and in management:

	2007	2006
General needs	671	670
Supported housing	-	-
Temporary social housing	-	-
	<u>671</u>	<u>670</u>

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23 RELATED PARTY TRANSACTIONS

Tenant Board members are subject to normal commercial terms in their tenancy agreements and gain no advantage from their position on the Board. Council Board members also receive no advantage from their position.

The independent Board members have links with a number of organisations, including Anchor Housing Trust, Calico Housing and Berrybridge Housing. Again no advantage is gained from these links.

24 IMPAIRMENT

Under Financial Reporting Standard 11 (FRS 11), the Company is required to perform impairment tests on its housing stock, so that properties are not shown at an amount exceeding their recoverable amount. It was considered that no impairment write off was necessary.

25 ULTIMATE PARENT UNDERTAKING

The company is a subsidiary undertaking of New Charter Housing Trust Ltd, which was incorporated in the United Kingdom. The Company's principal address is:

Aksa House
2 Media Square
Phoenix Street
Oldham
OL1 1AN

26 SHARE CAPITAL

	£	£
Opening Balance as at 01.04.2006	34	34
Movement in the year	-	-
Closing Balance as at 31.03.2007	<u>34</u>	<u>34</u>