

LHA-ASRA Group

(now trading as asra Housing Group Limited)

Financial Statements for the year ended 31 March 2012



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LHA-ASRA Group's (now trading as asra Housing Group) Operating and Financial Review

Chairman's statement

Review of the Year

Over the last year the economic situation and changes in approach to Government thinking and policy has radically altered the environment in which housing associations operate. We face an increase in demand for housing and a reduction in the availability of public subsidy to provide more homes. Many of our customers will be affected by changes in welfare legislation, availability of jobs, higher levels of inflation and minimal, if any, pay increases to support them. Funding for our residents in supported housing is under threat as local authorities face financial difficulties and general funding availability for associations from the banks is both more limited and expensive.

Against this backdrop, I am delighted that these accounts show a strong financial performance for the year with an operating surplus of over 24% enabling us to reinvest in services to tenants and to build more affordable homes. Although we have sufficient funding for our current development programme one of our key challenges will be to raise finance to support our longer term aim to build more homes for those in need. To maintain our financial strength the Board is keen to ensure that we obtain maximum value for money from our resources and we are aware that this will be a key expectation of government and the regulator. We have made good progress in this respect during the current financial year with bench marking our central services and going forward we will continue to gain a better understanding of our costs and performance in relation to others and setting objectives for continuous improvement.

From a governance perspective we have reviewed the skill sets and training and development needs of our Board members to ensure we are equipped to manage the organisation through this period of change. Following our annual appraisal process we have a tailored training and development programme for each of our Board members.

The Group is focused on customer satisfaction levels and have increased customer representation in Nottingham, Leicester, Northampton and London on the Tenant Advisory Panels. This has assisted in a much improved level of engagement with the organisation.

The Group has commissioned a stock condition survey of 75% of the stock portfolio. The results of this exercise, which will be concluded during 2012-13, will enable the Group to target future stock investment programmes more effectively. We have already seen some benefit of this survey in the 2011-12 programme of planned maintenance.

An in-depth asset management review was carried out to ensure that the development programme is targeted to meet the changing demographics and the demands of tenants.

Post Balance Sheet Events

Family First

In April 2012 the Family First homes and related operations became part of asra Housing Association under a transfer of engagements.

Direct Labour Organisation

In May 2012 a pilot Direct Labour Organisation project commenced in Northamptonshire with a view to widening the existing pool of suppliers.

Belgrave Baheno Peepul Centre

In May 2012 the Group transferred the Belgrave Baheno Peepul Centre (BBPC) to the Ethnic Minority Foundation.

ASRA Midlands

In June 2012 the Group concluded negotiations with Sanctuary Group to swap Asra Midlands, a subsidiary wholly owned by Sanctuary Group, in exchange for 7 Care Homes previously held by asra Housing Association Limited (ASRA, previously known as ASRA Greater London Housing Association Limited) and Leicester Housing Association Limited (LHA). In addition a further 184 properties have been acquired from Sanctuary.

Group rebranding

In June 2012 the Group rebranded the parent company from LHA-ASRA to 'asra Housing Group'.

Leicester Housing Association Charitable Status

As part of the value for money agenda and to ensure the Group is structured in the most effective way in July 2012 Leicester Housing Association (LHA) adopted charitable rules and in September 2012 will complete its registration as a charity. The change in legal status will assist in tax planning.

Personal Thanks

Sadly, two of the Board's closest colleagues, Shantilal Makwana and Rajendra Sanmugam passed away. Their long and devoted services will be greatly missed. I would like to thank the retiring tenant representative, Lois Bodle for her service to the Board and in shaping the organisation. Thanks are also due to the Board, committee members, management and staff for their dedication and hard work and to our tenants for the way they engage with the organisation and help us to meet their requirements.

I would like to record a very special thank you to two very long-standing Board members who have given loyal service over many years and who are both stepping down in 2012. Patricia Sykes has been involved with the LHA Board since 1986 and has given distinguished service to the organisation over the years. Also Curtis Juman who first joined the ASRA Board in 2000 and has again added considerable value to the Group, particularly his chairmanship of the Group Risk and Audit Committee. Both will be missed and will be extremely difficult to replace.

After nearly two years as Group Chairman, I have decided to hand the baton - that I have been proud to carry - over to Aman Dalvi, OBE, who I know will continue to steer the Group onto greater things. It is my sincerest hope and expectation that the Group will continue to increase its impact on the lives of those with the greatest needs.

Sadru Visram OBE
Group Chairman
13th September 2012

Principal Activities

The Group comprises LHA-ASRA Group Limited (the Group) (now trading as asra Housing Group from 19 July 2012), and its subsidiary undertakings, which together form the Group. The Group is a non-asset holding non-charitable registered provider registered under the Industrial & Provident Societies Act 1965.

For 2011–12 the operating subsidiaries were:

- Leicester Housing Association (LHA) – a Registered Provider (RP) (registering as charitable during September 2012)
- asra Housing Association Limited (ASRA) – a charitable RP - (formerly known as ASRA Greater London Housing Association Limited until 27 June 2012)
- asra Construction Services Limited (ACSL) – non-charitable
- Family First Limited (FF) – a charitable RP; (collapsed into ASRA on 30 April 2012)
- LHA Support Services Limited (LHASS) – a charitable and unregistered IPS.
- Belgrave Baheno Peepul Centre (BBPC or the Peepul Centre) – a charity, until 18 May 2012.

The Group owns and manages over 12,000 homes across the Midlands, Greater London and the South East including the provision of care, support and housing to those with special needs.

The Group operates three key business streams:

- housing for rent, primarily by families who are unable to rent or buy at open market rates;
- supported housing and care for people who need additional housing-related support or additional care; and
- Low-cost home ownership, primarily shared ownership.

The Group remains committed to developing across both London and the Midlands. The programme continues to grow and this year (2012-13) the Group will complete a further 180 new homes, of which around 1/3 will be in the Midlands. The Group's aspiration is to have a programme of circa 200 completions per annum. The Group will be strategically addressing the balance of development in favour of the London area due to the strength of demand.

Business and Financial Review

The Board is pleased to report a surplus (after tax) for the year of £256k (2011 as restated: £2,224k). The reduction in surplus is due to additional investment in our Midland's stock to improve homes for our tenants. All lender covenants were complied with.

We have continued to invest in both our existing housing stock and undertake a series of new developments, for both sale and rent. The Group was successful in its bid to the Affordable Homes Programme 2011-15 receiving 100% of the bid. The total development allocation is for 800 properties spread equally over London and the Midlands. We expect our first development under this scheme to commence in the autumn of 2012.

Objectives and Strategy

The Group has adopted the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers Update 2010 for the first time this year. The key change has been the requirement for the Group to identify and separately account for the major components which make up its housing property assets. Prior period balances have been adjusted to reflect this implementation which decreased opening reserves by £1.9m (note 28). There were no other significant changes to accounting policies in the current year.

The Group's five-year income and expenditure accounts and balance sheets are summarised below:

Table 1 - Group Highlights, Five-Year Summary

LHA-ASRA Group (trading as asra Housing Group)

Financial performance:	2011-12	2010-11	2009-10	2008-09	2007-08
		as restated			as restated
	£'000	£'000	£'000	£'000	£'000
Turnover	60,829	60,085	59,179	55,697	52,334
Operating surplus	14,839	13,865	15,662	8,665	12,085
Surplus for the year before tax	256	2,262	4,702	485	1,513
Interest payable	14,591	12,322	12,185	11,611	11,380
Cash flow performance:					
Cash flow from operations	16,756	20,801	18,842	21,773	10,843
Cash flow for the year	(1,891)	(1,286)	(4,098)	24,881	(4,218)
Balance Sheet performance:					
Housing properties (net)	330,322	310,362	268,745	265,531	230,203
Investments	1,305	1,438	1,552	1,693	1,734
Cash and short term deposits	28,887	20,307	21,656	25,754	5,169
Net current assets	23,974	9,892	34,215	28,342	29,289
Debt – housing loans	316,339	286,681	262,797	260,873	228,113
Reserves	50,617	50,361	51,507	48,207	44,298

Objectives and Strategy (continued)

Table 1 - Group Highlights, Five-Year Summary (continued)

For the year ended 31 March	2012	2011	2010	2009	2008
		As restated			
Housing properties owned & managed at year end:	No	No	No	No	No
Social housing	10,271	9,829	9,611	9,371	9,093
Shared ownership	500	473	476	489	415
Non-social housing	630	535	406	297	297
Total owned	11,401	10,837	10,493	10,157	9,805
Managed stock	827	810	971	959	959
Total owned & managed	12,228	11,647	11,464	11,116	10,764
Statistics:					
Operating surplus as % of turnover	24.4%	23.1%	26.5%	15.6%	23.1%
Surplus for year as % of income from lettings	0.5%	4.2%	9.3%	1.0%	3.5%
Rent losses (voids and bad debts as % of rent and service charges receivable)	3.1%	3.7%	4.6%	4.2%	3.1%
Rent arrears (gross arrears as % of rent and service charges receivable)	7.5%	7.3%	9.1%	7.5%	6.8%
Liquidity (current assets divided by current liabilities)	2.1:1	1.4:1	2.1:1	2.2:1	2.8:1
Gearing (total loans as % of capital grants plus reserves)	62.0%	57.9%	56.3%	60.9%	57.7%

Performance Review

The Group is a housing and regeneration provider that is committed to 'Providing homes, not just places to live'. Our vision is to be the affordable housing provider of first choice by 2020.

Underpinning the Group's purpose and vision are three core values. These are: -

- To review the services from the customer's perspective;
- Ensure we are serving diverse communities on their doorstep; and
- To take responsibility for our actions, both individually and as a team.

Value for Money & Benchmarking

We are committed to delivering Value for Money (VFM) in all aspects of our services. During the year we have agreed a new Value for Money Strategy, designed not only to meet the expectations of government and the regulator but also to enable us to maintain our financial strength and free up resources to improve services to tenants as well as build more affordable housing.

We have focussed on securing savings through more effective procurement processes not only to reduce costs but also improve quality. We are in the process of analysing our major contracts to help us deliver efficiencies and value for money. We have involved our tenant groups in these tender processes to ensure we achieve the appropriate balance between cost and quality.

The current service charges have been reviewed over the last 12 months and we have implemented long term agreements with preferred contractors with the aim of providing standardised levels of service, economies of scale and value for money. The service charge allocation has been modified to provide more specific cost analysis and enable greater control.

Costs evaluation and value for money are principles which the Group review on a continuous basis and the outcome of recent implementations will be evaluated over the next year.

Currently our management overheads amount to 34% (2011: 30%) of our total operating costs and our aim is to reduce them over the next 3 years.

Whilst our operating costs amount to £46m per annum (2011: £46m), our total housing property portfolio is currently valued on an historic cost basis at £827m (2011: £789m) and we recognise that making the best use of our asset base offers the greatest potential for achieving value for money. In the past our asset management strategy has focussed on ensuring our stock is well maintained and we now have 97% of our stock at our own "decent homes plus" standard. Our revised asset management strategy will ensure we are making the most of our housing stock considering areas such as the redevelopment of certain schemes, tackling hard to let properties and providing incentives to release under occupied properties to people in over occupied accommodation. We will engage and consult with our key stakeholders to maximise benefits and minimise disruption and concerns.

Welfare changes

Benefits are changing significantly in April 2013. The main changes that will affect social housing tenants are the introduction of universal credit, under occupation or bedroom tax, capping, incapacity benefit and non-dependant deductions. The Group is reviewing the impact of these changes through a working group. Initial indications are that these changes will mean greater operational pressures for management and an adverse financial impact on the Group through higher intensive management costs and rent arrears.

Developing new affordable homes with low or nil grant

The affordable development programme with low grant rates and the ability to charge rents up to 80% of market rates has essentially turned the development model that was previously based on capital subsidy to one of revenue. The implications of this change will mean that the Group will take on more debt with each development, leading to using up its asset headroom faster and increasing its gearing. Post 2015, assuming the funding model remains, then the ability to deliver new homes will be constrained as the Group will slowly use up its asset capacity.

Lending Environment

The Global banking crisis which began in 2007 continues to cause a major disruption to the availability of credit. Traditional lending from banks is now offered on a short term basis, with higher costs and more restrictive covenants. With a weak economy and low interest rates this has meant that registered providers are turning to bonds, private placements and pension fund providers for longer term funding.

Housing

Banks reluctance to lend is also impacting on mortgages to first time home buyers, lending being restricted to those with higher deposits. On-going economic instability in the UK and overseas has continued to undermine consumer confidence, and led to the reluctance of many banks to offer affordable mortgage products. A report by Joseph Rowntree Foundation found that an extra 1.5m 18 to 30-year-olds will be forced into private renting in eight years' time and that the number of under 30 year olds owning their own home will halve by 2020. This, together with lowest house building figures since the Second World War will put additional pressures on the rental market and have an effect of keeping the house prices high.

Internal Controls Assurance

The Group Board has overall responsibility for establishing and maintaining the system of internal control. As with all systems of internal control, it is designed to manage rather than eliminate all risk of failure to achieve business objectives and can therefore provide reasonable and not absolute assurance against material misstatement or loss. The system of internal control is subject to continuing review and development. During the year the Group Board has given approval to a range of key policies which are designed to provide effective internal control, a number of which are referenced within this statement.

The Group Board, through the Risk & Audit Committee, has reviewed the effectiveness of the Group's risk management, internal control and governance processes throughout the year ended 31 March 2012 and up to the date of approval of the annual report and accounts. The Group Board confirms that no significant weaknesses in internal controls resulting in material losses, contingencies or uncertainties, requiring disclosure in the financial statements, have been identified up to the date of signing the annual report and accounts.

Annual Review of the effectiveness of the System of Internal Control

The Group Board delegates authority for the annual review of the effectiveness of the system of internal control to the Risk & Audit Committee. The Risk & Audit Committee document their review in an annual report which is presented to the Group Board.

Risk & Audit Committee

The Committees overall aim is to support the Group Board by providing appropriate advice and assurance that:

- Internal control arrangements are appropriate and operating effectively;
- High quality risk assessment and mitigation is embedded into financial and non-financial management processes;
- The financial control framework is effective and supported by an appropriate compliance culture;
- Financial reporting is prudent, accurate, appropriate and consistent with accounting policies;
- Relationships with the External Audit firm are appropriate and effective; and
- Internal Audit provides an appropriate level of assurance to the Group Board.

Only members of the Committee are entitled to be present at meetings, but they may invite others to attend. The Risk & Audit Committee meets with management as well as privately with both internal and external auditors. The Chairman reports the outcome of the meeting to the Board and the Board receives minutes of all Committee meetings.

The Risk & Audit Committee met 5 times during the course of the year. Assurance over the control environment was obtained from the following main sources:

Risk Management Framework

An effective risk management framework sits at the heart of the system of internal control. The Group Board confirms that the process for identifying, evaluating and managing the significant risks faced by the Group is ongoing, the process has been in place throughout the year and up to the date of approval of the annual report and accounts and is regularly reviewed by the board.

The Group Management Team is responsible for overseeing the Group's Risk Management Framework, ensuring a consistent approach to risk management is taken across the Group. The Risk Management Framework includes both the strategy and policy for risk management and sets out in detail how risks are identified, assessed, responded to and monitored.

The Group Board approves the Risk Management Framework, reviews the Group risk register at each meeting assessing the effectiveness of risk mitigation strategies and performs annual review of the Groups appetite for risk taking. The Risk & Audit Committee receives risk management reports at each meeting and receives the Internal Audit annual review of the effectiveness of risk management. All other Boards and sub-Committees within the Group receive risk management reports tailored to their specific business requirements.

All new employees are required to complete the Groups risk management training course during the induction period in order to ensure that the Risk Management Framework remains embedded within the culture of the Group.

The Group utilises the risk management module of the ClearView performance management system for the recording and tracking of all risks. The Group Management Team review and approve all changes made to the Group Risk Register and provide assurance over arrangements for departmental risk management on a bi-monthly basis.

Internal Audit

Internal Audit assists the Group in accomplishing its objectives by bringing a systematic, disciplined approach to evaluation and improvement of the effectiveness of risk management, control and governance processes.

The Group employs an in-house Internal Audit Team. 10% of the annual programme is outsourced. The Internal Audit Manager reports to the Group Chief Executive and has direct access to the Chair of the Risk & Audit Committee outside formal Committee meetings. The Risk & Audit Committee approved the annual risk based Internal Audit Programme. A new three-year strategic internal audit plan was also approved during the year.

The Risk & Audit Committee reviewed all Internal Audit Reports and were provided with progress reports on the implementation of all agreed recommendations for improvement. Internal Audit made no recommendations of a critical nature during 2011-12.

The Internal Audit Managers annual report and overall assurance opinion on the system of internal control based on the work performed during the year and management response to that work provided assurance over the adequacy and effectiveness of risk management, control and governance processes in place to manage achievement of the Groups objectives.

External Audit

The external auditors made no recommendations or observations during the interim audit review. Items raised in the external audit management letter issued at conclusion of the annual audit have actions in place which, when implemented, should satisfy both the external auditors and the Risk and Audit Committee.

Financial & Performance Monitoring Information

Continual assurance over the adequacy of financial and operational performance of the Group is gained through provision of a range of management information reports and the suite of key performance indicators. The Group Board, its sub-Committees and the executive team monitored the performance of the Group throughout the year. The executive team regularly reviewed progress made against the service improvement plan for 2011-12.

The Group Board delegates responsibility for Treasury Management to the Investment Committee. The Investment Committee reviewed performance of the Treasury Department bi-monthly and approved the 30 year Business Plan, Treasury Policy and Strategy. All decisions on potential future investment were presented to the Investment Committee.

The financial control framework is set out in the Groups Financial Regulations. The regulations were revised during the year. A mandatory internal training course has been introduced. Revised Procurement and Value for Money strategies were established during the year.

Senior Management Assurance

The Senior Management Group undertakes an annual year end examination and certification of the control environment. This includes a signed letter of representation to the Internal Audit Manager of their individual responsibilities with regard to internal control and risk management. The process was fully revised for 2011-12 in order to enable levels of assurance against each individual element of the key control environment to be effectively tracked from one year to the next.

Anti-Fraud

The Group operates a zero tolerance approach to any instances of fraud or corruption. The Group confirms it has an Anti-Fraud & Whistleblowing Policy that covers prevention, detection and reporting of fraud and the recovery of assets. The Policy is explained to all employees during induction and reinforced regularly thereafter. This forms part of the Groups newly established Managing Probity Code. A Fraud Response Plan is maintained. The Policy and response plan were revised during the year.

The Risk & Audit Committee reviewed the fraud and loss register and reflected the information contained within it in their assessment of the control environment.

Service Evaluation Group

The Service Evaluation Group (SEG) is a group of customers that annually inspect the Groups' services from a customer perspective. Any customer can apply to be part of the SEG. The findings from each inspection are reported to the Tenant Advisory Committee who receives regular updates on progress against recommendations made.

Code of Governance

The Group has adopted and complies with all mandatory elements of the National Housing Federation "Excellence in Governance" code. The governance handbook was subject to a process of review and revision during the year.

The Group Board believes that the system of internal controls operating up to the date of signing this annual report and accounts remains effective and reliable.

Capital Structure and Treasury Policy

The Group's lending agreements require compliance with a number of financial and non-financial covenants. The Group's position is monitored on an on-going basis and reported to the Board each quarter. Recent reports confirmed that the Group was in compliance with its loan covenants at the balance sheet date and the Board expects to remain compliant in the foreseeable future.

The Group borrowed a further £30m during the year to develop shared ownership, elderly and general needs housing accommodation. By the year end Group borrowings, after repayments, amounted to £318m of which £2m falls due to be paid within the next year:

Table 3 Net Long Term Borrowings

Maturity	2012	2011
	£'000	£'000
Within one year	2,022	6,627
Between one and two years	2,503	2,008
Between two and five years	18,180	19,322
After five years	295,765	260,927
Total	318,470	288,884

The Group borrows, principally from banks and building societies, at both fixed and floating rates of interest. Interest rate swaps are used to generate the desired interest profile and to manage the group's exposure to interest rate fluctuations. At the year-end, 92% of the Group's borrowings were at fixed rates after taking account of interest rate swaps (2011: 91%). The weighted average cost of capital for the Group was 4.89 (2011: 4.53).

The Group has cash balances of £18m at 31 March 2012 (2011: £20m) and the current ratio stands at 2.1:1 (2011: 1.4:1). The Group monitors cash flow forecasts closely to ensure that sufficient funds are available to meet liabilities when they fall due, whilst not incurring unnecessary finance costs, by only drawing on loan facilities when required.

Governance and the Board

LHA-ASRA Group (now trading as asra Housing Group) is governed by a Group Board of non-executive directors that meet on an eight week cycle. The Group Board considers matters in accordance with requirements set out in its industrial and provident society rules. The Group Board also delegates responsibility for certain matters to four committees: Risk and Audit, HR and Remuneration, Investment, and Nominations. Each has terms of reference detailed in a Governance Handbook. Subsidiary companies in the Group also hold board meetings on an eight week cycle. These board meetings are called Care & Support Board and Operations Board.

The Group follows the National Housing Federation “Excellence in Governance” code. This was chosen above other codes because it was written specifically for the social housing sector and contains elements of both public and private good practice. The Group complies with all the mandatory provisions of the Code

Table 4 shows the attendance record of the Board members at Board and Committee meetings during the year.

Table 4 Board Member Attendance

Name	Group Board	Risk & Audit Committee	Investment Committee	HR Committee	Nominations Committee	Operations Board	Care & Support Board
Sadru Visram (Chair)	7 / 8	n/a	6 / 6	n/a	1 / 1	n/a	n/a
Deepak Chandra	7 / 8	n/a	6 / 6	6 / 6	n/a	n/a	n/a
Sally Jacobson	8 / 8	n/a	6 / 6 As observer	6 / 6	1 / 1	5 / 6	n/a
David Ware	7 / 8	n/a	6 / 6	n/a	n/a	n/a	4 / 4
Stephen Duck	7 / 8	5 / 5	n/a	n/a	n/a	n/a	4 / 4
Curtis Juman	6 / 8	5 / 5	n/a	n/a	n/a	5 / 6	n/a
Shaama Saggarr-Malik	5 / 8	5 / 5	n/a	3 / 6	n/a	6 / 6	n/a
Amanda Males	7 / 8	n/a	n/a	4 / 6	n/a	n/a	n/a
Jaffer Kapasi	8 / 8	n/a	n/a	n/a	n/a	2 / 6	n/a
Elaine Conway	5 / 8	n/a	n/a	n/a	n/a	n/a	2 / 4
Matt Cooney (co-optee)	8 / 8	4 / 5	5 / 6	4 / 6	n/a	n/a	n/a

Non-executive members received the following remuneration for the year:

Table 5 Board Member Remuneration

Board member	£
Sadru Visram	15,000
Deepak Chandra	10,000
Sally Jacobson	10,000
David Ware	7,500
Stephen Duck	7,500
Curtis Juman	7,500
Shaama Saggarr-Malik	7,500
Amanda Males	5,100
Jaffer Kapasi	7,500
Elaine Conway	5,100
TOTAL	82,700

The Non-Executive Directors are remunerated as follows: £15,000 per Group Chairman, £10,000 per Deputy Chairman and Group treasurer, £7,500 per Chair of Committee's and £5,100 per ordinary member per annum. In addition, LHA Board member Raj Sanmugam received £2,975 of remuneration during the year.

Only Group Board non-executive Directors receive remuneration.

Pension Obligations

The Scheme's 30 September 2011 valuation is currently in progress and will be finalised by 31 December 2012. The results of the 2011 valuation will be included in next year's disclosure note.

The Group has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2010. As of this date the estimated employer debt for LHA, ASRA and Family First was £31m, £8m and £2.9m respectively.

Regulatory Judgement

The Tenant Services Authority (TSA) carried out a review of the Group's financial viability based on the financial year 2010-11. The TSA is now part of the Homes & Communities Agency (HCA).

The judgement given was that 'the Group meets the expectations of the Governance and Viability Standard in terms of viability, however exposures exist which make it vulnerable to deterioration'. This judgement is unchanged from the previous Viability Report produced in September 2010.

The Group met the expectations of the viability standards in all respects. It was noted that the Group faces a number of key challenges to ensure on-going viability. The HCA regulatory judgement has been reported to the Group Board.

Following the judgement the Group has disposed of its' loss making subsidiary BBPC. See Note 30.

Future Developments

A key influence on the timing of borrowings is the rate at which development activity takes place and the levels of grant funding available. The Board has approved plans to spend over £50m during the next financial year to develop general housing. £49m of the investment will be through new borrowings with the balance funded through social housing grant which has been approved by the Homes and Communities Agency. Undrawn loan facilities of £53m are available under existing arrangements and we are currently negotiating further new facilities, including the refinancing of some fixed interest debt, with two selected lenders.

Following a full survey of the condition of our housing stock, a new planned maintenance programme was approved and implemented during the year.

The Group continues to assess the impact of government policy on its business plan and intended future developments. The Group's resources are only committed to a scheme once funding has been secured. Other initiatives will be developed over the next year to assist our tenants in dealing with changes to housing and other benefits.

Statement of Compliance

In preparing this Operating and Financial Review and Board report, the Board has followed the principles set out in the Statement Of Recommended Practice accounting by registered social landlords Update 2010.

Auditors

KPMG have expressed their willingness to continue in office as auditors to LHA-ASRA Group (now trading as asra Housing Group Limited). A resolution recommending their reappointment will be proposed at the Annual General Meeting.

Post Balance Sheet Events

On 18 May 2012 the Group transferred the Belgrave Baheno Peepul Centre (BBPC) to the Ethnic Minority Foundation.

On 30 April 2012 Family First Limited's assets and liabilities were transferred to asra Housing Association Limited (ASRA).

In July 2012 Leicester Housing Association (LHA) adopted charitable rules and in September 2012 will complete its registration as a charity. On 19 July 2012 the parent company LHA-ASRA Group Limited commenced trading as the asra Housing Group Limited, and ASRA Greater London Housing Association Limited changed its name to asra Housing Association Limited. All trading activities for Group companies, including LHA, commenced operating with the brand name of "asra Housing Group" from 1 May 2012.

On 1 May 2012 a pilot Direct Labour Organisation (DLO) commenced servicing the Northampton area properties. The DLO project will be rolled out to other areas, where it is cost effective.

On 27 June 2012 the Group acquired Asra Midlands Limited, a registered charitable housing association from the Sanctuary Group, in exchange for 7 Care Homes previously held by asra Housing Association (previously known as ASRA Greater London Housing Association) and LHA. In addition a further 184 general needs properties were acquired from Sanctuary Housing Association Limited at the same date for a cash consideration of £5.1m. The sale of 5 Care homes from LHA to ASRA in preparation of the onward sale to Sanctuary generated a £2.4m surplus in LHA. This additional surplus in LHA was then spent on improvements to tenants' homes.

Statement of Board's responsibilities in respect of the Board's report and the financial statements

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Industrial and Provident Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board 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 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 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 Board is 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 Industrial and Provident Societies Acts 1965 to 2003, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

By Order of the Board



Martin Lewis
Group Company Secretary
13 September 2012

Independent auditor's report to the members of LHA-ASRA Group Limited (now trading as asra Housing Group Limited)

We have audited the financial statements of LHA-ASRA Group Limited (now trading as asra Housing Group Limited) for the year ended 31 March 2012 which comprise the Group Income and Expenditure Account, the Group Balance Sheet, the Group Cash flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Group's members, as a body, in accordance with section 128 of the Housing and Regeneration Act 2008 and 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 Group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 18, the Group's Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

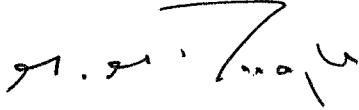
In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Group as at 31 March 2012 and of its surplus for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003 and the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2003:

- a satisfactory system of control over transactions has not been maintained; or
- the Group has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.



M A McDonagh (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

*Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH*

Date: 17 September 2012

Consolidated Income and Expenditure Account for the year ended 31 March 2012

	Note	£'000 2012	£'000 2011 as restated
Turnover	2	60,829	60,085
Less: Operating Cost	2	(45,990)	(46,220)
Operating Surplus	2	14,839	13,865
(Deficit) / surplus on disposal of housing properties	6	(129)	599
Interest receivable and other income		137	120
Interest payable and similar charges	9	(14,591)	(12,322)
Surplus for the year		256	2,262
Tax on surplus on ordinary activities	10	-	(38)
Surplus for the year	21	256	2,224

The accompanying accounting policies and notes on pages 25 to 58 form an integral part of these financial statements.

The Group turnover and expenses all relate to continuing operations with the exception of turnover of £1,249k (2011 - £1,460k) and operating expenses of £1,764k (2011 - £1,888k) relating to the activities of the Belgrave Baheno Peepul Centre that ceased to be a Group member on 18 May 2012 (see Note 30).

Historical costs surpluses and deficits were identical to those shown in the Consolidated Income & Expenditure Account.

Statement of Total Recognised Surplus and Deficits for the year ended 31 March 2012

	Note	2012	2011 As restated
		£'000	£'000
Surplus for the year		256	2,224
Prior year adjustment	28	<u>(1,861)</u>	<u>-</u>
Total deficit recognised		<u><u>(1,605)</u></u>	<u><u>2,224</u></u>

Consolidated Balance Sheet as at 31 March 2012

	Note	2012		2011 As restated	
		£'000	£'000	£'000	£'000
Tangible Fixed Assets					
Housing properties -					
Gross cost less depreciation	11	793,714		760,235	
Less: Social housing & other grants	11	(463,392)		(449,873)	
			330,322		310,362
Other tangible fixed assets	11		11,891		11,871
Investments	12		1,305		1,438
			343,518		323,671
Current Assets					
Stocks	13	3,663		1,183	
Debtors: amount due within one year	14	12,366		12,061	
Short term investments	18	10,471		-	
Cash at bank		18,416		20,307	
		44,916		33,551	
Creditors: amounts falling due within one year	15	(20,942)		(23,659)	
Net current assets			23,974		9,892
Total assets less current liabilities			367,492		333,563
Creditors: amounts falling due After more than one year	16		316,875		283,202
Capital and Reserves					
Designated reserves	21		5,967		5,757
Negative goodwill	28		-		-
Restricted Reserves	21		101		101
Income and expenditure reserve	21		44,439		44,393
Revaluation Reserve	21		110		110
			367,492		333,563

The financial statements on pages 21 to 58 were approved by the Board on 13 September 2012 and signed on its behalf by:

Sadru Visram
Group Chairman



Martin Lewis
Group Company Secretary



The accompanying accounting policies and notes on pages 25 to 58 form an integral part of these financial statements

Consolidated Cash Flow Statement for the year ended 31 March 2012

	Note	2012 £'000	2011 As restated £'000
Net cash inflow from operating activities	22	16,756	20,801
Returns on investments and servicing of finance			
Net cash outflow from returns on investments and servicing of finance	25	(13,811)	(14,206)
Tax paid	25	-	(1,096)
Capital expenditure and financial investment			
Net cash outflow from capital expenditure and financial investment	25	(24,023)	(30,669)
Net cash outflow before use of liquid resources and financing	25	(21,078)	(25,170)
Management of liquid resources	25	(10,471)	-
Nat cash outflow before financing		(31,549)	(25,170)
Financing			
Net cash inflow from financing	25	29,658	23,884
Decrease in cash	25	(1,891)	(1,286)

The accompanying accounting policies and notes on pages 25 to 58 form an integral part of these financial statements.

Notes to the Financial Statements for the year ended 31 March 2012

1 Basis of accounting

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting standards (United Kingdom Generally Accepted Accounting Practice) and in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Accounting Requirements for Registered Social Landlords Determination 2006.

The Statement of Recommended Practice (SORP) "Accounting by Registered Social Landlords" 2010 has been adopted for the first time in these financial statements. The SORP 2010 requires that where a tangible fixed asset comprises two or more major components with substantially different useful economic lives, each component should be accounted for separately for depreciation purposes and depreciated over its individual useful economic life.

The SORP 2010 also requires that for non-exchange transactions (acquisitions in the social housing sector that are in substance a gift of one business to another), any goodwill arising on the fair value of the gifted recognised assets and liabilities should be recognised as a gain or loss in the income and expenditure account in the year of the transaction. Therefore, amounts previously treated as negative goodwill arising from previous business combinations meeting the relevant criteria of a gift have been credited to the opening revenue reserves as a prior period adjustment (Note 28).

1.1 Accounting Convention

The Financial statements are prepared under the historical cost convention.

After making enquiries and examining major areas which could give rise to significant financial exposure, the Directors are satisfied that no material or significant exposures exist other than as reflected in these financial statements and that LHA-ASRA Group (now trading as asra Housing Group Limited) has adequate resources to continue its operations for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing accounts.

1.2 Basis of consolidation

The group is required by the Industrial and Provident Societies (Group Accounts) Regulations 1969 to prepare group accounts.

The group accounts comprise those of LHA-ASRA Group Limited (now trading as asra Housing Group Limited) together with its subsidiaries, in accordance with the requirements of Financial Reporting Standard 2 "Accounting for subsidiary undertakings".

The Association itself had no turnover, operating costs or other income or expenditure and had no assets or liabilities other than investment in subsidiaries. All notes are the consolidated Group position.

Notes to the Financial Statements for the year ended 31 March 2012

1.3 Principal accounting policies

1.3.1 Turnover

Turnover is net of voids and VAT and includes:

- Rents and service charges
- Residential and nursing home charges
- Revenue grants
- Supporting People income receivable
- Management Fees
- Call Centre income
- Accountable Body fees
- Training Centre / Office rent
- Regeneration Grants
- Peepul Centre – community facilities income

Charges for services provided and Supporting People income are recognised as income when the Group has provided the service concerned. Grants made as contributions to revenue expenditure are credited to income in the period in which the related expenditure is incurred.

Turnover has been analysed in accordance with the requirements of Homes and Communities Agency – Regulatory Committee guidance ‘Regulating a Diverse Sector’ (see note 2).

1.3.2 Interest Payable

Interest is capitalised on borrowing to finance developments to the extent that it accrues in respect of the period of development if it represents either:

- a) interest of borrowings specifically financing the development programme after deduction of interest on social housing grant in advance; or
- b) interest on borrowings of the Group as a whole after deduction of interest on social housing grant in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the income and expenditure account in the period.

1.3.3 Pensions

Social Housing Pension Scheme

The Group participates in a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group companies. The Group 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 contributions scheme. As a result the amount charged to income and expenditure represents the contributions payable to the scheme in respect of the accounting period.

Notes to the Financial Statements for the year ended 31 March 2012

Stakeholder Pension Scheme

Contributions payable to the Group stakeholder's pension scheme are charged to the income and expenditure account in the period to which they relate.

1.3.4 Taxation

The charge for taxation is based on surpluses arising on certain activities which are liable to tax. The Group accounts for deferred tax in line with the requirements of FRS19. A deferred tax asset is only recognised on the basis of available evidence where it is more likely than not that there will be taxable profits in the future, against which a deferred tax asset will be offset.

1.3.5 VAT

Certain members of the group are VAT registered but a large proportion of the income (rents), is exempt for VAT purposes and this therefore gives rise to partial exemption calculation. Expenditure is therefore shown inclusive of VAT and the input VAT recovered is included in turnover.

1.3.6 Supported Housing schemes

In respect of supported housing schemes owned by the Group where the managing agents suffer the risks and have control of benefits, the income and expenditure and related current assets and liabilities are not included in the financial statements.

1.3.7 Housing properties

General Needs, Sheltered Housing, Shared Ownership and Care Homes are stated at cost less social housing grant, other capital grants and depreciation.

Cost for housing properties includes the cost of acquiring land and building, construction costs including internal equipment and fittings, directly attributable development administration costs, cost of capital employed during the development period and expenditure incurred in respect of improvements and extension of existing properties to the extent that it enhances the economic benefit derived from the assets.

Directly attributable development administration costs are the labour costs of the Group's own employees arising directly from the construction or acquisition of the property, and the incremental costs that would have been avoided only if the property had not been constructed or acquired.

Expenditure on repairs to properties and equipment arising through normal wear and tear is charged to the income and expenditure account in the year in which it occurs.

Shared ownership properties are split between fixed and current assets, with the element relating to the expected first tranche sale being treated as a current asset. Any surplus made on the sale of the first tranche is treated as turnover in the Income and Expenditure Account in accordance with the treatment proposed in the SORP 2010. Second and subsequent tranche surpluses or deficits are shown after operating surplus has been determined, but before interest.

Notes to the Financial Statements for the year ended 31 March 2012

1.3.8 Housing properties - continued

The Group separately identifies the major components which comprise its housing properties, and charges depreciation to write down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

The major components of its housing properties and their useful economic lives are as follows:

Building structure	60 – 125 years
Roofs	50 years
Kitchens	30 years
Bathrooms	40 years
Windows and doors	40 years
Heating and boilers	15 years

Freehold land is not depreciated. Also, assets in the course of construction are not depreciated.

Social housing grant and other capital grants are apportioned against land and buildings in the same proportion as their carrying value.

Depreciation has been provided to write down the cost of housing buildings, less capital grants received, to their estimated residual value, over the useful economic life of the buildings in equal annual instalments.

The useful economic life of a property has been deemed to commence at:

- a) the completion of major refurbishment work after purchase; or
- b) completion of building work for new build properties; or
- c) date of purchase if no major refurbishment works take place

Impairment reviews are carried out annually where properties have an economic life in excess of 50 years, and provision made against the carrying value where appropriate.

Notes to the Financial Statements for the year ended 31 March 2012

1.3.9 Social housing grant

Social Housing Grant is receivable from central government agencies and local authorities and is offset against the cost of housing properties on the face of the balance sheet. The Companies Act 1985 required tangible fixed assets to be included at purchase price, or production cost, less any provision for depreciation or diminution in value. However, this requirement conflicts with the generally accepted accounting principles for RSLs set out in the Statement of Recommended Practice: Accounting by Registered Social Landlords (SORP). The purpose of social housing grant is to subsidise the capital cost of affordable housing, and the income from properties is a function of net cost. Accordingly, the Directors consider it necessary to adopt the accounting treatment set out in the SORP to give a true and fair view.

Social housing grant due from such agencies or received in advance is included as a current asset or liability.

Where, following the sale of the property, social housing grant becomes repayable, to the extent that it is not subject to abatement, it is included as a liability until it is repaid or utilised.

Any social housing grant received in respect of revenue is credited to the income and expenditure account in the same period as the expenditure to which it relates.

1.3.10 Recycled Capital Grant Fund

The Group has the option to recycle social housing grant, which would otherwise be repayable, for re-use on new developments. If unused within a three year period, it will be repayable to the Homes and Communities Agency with interest. Any unused recycled capital grant held within the fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under 'creditors due after more than one year'. The remainder is disclosed under 'creditors due within one year'.

1.3.11 Other grants

The capital costs of housing properties are stated net of capital grants receivable from public bodies.

Grants in respect of revenue are credited to the income and expenditure account in the same period as the expenditure to which they relate.

Notes to the Financial Statements for the year ended 31 March 2012

1.3.12 Other tangible fixed assets

Other freehold properties

Office buildings are depreciated down to their residual value over 50 years.

Other fixed assets

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

Furniture, fixtures and fittings	10% & 20%
Motor vehicles	25%
Computer and office equipment	20% to 33.3%

1.3.13 Investments

Investments are stated at market value.

1.3.14 Designated reserves

Major repairs

The Group is committed to a continuous reinvestment policy and only provides for future major repairs in respect of supported housing properties.

Equipment replacement

The equipment replacement reserve is available to meet expenditure on replacement of furniture and equipment in sheltered schemes for which statutory finance is not available and is funded from rental income from those specific schemes.

Tenant's welfare

The tenant's welfare fund is a carried forward reserve of £22,000 for ASRA Housing Association tenant's welfare and similar purposes.

1.3.15 Impairment

When a review of individual fixed assets or income generating units indicates impairment has occurred this is recognised in the income and expenditure account and included within cumulative depreciation.

Notes to the Financial Statements for the year ended 31 March 2012

1.3.16 Stocks

Stocks are stated at the lower of cost and net realisable value.

1.3.17 Goodwill and Negative Goodwill on fair value exchanges

Goodwill, being the excess of consideration over the fair value of the underlying separable net assets is shown as an intangible fixed asset.

Goodwill is amortised to the income and expenditure account over the expected remaining useful economic lives of the underlying assets. Goodwill is eliminated as a matter of accounting policy and is charged to the income and expenditure account on subsequent disposal of the business to which it relates.

Negative goodwill, being the excess of fair value of the underlying separable net assets over the fair value of the consideration, is shown as part of share capital and reserves.

Negative goodwill is amortised to the income and expenditure account over the expected remaining useful economic lives of the underlying housing properties. Negative goodwill is eliminated as a matter of accounting policy and is credited to the income and expenditure account on subsequent disposal of the business to which it relates.

1.3.18 Goodwill and Negative Goodwill on non- exchange transactions

For non-exchange transactions (acquisitions in the social housing sector that are in substance a gift of one business to another), the fair value of the gifted recognised assets and liabilities is recognised as a gain or loss in the income and expenditure account in the year of transaction.

1.3.19 Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

1.3.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event. It is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

1.3.21 Finance issue costs

The cost of raising loans is amortised over the period of the loan. The deferred cost is offset against the liability and included within creditors: amounts falling due after more than one year, in accordance with FRS4: Capital Instruments.

Notes to the Financial Statements for the year ended 31 March 2012

2 Particulars of turnover, operating costs and operating surplus

Analysis of turnover

	2012			2011 As Restated		
	£'000			£'000		
	Turnover	Operating costs	Operating surplus/ (deficit)	Turnover	Operating costs	Operating surplus/ (deficit)
Income and expenditure from lettings						
Housing accommodation	47,210	28,104	19,106	42,454	26,137	16,317
Supported Housing accommodation	5,992	7,509	(1,517)	6,831	5,738	1,093
Registered care homes	1,075	1,092	(17)	1,170	1,216	(46)
Shared ownership accommodation	1,434	678	756	1,442	577	865
Market Rented	865	709	156	1,011	851	160
	<u>56,576</u>	<u>38,092</u>	<u>18,484</u>	<u>52,908</u>	<u>34,519</u>	<u>18,389</u>
Other income and expenditure						
First Tranche Shared ownership sales	689	611	78	1,733	1,536	197
Development costs written off	-	648	(648)	-	1,081	(1,081)
Managed services	616	756	(140)	506	556	(50)
Goodwill Amortisation	-	-	-	988	-	988
Other	2,948	5,883	(2,935)	3,950	8,528	(4,578)
	<u>60,829</u>	<u>45,990</u>	<u>14,839</u>	<u>60,085</u>	<u>46,220</u>	<u>13,865</u>

Total development administration costs capitalised were £623,114 (2011: £512,248).

Notes to the Financial Statements for the year ended 31 March 2012

3 Particulars of income and expenditure from lettings

	2012 £'000						2011 £'000
	Housing Accommodation	Supported Housing accommodation	Shared Ownership accommodation	Market Rent	Registered Care Homes	Total	As restated: Total
Income from lettings activities							
Rents receivable	42,605	2,507	1,307	720	1,075	48,214	45,585
Supporting people	341	1,222	-	-	-	1,563	1,712
Service charges receivable	4,264	427	127	145	-	4,963	4,188
Net rents receivable	47,210	4,156	1,434	865	1,075	54,740	51,485
Revenue grants from local authorities and other agencies	-	43	-	-	-	43	422
Miscellaneous income from lettings	-	1,793	-	-	-	1,793	1,001
Total income from lettings activities	47,210	5,992	1,434	865	1,075	56,576	52,908
Expenditure on lettings activities							
Services	3,495	336	102	252	144	4,329	3,916
Management	8,054	6,947	318	331	151	15,801	13,676
Care costs	-	-	-	-	750	750	823
Day to day repairs	10,056	129	28	121	9	10,343	8,783
Planned maintenance	1,858	8	7	3	1	1,877	789
Major repairs and stock re-investment	1,003	76	12	-	37	1,128	2,045
Rent losses from bad debts	(537)	13	-	-	-	(524)	635
Depreciation of housing properties	4,159	-	211	2	-	4,372	3,836
Property lease charge	16	-	-	-	-	16	16
Total expenditure on lettings activities	28,104	7,509	678	709	1,092	38,092	34,519
Operating surplus from lettings activities	19,106	(1,517)	756	156	(17)	18,484	18,389
Void Losses	1,572	263	6	286	73	2,200	1,262

Notes to the Financial Statements for the year ended 31 March 2012

4 Units of accommodation

	2012 Number	2011 Number restated
In Management		
Rented	9,568	9,182
Supported housing	616	606
Shared ownership	500	473
Managed association and for others	827	810
Market rented/PFI	630	535
Registered care homes	87	41
	12,228	11,647
	12,228	11,647

5 Surplus on ordinary activities before taxation

	2012 £'000	2011 £'000 restated
Surplus on ordinary activities before taxation is after charging:		
Depreciation of housing properties	4,372	3,836
Depreciation on other tangible owned fixed assets	826	910
Operating lease payments	177	212
Auditor's remuneration:		
In their capacity as auditors	105	71
In respect of other services	82	83
Loss on disposal of other tangible fixed assets	-	30

The auditors' remuneration in respect of other services includes £15k (2011 - £8k) directly recharged to residents for provision of homeownership service charge accounts certifications.

Notes to the Financial Statements for the year ended 31 March 2012

6 Sale of Properties

	Voluntary sales £'000	Shared ownership subsequent tranches £'000	Right to acquire £'000	Total 2012 £'000	Total 2011 £'000
Proceeds of sale	652	611	225	1,488	2,106
Less: costs of sale	(728)	(967)	(225)	(1,920)	(1,538)
Abated losses	76	227	-	303	31
Net surplus on disposal	-	(129)	-	(129)	599

7 Directors' emoluments

The directors are defined as the Chief Executive and the Directorate Team.

	2012 £'000	2011 £'000
Emoluments (including pension contributions and benefit in kind) – Executive Directors	627	652
Emoluments (including pension contributions and benefit in kind) – Non-Executive directors	86	61
The emoluments of directors disclosed above (excluding pension contributions, but including benefits in kind) include amounts paid to: The highest paid director	139	116

The highest paid director refers to Matt Cooney, Group Chief Executive who joined the Group from 1 June 2010. The amount includes basic salary of £135,000 (2011 equivalent annualised salary: £135,000) and a car allowance. The Group Chief Executive is an ordinary member of the pension scheme as set out in note 20.

The Non-Executive Directors are remunerated as follows: £15,000 per Group Chairman, £10,000 per Deputy Chairman and Group treasurer, £7,500 per Chair of Committee's and £5,100 per ordinary member per annum.

Only Group Board non-executive Directors receive remuneration, named individual remuneration details in compliance with Provision D7 of the NHF code can be found in the Operating & Financial Review.

Notes to the Financial Statements for the year ended 31 March 2012

8 Staff Costs

	2012	2011
	£'000	£'000
Staff costs including directors:		
Wages and salaries	13,641	13,207
Social security costs	1,133	1,093
Other pension costs	842	865
	<u>15,616</u>	<u>15,165</u>
Average number of full time equivalent persons (including the directors) employed during the year:		
	Number	Number
Other staff	385	401
Care home staff	139	121
Wardens, caretaker and cleaners	13	21
	<u>537</u>	<u>543</u>

The comparative staff costs have been restated to reflect the current classification

9 Interest payable and similar charges

	2012	2011
	£'000	£'000
Housing loans repayable after more than 5 years	15,085	14,178
Other loans	3	6
Discounted bonds		
Interest paid	-	-
Interest deferred	-	-
	<u>15,088</u>	<u>14,184</u>
Less: Capitalised	<u>(497)</u>	<u>(1,862)</u>
	<u>14,591</u>	<u>12,322</u>

Interest is capitalised on properties under construction using the weighted average interest rate of 5.1%.

Notes to the Financial Statements for the year ended 31 March 2012

10 Taxation

	2012	2011
	£'000	As restated £'000
Analysis of charge in year		
Current tax:		
UK corporation tax on surplus for year	-	38
Adjustment in respect of prior year	-	-
	<hr/>	<hr/>
Total current tax (see below)	-	38
Deferred tax current year charge (credit)	-	-
Deferred tax prior year adjustment	-	-
	<hr/>	<hr/>
Total tax charge	-	38
	<hr/>	<hr/>
Factors affecting the tax charge for the year		
Surplus before taxation	256	2,262
	<hr/>	<hr/>
Tax charge at 26% (2011: 28%)	67	633
Exempt charitable income	(740)	(701)
Other permanent adjustments – expenses not deductible for tax	37	137
Depreciation on ineligibles less IBAs	614	420
Capital allowances for period in excess of depreciation	(123)	(10)
Short term timing differences	(106)	-
Non taxable proportion of capital gains profit	-	(45)
Increase in losses carried forward	318	(396)
Non-taxable interest	(67)	-
	<hr/>	<hr/>
Current tax charge for the year (see above)	-	38
	<hr/>	<hr/>

Notes to the Financial Statements for the year ended 31 March 2012

11 Tangible Fixed Assets – Housing Properties

	Housing properties held for letting £'000	Housing properties in the course of construction £'000	Completed shared ownership housing properties £'000	Shared ownership in the course of construction £'000	Total £'000
COST					
At 1 April 2011 – as restated (Note 28)	699,454	44,630	44,368	873	789,325
Additions	-	31,211	-	7,654	38,865
Transfer of Stock to current assets	-	-	(1,940)	-	(1,940)
Work to existing properties	3,530	-	-	-	3,530
Write-off of replaced components	(242)	-	-	-	(242)
Disposals - s/o staircasing	-	-	(896)	-	(896)
- s/o first sales	-	-	(602)	-	(602)
- Other	(887)	-	-	-	(887)
Scheme completed	54,537	(54,537)	4,563	(4,563)	-
At 31 March 2012	<u>756,392</u>	<u>21,304</u>	<u>45,493</u>	<u>3,964</u>	<u>827,153</u>
SOCIAL HOUSING AND OTHER GRANTS					
At 1 April 2011 – as restated	405,172	30,267	14,352	82	449,873
Received during the year	127	13,180	25	1,205	14,537
Disposals – S/O staircasing	-	-	(273)	-	(273)
Disposals - other	(745)	-	-	-	(745)
Schemes completed	33,328	(33,328)	-	-	-
At 31 March 2012	<u>437,882</u>	<u>10,119</u>	<u>14,104</u>	<u>1,287</u>	<u>463,392</u>
DEPRECIATION					
At 1 April 2011 – as restated (Note 28)	28,470	-	620	-	29,090
Charge for the period	4,160	-	212	-	4,372
Disposals	(23)	-	-	-	(23)
At 31 March 2012	<u>32,607</u>	<u>-</u>	<u>832</u>	<u>-</u>	<u>33,439</u>
NET BOOK VALUE					
At 31 March 2012	<u>285,903</u>	<u>11,185</u>	<u>30,557</u>	<u>2,677</u>	<u>330,322</u>
At 31 March 2011 – as restated	<u>265,812</u>	<u>14,363</u>	<u>29,396</u>	<u>791</u>	<u>310,362</u>
				2012	2011
				£'000	As restated £'000
Housing properties comprise:					
Freeholds				289,849	272,168
Long leaseholds				40,346	38,056
Short leasehold				127	138
				<u>330,322</u>	<u>310,362</u>

Notes to the Financial Statements for the year ended 31 March 2012

Tangible Fixed Assets – Housing Properties (continued)

Fixed assets includes the fair value of assets acquired from :

	Asset £'000	SHG £'000	Depreciation £'000
Family First	20,436	7,790	1,546
Black Roof Housing	10,516	6,707	233

Total works to existing properties amounted to £6,530,000 during the year. This is disclosed in the financial statements as:

Planned maintenance	-	£1,877,000
Major repairs	-	£1,128,000
Capital works	-	£3,524,000

Notes to the Financial Statements for the year ended 31 March 2012

11 Tangible Fixed Assets continued - other

	Freehold offices £'000	Community Centre £'000	Furniture fixtures and fittings £'000	Computers and office equipment £'000	Motor vehicles £'000	Total £'000
COST						
At 1 April 2011	10,623	2,353	2,094	3,847	208	19,125
Additions	210	7	166	463	-	846
Disposals	-	-	-	-	-	-
At 31 March 2012	<u>10,833</u>	<u>2,360</u>	<u>2,260</u>	<u>4,310</u>	<u>208</u>	<u>19,971</u>
DEPRECIATION						
At April 2011	1,485	496	1,702	3,400	171	7,254
Charge for year	203	154	162	299	8	826
Disposals	-	-	-	-	-	-
At 31 March 2012	<u>1,688</u>	<u>650</u>	<u>1,864</u>	<u>3,699</u>	<u>179</u>	<u>8,080</u>
NET BOOK VALUE						
At 31 March 2012	<u>9,145</u>	<u>1,710</u>	<u>396</u>	<u>611</u>	<u>29</u>	<u>11,891</u>
At 31 March 2011	<u>9,138</u>	<u>1,857</u>	<u>392</u>	<u>447</u>	<u>37</u>	<u>11,871</u>

12 Fixed Asset Investments

	2012 £'000	2011 £'000
Leicestershire Moneyline	-	16
Loan to partner organisations	190	200
Other loans	<u>1,115</u>	<u>1,222</u>
	<u>1,305</u>	<u>1,438</u>

The above deposits are charged as security for certain loans.

Notes to the Financial Statements for the year ended 31 March 2012

13 Stocks

	2012	2011
	£'000	£'000
Consumable stocks	43	42
Other Work in progress	824	285
Schemes developed for shared ownership sale		
- completed units	180	44
- under construction	1,393	-
Commercial property developed for sale		
- completed units	832	812
- under construction	391	-
	<u>3,663</u>	<u>1,183</u>

14 Debtors due within one year

	2012	2011
	£'000	£'000
Rental debtors	4,091	3,746
Less: provision for bad debts	(1,697)	(2,518)
	<u>2,394</u>	<u>1,228</u>
Other debtors	1,513	983
SHG receivable	8,014	9,494
Prepayments and accrued income	445	356
	<u>12,366</u>	<u>12,061</u>

Notes to the Financial Statements for the year ended 31 March 2012

15 Creditors (amount falling due within one year)

	2012	2011
	£'000	As restated £'000
Housing loans	2,022	6,627
Trade creditors	3,507	3,144
Corporation tax	-	38
Other taxation & Social security costs	245	2,240
Accruals and deferred income	12,845	10,632
SHG received in advance	490	78
Disposal Proceeds Fund and Recycled Capital Grant Fund	1,719	702
Other creditor	114	198
	<u>20,942</u>	<u>23,659</u>

The average time take to pay creditors is 25 days (2011: 30 days).

16 Creditors (amount falling due after more than one year)

	2012	2011
	£'000	£'000
Housing loans (note 18)	316,448	282,257
Issue costs	(2,328)	(2,422)
Loan premium	197	219
Disposal proceeds fund (note 17)	774	732
Recycled capital grant fund (note 17)	1,784	2,416
	<u>316,875</u>	<u>283,202</u>

Notes to the Financial Statements for the year ended 31 March 2012

17 Recycled Capital Grant funding and Disposal Proceed Fund balances

	2012 £'000	2011 £'000
Opening balance	3,148	4,407
Inputs to reserve		
Transferred to amounts repayable within one year (Note 15)	(1,017)	(702)
Grants recycled	853	383
Interest accrued	-	-
New build	(384)	(466)
Major repairs and works to existing stock	(126)	(19)
Other	84	(455)
Closing balance	<u>2,558</u>	<u>3,148</u>

Notes to the Financial Statements for the year ended 31 March 2012

18 Housing Loan Analysis (due over one year)

The Group finances its operations through a mixture of retained surpluses and bank borrowings. The Group borrows at both fixed and floating rates of interest and then uses interest rate swaps and other financial instruments to generate the desired interest profile and manage the Group's exposure to interest rate fluctuations.

	2012 £'000	2011 £'000
Housing loans	316,448	282,257
Issue costs	(2,328)	(2,422)
	<u>314,120</u>	<u>279,835</u>

Housing loans are secured by specific charges on housing properties and bear interest at varying rates between 0.85% and 15.875% and are repayable as follows:-

	2012 £'000	2011 £'000
Repayable by instalments and not wholly repayable within five years:-		
Between one and two years	2,503	2,008
Between two and five years	10,930	12,072
After five years	270,437	235,599
	<u>283,870</u>	<u>249,679</u>
Repayable other than by instalments and not wholly repayable within five years:-		
Between two and five years	7,250	7,250
After five years	25,328	25,328
	<u>32,578</u>	<u>32,578</u>

Notes to the Financial Statements for the year ended 31 March 2012

Housing Loan Analysis (due over one year) continued

The total loans drawn by the Group are £318 million (2011:£289 million).

The loans are managed by the use of fixed and floating debt. Interest rates vary with the nature of the loan. Floating rate loans bear interest rates at London inter bank offer rate plus margin. Margins range from 0.20% to 0.50%.

The facilities are hedged as follows:

	Maturity	2012 £000	2011 £000
Market swaps outside loan agreement			
Fixed rate 4.05%	May 2038	15,000	15,000
Fixed rate 3.99%	November 2037	15,000	15,000
Fixed rate 4.27%	March 2041	15,000	15,000
Fixed rate 3.96%	February 2041	15,000	15,000
Fixed rate 4.15%	February 2032	20,000	20,000
Fixed rate 4.32%	July 2038	10,000	10,000
Fixed rate 4.42%	October 2032	10,000	10,000
Fixed rate 4.84%	June 2026	10,000	10,000
Fixed rate 4.05%	May 2038	15,000	15,000
Fixed rate 3.85%	Nov 2049	10,000	10,000
Fixed rate 3.90%	Oct 2050	10,000	-
Total hedged at 31 March		145,000	135,000

The majority of the above are charged against properties. During 2011-12, at the request of the lenders, cash collateral of £10,471k (2011 - £nil) has been lodged with the counter-party to the swap. This collateral is included within current asset investments in the balance sheet.

Notes to the Financial Statements for the year ended 31 March 2012

19 Operating lease obligations

At 31 March 2012 the Group was committed to making the following payments under non-cancellable operating leases in the year to 31 March 2013.

	Land and buildings		Other	
	2012	2011 Restated	2012	2011
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within 1 to 5 years	15	30	-	13
After 5 years	162	169	-	-
	<u>177</u>	<u>199</u>	<u>-</u>	<u>13</u>

Notes to the Financial Statements for the year ended 31 March 2012

20 Pension obligations

- 20.1 The Group participates in the Social Housing Pension Scheme (the Scheme or SHPS). The Scheme is funded and is contracted out of the state scheme.
- 20.2 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".
- 20.3 The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 31 March 2007. From April 2007 there were three benefit structures available, namely:
- Final salary with a 1/60th accrual rate.
 - Final salary with a 1/70th accrual rate.
 - Career average revalued earnings with a 1/60th accrual rate.

With three new benefit structures added from 1 April 2010:

- Final salary with a 1/80th accrual rate
- Career average revalued earnings with a 1/80th accrual rate.

A defined contribution benefit structure was made available from 1 October 2010.

- 20.4 An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.
- 20.5 The Group has elected to operate the career average revalued earnings with a 1/60th accrual rate benefit structure for active members at 31 March 2007 as well as for new entrants from that date until 30 September 2010 when this scheme was closed to new members and the defined contribution structure was made available to new members.
- 20.6 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 as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From 1 April 2010 the requirement for employers to pay at least 50% of the total contribution rate no longer applies.
- 20.7 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.

Notes to the Financial Statements for the year ended 31 March 2012

Pension obligations continued

- 20.8 During the accounting period 2011-12 the Group paid contributions at the rate of 14.9% to the defined benefit scheme and between 4% and 6% to the defined benefit scheme. Member contributions varied between 6.3% and 8.3% depending on their age. Member contributions to the defined contribution scheme were between 4% and 6%.
- 20.9 As at the balance sheet date there were 129 active members of the Scheme employed by LHA, 37 by ASRA and 4 by Family First. The annual pensionable pay in respect of these members was ££4,035,644, ££985,169 and £77,790 respectively. The three companies no longer offer membership of the Scheme to their employees.
- 20.10 It's not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the scheme is a multi employer scheme where the scheme assets are co-mingled for investments purposes, and benefits are paid from total scheme assets. Accordingly, due to the nature of the scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.
- 20.11 The last formal valuation of the Scheme was performed as at 30 September 2008 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,527 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £663 million equivalent to a past service funding level of 69.7%.
- 20.12 The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	% pa
- Valuation Discount Rates	
Pre retirement	7.8%
Non Pensioner Post retirement	6.2%
Pensioner Post retirement	5.6%
- Pensionable earning growth	4.7%
- Price inflation	3.2%
- Pension Increases	
Pre 88 GMP	0.0%
Post 88 GMP	2.8%
Excess over GMP	3.0%

Expenses for death in services insurance, administration and PPF levy are included in the contribution rate.

Notes to the Financial Statements for the year ended 31 March 2012

Pension obligations continued

20.13 The valuation was carried out using the following demographic assumptions:

- Mortality pre retirement – PA92 Year of Birth, long cohort projection, minimum improvement 1% p.a.
- Mortality post retirement – 90% S1PA Year of Birth, long cohort projection, minimum improvement 1% p.a.

20.14 The long-term joint contribution rates required from April 2010 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) From 1 st April 2010
Final salary with a 1/60 th accrual rate	17.8
Final salary with a 1/70 th accrual rate	15.4
Career average earnings with a 1/60 th accrual rate	14.9

20.15 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.

20.16 Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £663 million would be dealt with by the payment of deficit contributions of 7.5% of pensionable salaries, increasing each year in line with salary growth assumptions, from 1 April 2010 to 30 September 2020, dropping to 3.1% from 1 October 2020 to 30 September 2023. Pensionable earning at 30 September 2008 are used as the reference point for calculating these deficit contributions. These deficit contributions are in addition to the long –term joint contribution rates set out in the table above.

20.17 The Scheme's 30 September 2011 valuation is currently in progress and will be finalised by 31 December 2012. The results of the 2011 valuation will be included in next year's Disclosure Note.

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

Notes to the Financial Statements for the year ended 31 March 2012

Pension obligations continued

- 20.19 Employers that have closed the defined benefit section of 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, If the employer opened a SHPS defined contribution scheme this rate is reduced to 1.5%.
- 20.20 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.
- 20.21 New employers that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and new employers joining the Scheme between valuations up until 1 April 2010 do not contribute towards the deficit until two valuations have been completed after the date of their joining. New employers joining the scheme after 1 April 2010 will be liable for past service deficit contributions from the valuation following joining. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.
- 20.22 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 provided a response in respect of the September 2008 actuarial valuation in August 2011, stating that it does not propose to take and scheme funding action under part 3 of the pensions Act 2004.
- 20.23 The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. 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 £1,985 million and indicated a reduction in the shortfall of assets compared to liabilities to approximately £497 million, equivalent to a past service funding level of 80%.
- 20.24 As result of pension scheme legislation 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.
- 20.25 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.

Notes to the Financial Statements for the year ended 31 March 2012

Pension obligations continued

- 20.26 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.
- 20.27 LHA, ASRA and Family First have been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2010. As of this date the estimated employer debt is £31,421,456, £8,237,181 and £2,937,302 respectively.

21 Movement of reserves

	Negative goodwill £'000	Designated reserves £'000	Restricted Reserves £'000	Revaluation Reserve £'000	Income and expenditure account reserve £'000
At 1 April 2011	11,110	5,757	101	110	36,966
Prior year adjustment (note 28)	(11,110)	-	-	-	7,427
At 1 April 2011 as restated	-	5,757	101	110	44,393
Surplus for the year	-	-	-	-	256
Transfer to/from income & expenditure account reserve	-	210	-	-	(210)
At 31 March 2012	-	5,967	101	110	44,439

In accordance with SORP 2010 negative goodwill has been written off as a prior year adjustment as it arose on a non-business transaction.

The designated and restricted reserves are held for future cyclical and major repairs and equipment replacement in supported and general needs housing schemes. The level of reserves required is assessed on an annual basis. During 2011-12, it was not deemed necessary to spend any of the designated reserves.

Notes to the Financial Statements for the year ended 31 March 2012

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

	2012	2011
	£'000	As restated £'000
Operating surplus for the year	14,839	13,865
Depreciation charges	5,198	4,746
Write-off of replaced property components	297	-
Write-off of fair value adjustment for work in progress	-	1,499
Goodwill amortisation	-	(988)
Movement in stocks	62	786
Movement in debtors	(1,785)	644
Movement in creditors	(1,855)	599
Provision for Liabilities	-	(350)
Net cash inflow	<u>16,756</u>	<u>20,801</u>

Notes to the Financial Statements for the year ended 31 March 2012

23 Reconciliation of net cash flow to movement in net debt

	2012 £'000	2011 £'000
Decrease in cash	(1,891)	(1,286)
Increase in current asset investments	10,471	-
Increase in housing loans	(29,658)	(23,884)
Change in debt resulting from cash flows	(21,078)	(25,170)
Net debt at 1 April 2011	(266,374)	(241,204)
Net debt at 31 March 2012	<u>(287,452)</u>	<u>(266,374)</u>

24 Analysis of changes in net debt

	At 31 March 2011 £'000	Cashflow £'000	At 31 March 2012 £'000
Cash at bank and in hand	20,307	(1,891)	18,416
Current asset investments	-	10,471	10,471
	<u>20,307</u>	<u>8,580</u>	<u>28,887</u>
Housing and non-housing loans	(286,681)	(29,658)	(316,339)
	<u>(266,374)</u>	<u>(21,078)</u>	<u>(287,452)</u>

Notes to the Financial Statements for the year ended 31 March 2012

25 Consolidated cash flow statement

	Note	2012 £'000	2011 £'000
Net cash inflow from operating activities	22	16,756	20,801
Returns on investments and servicing of finance			
Interest received		137	120
Interest paid		(13,948)	(14,326)
		(13,811)	(14,206)
Tax paid	10	-	(1,096)
Capital expenditure and financial investment			
Purchase of housing properties		(35,942)	(61,316)
Sale of housing properties		1,488	2,383
Capital grants received		11,277	28,663
Purchase of other fixed assets		(846)	(609)
Sale of other fixed assets		-	210
		(24,023)	(30,669)
		(21,078)	(25,170)
Management of liquid resources			
Cash collateral for market swaps	18	(10,471)	-
Financing			
Loans received		36,191	25,308
Loan principal repayments		(6,533)	(1,424)
		29,658	23,884
Decrease in cash		<u>(1,891)</u>	<u>(1,286)</u>

Notes to the Financial Statements for the year ended 31 March 2012

26 Capital Commitments

	2012	2011
	£'000	£'000
Expenditure contracted for but not provided in the financial statements	29,900	27,035
Expenditure authorised by Board but not contracted for	24,858	32,715
	<u>54,758</u>	<u>59,750</u>

The Group has participated in the latest capital bid round with the Homes & Communities Agency for Social Housing Grants for the 2011-15 year period. The necessary borrowing facilities will be in place to deliver the anticipated programme. The Business Plan also demonstrates the Group's ability to service its debts and repay long term loans as they fall due.

27 Gift Aid

The Group's policy is to gift aid surplus from LHA-ASRA Group (now trading as asra Housing Group) to subsidiary and partner organisations. In 2011-12 £1,500,000 was gift aided to LHA Support Services Limited (2010-11 £2,800,000 was gift aided to the Belgrave Baheno Peepul Centre).

28 Prior Year Adjustment

LHA-ASRA Group (now trading as asra Housing Group Limited) has adopted the Statement of Recommended Practice (SORP): Accounting by Registered Social Housing Providers Update 2010 in this current year ended 31 of March 2012. This has resulted in the provisions for component accounting being implemented this year.

Housing properties are now analysed by major component. Major repairs undertaken in recent years and representing replacements of components are now capitalised. Brought forward accumulated depreciation has been adjusted accordingly. Negative goodwill and goodwill have been re-stated in accordance with SORP 2010 guidance for non-exchange transactions and released/charged to the Income and Expenditure Account respectively.

The financial impact of these changes is as follows:

Notes to the Financial Statements for the year ended 31 March 2012

28 Prior Year Adjustment continued

Group	Cumulative prior year adjustments to 31 March 2010 £'000	Prior year adjustment for 2010-2011 £'000	Cumulative prior year adjustments to 31 March 2011 £'000
Income and expenditure account			
Sales : Negative goodwill amortisation	(1,676)	(542)	(2,218)
Operating costs:			
Component Accounting	(1,599)	(1,253)	(2,852)
Goodwill	(641)	35	(606)
Variable service charges	(124)	(101)	(225)
Impact on operating surplus	<u>(4,040)</u>	<u>(1,861)</u>	<u>(5,901)</u>
Balance Sheet			
Housing properties (cost)			
At 31 March as previously stated	711,442		789,208
Additional capitalisation of components	688	(429)	259
Re-classification	(142)	-	(142)
At 31 March as restated	<u>711,988</u>		<u>789,325</u>
Housing properties (Social Housing Grant)			
At 31 March as previously stated	419,719		450,004
Re-classification	(131)	-	(131)
At 31 March as restated	<u>419,588</u>	-	<u>449,873</u>
Housing properties (depreciation)			
At 31 March as previously stated	(22,979)		(25,990)
Additional depreciation	(2,276)	(824)	(3,100)
At 31 March as restated	<u>(25,255)</u>		<u>(29,090)</u>
Intangible fixed assets			
At 31 March as previously stated	641		606
Goodwill	(641)	35	(606)
At 31 March as restated	<u>-</u>		<u>-</u>
Revenue Reserves			
At 31 March as previously stated	33,383		36,966
Goodwill	(641)	35	(606)
Component accounting	(1,599)	(1,253)	(2,852)
Negative goodwill	11,652	(542)	11,110
Variable service charges	(124)	(101)	(225)
At 31 March as restated	<u>42,671</u>		<u>44,393</u>

Notes to the Financial Statements for the year ended 31 March 2012

29 The subsidiary companies

The Group has subsidiary companies as follows:

Leicester Housing Association Limited	-	Industrial & Provident Society Act Company – Trading
asra Housing Association Limited (Formerly known as ASRA Greater London Housing Association)	-	Industrial & Provident Society Act Company – Trading
Family First Ltd (until 30 April 2012)	-	Industrial & Provident Society Act Company – Trading
LHA Support Services Limited		Charitable Industrial & Provident Society - Trading
Belgrave Baheno Peepul Centre (until 18 May 2012)	-	Charitable Company

The subsidiaries have subsidiary companies as follows:

Newlight Properties Limited	-	Limited by shares - Dormant
Sandy Hill (Woolwich) Limited	-	Limited by shares - Dormant
asra Construction Services Limited (formerly known as LHA-ASRA Construction Services Limited)	-	Limited by shares
Peepul Enterprises Limited	-	Limited by shares

These accounts consolidate the results of the above subsidiaries.

30 Post Balance Sheet Events

Collapse of Family First into asra Housing Association

On 30 April 2012 Family First Limited's assets and liabilities were transferred to asra Housing Association Limited. This will have no impact on the Group accounts.

Notes to the Financial Statements for the year ended 31 March 2012

30 Post Balance Sheet Events - continued

Transfer of Belgrave Baheno Peepul Centre

On 18 May 2012 the Group transferred the Belgrave Baheno Peepul Centre (BBPC) to the Ethnic Minority Foundation. This is an unadjusting post balance sheet event, therefore the assets of £2,004k and liabilities of £408k will be removed from the 2012-13 Group balance sheet.

During the 2011-12 financial year BBPC generated a deficit for the Group of £(516)k (2011: £(428k)) and has previously been financially supported by the group via annual gift aid payments. Such support will no longer be provided.

Sale and Acquisition of assets with the Sanctuary Group

On 27 June 2012 the Group acquired Asra Midlands Limited, a registered charitable housing association, from the Sanctuary Group in exchange for 7 Care Homes previously held by asra Housing Association and LHA. In addition a further 184 general needs properties were acquired from Sanctuary Housing Association Limited at the same date for a cash consideration of £5.1m.

This is an unadjusting post balance sheet event and we have illustrated below the expected financial impact to be reflected in the 2012-13 group financial statements:

	£'000
Fair value of housing assets acquired at EUV - SH	38,194
Social Housing Grant acquired	(24,428)
Long term loans	(9,646)
Other net current liabilities acquired	(576)
Expected annual increase in turnover	3,140
Expected annual increase in expenditure	2,850

Changes to legal title and status

In July 2012 Leicester Housing adopted charitable rules and in September 2012 will complete its registration as a charity. On 19 July 2012 the parent company LHA-ASRA Group Limited commenced trading as the asra Housing Group Limited, and ASRA Greater London Housing Association Limited changed its name to asra Housing Association Limited. All trading activities for Group companies, including LHA, commenced operating with the brand name of asra Housing Group from 1 May 2012.

31 Legislative provisions

LHA-ASRA (now trading as asra Housing Group) is registered under the following Acts:	Registration number
Industrial & Provident Societies Act 1965	30442R
Housing Act 1996	L4523