

ASRA GREATER LONDON HOUSING ASSOCIATION LIMITED

Financial Statements for the year ended 31 March 2007



ASRA Greater London Housing Association Limited
A member of the LHA-ASRA Group Limited

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Board, Directors and Advisers

Members of the Board

Chairman

Sadru Visram

Members

Curtis Juman (Treasurer)
Deepak Chandra
Don Greening (LHA-ASRA)
Jaya Balchandani
Raj Sanmugam
Raj Upadhyaya (Deputy Chairman)
Shaama Saggarr-Malik
Sonja Harbard (resigned 5 July 2007)
Steven Lorber

Co-opted Members

Atul Patel (Executive)
David Betterley (LHA-ASRA)
Rasik Popat (Tenant)

Managing Director

Asit Acharya

External Auditors

KPMG LLP

Internal Auditors

PriceWaterhouseCooper (PWC) LLP

Bankers

Royal Bank of Scotland plc

Solicitors

Devonshires LLP

Company Secretary

Brian Bassett (to 30 March 2007)
Atul Patel (from 31 March 2007)

Registered Office

1 Long Lane
London
SW1 4PG

Five-Year Financial Summary

ASRA GROUP

Financial performance	2006-07	2005-06	2004-05	2003-04	2002-03
Turnover (£'000)	14,101	13,179	12,488	11,690	10,876
Operating surplus (£'000)	4,177	3,806	3,721	3,388	3,285
Gross Margin (%)	30%	29%	30%	29%	30%
Surplus/(deficit) for the year (£'000)	777	302	633	639	590
Interest payable (£'000)	3,687	3,579	3,171	2,827	2,728
Interest cover	1.32	1.23	1.35	1.38	1.36
Cash flow					
Cash flow from operations (£'000)	5,543	3,844	4,957	4,305	4,101
Cash flow for the year (£'000)	998	(4,040)	4,396	653	(771)
Balance Sheet					
Housing properties (net) (£'000)	84,500	82,475	61,479	53,581	51,664
Net current assets (£'000)	1,087	(2,707)	1,224	2,954	364
Debt (£'000)	73,843	68,692	51,337	45,391	41,385
Aggregate Reserves (£'000)	15,883	15,106	14,804	14,171	13,532
Gearing (%)	38%	41%	34%	32%	32%

Operating and Financial Review

The Board of Management presents their annual report and the audited financial statements for the year ended 31 March 2007.

Principal Activities & Governance

ASRA Greater London Housing Association was originally formed in 1984 to provide affordable rented accommodation to Asian and other people in need across London and the South East. In recent years it has become a mainstream social landlord providing a range of tenures for the diverse communities in which it operates including low cost home ownership. It formed a group structure with Leicester HA in November 2005 and is now a subsidiary of the LHA-ASRA Group Ltd. ASRA continues to have two subsidiaries – RVDD Ltd & HFHA Walpole Ltd – both of which are non-trading. The Group Board has undertaken a Governance Review in 2006 that extends to ASRA during 2007.

ASRA Greater London Housing Association provides high quality homes and services to meet the needs and aspirations of diverse communities. We are a diverse and culturally sensitive organisation, providing both specialist and mainstream services. *Our Vision & Values* statement sets out four key objectives that drive our strategic and business plans:

- **Maintaining and improving our homes and the quality of our services**
- **Growing the organisation to help more people**
- **Investing in tenant empowerment and community development**
- **Working with our partners and stakeholders to achieve success.**

Corporate, Business & Operational Plans

ASRA's Strategic Plan has become part of the new Group's Corporate Plan for 2007-10 in line with the integration process. It is underpinned by a detailed Operational Plan.

ASRA's Business Plan model translates these corporate objectives and medium term operational priorities into 30-year financial projections, to reflect the long term investment in assets and the need to repay long term borrowings. Our regulators and lenders are satisfied with the viability of the Business Plan. The Business Plan is regularly updated to reflect significant updates such as increased capital expenditure. It is also consolidated at the Group level to assist the Group Board and external stakeholders.

Financial Performance

The turnover for the year amounted to £14.1m, £0.9m better than the prior year. The lettings income increased by 9.1% to £13.5m reflecting the allowed increases in rents and service charges and the effect of additional income on the new homes brought into the management. Supporting People Contract Income declined by 20% to £0.3m.

Operating costs increased by 6% to £9.9m, an increase of £0.6m over the previous year. Lettings-related costs increased by 6% to £8.8m. Management costs increased by 7% to £2.5m.

Interest costs increased by 3% to £3.7m, explained by the increase in long term borrowings from £68m to £73m.

The net surplus for the year amounted to £0.8m, which includes gift aid of £0.2m from the Group, and is in line with the Board-approved budget.

ASRA's fixed assets increased by 6% to £88m compared with the previous year. The housing property portfolio amounts to £261m based on historic cost, an increase of 12% from the prior year. The capital grant at £177m constitutes about two-thirds of the property costs.

Both current assets and current liabilities increased from the prior year to give a positive net current asset position at the Balance Sheet date. Long term borrowings increased by £5m to £73m.

Total assets less current liabilities amount to £89m, an increase of 7% compared with the previous year.

The £5.5m cash flow from operating activities adequately covers debt servicing costs. The capital expenditure of £28m was partly financed by capital grants and additional borrowings.

Lenders' covenant compliance

ASRA's long term borrowing is £73m and will continue to increase steadily over the foreseeable future. There are two key conditions applicable to ASRA that are based on the actual financial outcomes. These are:

- Interest cover ratio – a measure gauging whether an organisation is able to service its loans. ASRA has comfortably exceeded the lenders' minimum requirements for the interest cover ratio.
- Gearing ratio – a measure to gauge the extent of debt that an organisation can hold in relation to its assets. ASRA is comfortably below the lenders' minimum requirements for the gearing ratio. There continues to be substantial capacity and headroom to introduce further debt to grow the organisation.

Lenders & debt

ASRA's initial borrowings were with Orchardbrook and The Housing Finance Corporation. It has also borrowed from Abbey plc and Bradford & Bingley plc. The Abbey facility was extended to £68.5m during the year to cater for the increased landbanking and a bigger capital programme. The maturity of most of the debt is due in 2020s. For some loans, partial amounts have been repaid during the last four years. There are no substantial repayments due over the next 5 years. The Business Plan confirms that all long-term loans can be repaid.

Treasury operations

ASRA has fixed debt at varying levels of interest rates as allowed by the loan documentation. The Group has revised its Treasury Policy to include derivative transactions, and has obtained Rule changes to undertake standalone hedging following detailed application to the Housing Corporation and the Financial Services Authority.

