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## Ability Housing Association

(a company limited by guarantee  
and not having a share capital)

### FINANCIAL STATEMENTS

Year ended 30 September 2004



Registered Company No: 1261380

# Ability Housing Association

(a company limited by guarantee and not having a share capital)

## ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 30 September 2004

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
ABILITY HOUSING ASSOCIATION  
*year ended 30 September 2004*

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The directors, being the members of the Board, submit their report and financial statements for the year ended 30 September 2004.

#### STATUS

The Association is a company limited by guarantee without a share capital, Company No. 1261380. It is also a registered charity, No. 271547 and a registered social landlord, No. LH2174.

#### BOARD MEMBERS

Joanna Pitts	- Chairman
Jane Cooke	
Francis Markham	
John Knevett	
Peter Cleland	
Michael Hoad	
John Daley	
Peter Wragg	- Resigned 10 December 2003
Nasreen Bhatti	- Appointed 5 May 2004
Keith Hailstone	- Appointed 5 May 2004
Heather Bowman	- Appointed 5 May 2004

#### RESULTS

*The results for the year are shown in the attached financial statements.*

#### PRINCIPAL ACTIVITIES

The Association's principal activities are the provision, by construction or conversion, and the management of housing for people with disabilities and others in housing need.

#### CORPORATE GOVERNANCE

The National Housing Federation (NHF) Code of Governance aims to support housing associations in following the highest standards of governance, accountability and probity, while responding to an environment of change and risk. *Its recommendations are meant as guidance to best practice rather than instruction and should not be seen as mandatory.*

The Board has considered the NHF Code and has made appropriate changes to its governance arrangements.

The Board currently comprises 10 members and meets 4 times a year in addition to the Annual General Meeting. Two sub-committees, comprising Audit & Risk and Finance & General Purposes each meet twice a year.

#### REVIEW OF THE YEAR

This has been an exceptional year with many positive outcomes, including the following highlights:

A STATUS survey was carried out in the autumn of 2003 asking Ability tenants what they thought about their homes and the services they receive from Ability. 87.7% of tenants said that they were satisfied overall with the services that Ability provides. That represents a small improvement since we last surveyed tenants 5 years ago and is much better than the average for all housing associations, which is 78.7%.

Our survey also asked tenants how satisfied they are with opportunities to participate in decision making and management. Over three quarters (77.3%) were satisfied, compared to the average for all housing associations, which is 60%.

41 units of housing were added during the year through a mixture of direct development (31 units) and partnerships with Thames Valley HA (6), London & Quadrant HA (2) and East Thames HA (1). One unit has been added by re-designation of a guest room for a long-term letting at a care home.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
ABILITY HOUSING ASSOCIATION  
year ended 30 September 2004

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11 units have been taken out of management as part of the programme of reduction of shared housing (9 units by disposal, 2 by re-designation of a shared 3-bed bungalow to allow letting on a single tenancy to a family.

The net outcome is an increase of 30 units in management, bringing the total to 369.

Housing Corporation ADP funding of just over £1 million was allocated to Ability through the traditional funding route, to provide 9 units of accommodation in London Borough of Merton (5), Reading (2) and Mole Valley (2). As the year ended, preparations were in hand to take occupation of 8 self-contained units on a short lease from Airways HS as replacement for a 6-bed residential care home.

The Board has agreed a new Partnerships Strategy, which will see Ability joining a development consortium led by Sovereign HA and also undertaking further development work in partnership with Thames Valley HA and East Thames HG. As the year ended, discussions had commenced with Swaythling HA and Drum HG to agree development opportunities in East Hampshire, Havant and Southampton at the request of the respective local authorities.

Agreement has been reached with Airways HG to bring to an end the alliance agreement signed in 1999.

In January, Ability was awarded Construction Client mini-Charter status. A detailed improvement plan has been set out and approved; this includes measures to increase consultation and involvement in projects and raise the emphasis on environmental issues.

Despite administering authorities being subject to a real-terms cut in funding for Supporting People, Ability has seen a small increase in SP contract income. With authorities under pressure to identify substantial savings now and into the future, the service review programme has been especially rigorous and challenging. Despite the austerity of the service review environment, Ability has performed well overall with exceptional results being achieved in Surrey and Essex. To date, no steady state contracts have been issued and negotiations continue with several administering authorities to put contracts on a more flexible footing.

The pilot web-based Disability Housing Register (DHR) that was launched in Reading in May 2003 received mass exposure this year, being debated in committee stages of both the Disability Bill and Housing Bill and attracting national press coverage including in The Times, Housing Today and Inside Housing.

The Chief Executive has presented the DHR at conferences and forums throughout the country, raising the profile of Ability as well as the DHR concept.

Work began in September, in partnership with Fresh Interactive Media, on the next generation DHR, which will be multi-authority and potentially a regional, if not national, resource. Between 6 and 12 local authorities are expected to sign up to the new DHR when it launches early in 2005.

In January our Investors in People accreditation was confirmed following an assessment. The same month a Leadership Development Programme was launched to support and accelerate the development of our emerging leaders.

Our 'Core Training' programme for Housing Support Workers, developed in partnership with SITRA received national accreditation with the Open College Network as a level 3 certificate.

The Board was further strengthened by the addition of Heather Bowman, who brings wealth of experience of supported housing in the RSL sector.

The Association continued to enjoy a good relationship with the Housing Corporation and received another positive Housing Corporation Assessment and Financial Viability Review, with four green traffic lights.

We are proud of all of these achievements which, together with our positive assessment from the Housing Corporation, are moving us closer to our goal of being regarded as a 'first choice' provider of specialist housing and support services for disabled people.

STATEMENT OF BOARD RESPONSIBILITIES

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
ABILITY HOUSING ASSOCIATION  
year ended 30 September 2004

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Housing association and company law requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the income and expenditure for that period. In preparing those financial statements, the Board is required to:

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

The Board is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Association and to enable them to ensure that the financial statements comply with the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000. It is also responsible for safeguarding the assets of the Association and hence for taking steps for the prevention and detection of fraud and other irregularities.

#### INTERNAL CONTROLS ASSURANCE

The Board is responsible for maintaining a satisfactory system of internal controls. It acknowledges that no system of control can provide absolute assurance against material misstatement or loss but the measures in place provide reasonable assurance as to the above.

The principal means of identifying, evaluating and managing internal controls assurance are:

- financial and other policies which lay down regulations for investment, borrowing, delegation of authority to place orders and make payments. The policies are reviewed annually by the Board.
- corporate governance and management structures to provide balance and focus
- a budget is approved by the Board annually and reports presented quarterly of performance against it identifying and explaining variances. A detailed quarterly management information report, including key performance indicators is included.
- quarterly and annual accounts are presented to and approved by the Board
- an internal auditor is appointed by the Board to report directly to it in respect of compliance with the financial and other policies and procedures and to recommend good practice in these areas. His report for the period up to 30 September 2004 shows a satisfactory situation of internal control, commensurate with the size of the Association, and the findings have been reported to the Board
- qualified and competent staff have been employed to undertake the day to day functions of the Association and to apply its policies, and have been provided with the resources to carry them out effectively. Their competency is assessed annually at a formal appraisal. An ongoing commitment to develop them effectively to improve performance is evidenced by our Investor in People accreditation.
- a policy and procedure for dealing with suspected fraud and whistleblowing
- a formal risk management approach to existing operations, new business and property developments: including ongoing review in each area of the Association's activities by staff, management and the board.

The process of identifying, evaluating and managing the risks and control issues faced by the Association is ongoing. It has been in place in the year under review and up to the date of approval of the annual report and accounts. The process is subject to regular review by the Board.

The Board has reviewed the effectiveness of the system of internal control on the basis of the criteria set out in the Housing Corporation circular "Internal Controls Assurance" and no weaknesses were found which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
ABILITY HOUSING ASSOCIATION  
year ended 30 September 2004

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During the year the Housing Corporation undertook a performance assessment, resulting in the award of four green lights under the categories of viability, governance, management and development.

EMPLOYEES

It is the Association's policy to recruit the best person for the job, regardless of age, sex, sexuality, disability, appearance, marital status, race or religious beliefs.

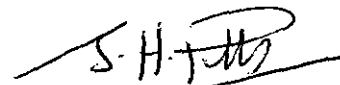
SENIOR STAFF (year to 30 September 2004)

David Williams BSc	-	Chief Executive
Kaye Periam BA, MBA (up to 30.06.04)-		Director Property and Development
Donna Marshall BA, ACA	-	Director of Finance and Resources

AUDITORS

Following a competitive tender, the Board recommended that a resolution to appoint Robson Rhodes be proposed at the annual general meeting.

By Order of the Board



Joanna Pitts  
Chairman

The Coach House  
Gresham Road  
Staines  
Middlesex  
TW18 2AE

23 February 2005

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
ABILITY HOUSING ASSOCIATION  
year ended 30 September 2004

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We have audited the financial statements of Ability Housing Association Limited for the year ended 30 September 2004 which comprise the income and expenditure account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the statement of Board's responsibilities the Board are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000. We also report to you if, in our opinion, the report of the Board is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

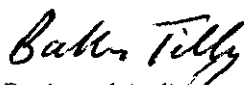
BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2004 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000.



Registered Auditor  
Chartered Accountants  
2 Bloomsbury Street  
London WC1B 3ST

30 June 2005

# Ability Housing Association

(a company limited by guarantee and not having a share capital)

## INCOME AND EXPENDITURE ACCOUNT

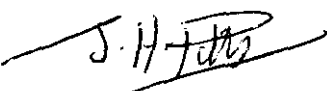
For the year ended 30 September 2004

	Note	2004 £	2003 £
TURNOVER	2	4,672,351	4,033,872
Operating costs	2	(3,920,706)	(3,533,039)
OPERATING SURPLUS	2	751,645	500,833
Donations		18,252	-
Interest receivable		40,568	17,388
Interest payable	4	(97,036)	(99,382)
Surplus on disposal of fixed assets		222,174	-
SURPLUS ON ORDINARY ACTIVITIES	5	935,603	418,839
Transfer to restricted reserves	18	-	-
Transfer from restricted reserves	18	-	-
Transfer to designated reserves	19	(150,000)	(150,000)
Transfer from designated reserves	19	32,236	78,760
SURPLUS FOR THE YEAR		817,839	347,599
Revenue reserves brought forward		1,908,174	1,560,575
REVENUE RESERVES CARRIED FORWARD		2,726,013	1,908,174

All amounts relate to continuing activities.

All recognised surpluses and deficits are included in the income and expenditure account, which has been prepared using historical cost accounting.


These financial statements were approved by the Board and signed on its behalf by:

  
JOANNA PITTS

Chairman

  
PETER CLELAND

Board member

  
DONNA MARSHALL

Secretary

Date of approval: 23<sup>rd</sup> February 2005

The notes on pages 9 to 20 form part of these financial statements.

# Ability Housing Association

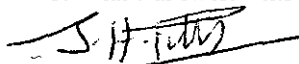
(a company limited by guarantee and not having a share capital)

## BALANCE SHEET

At 30 September 2004

	Note	2004 £	2003 £
<b>FIXED ASSETS</b>			
Tangible assets			
Housing properties at cost	9	18,173,215	17,107,813
Depreciation		(74,703)	(68,360)
Social housing grants		(14,352,742)	(13,536,953)
Other capital grants		(761,899)	(590,225)
		<u>2,983,872</u>	<u>2,912,225</u>
Other fixed assets	10	<u>438,349</u>	<u>483,313</u>
		<u>3,422,221</u>	<u>3,395,588</u>
<b>CURRENT ASSETS</b>			
Debtors	11	312,781	207,801
Cash at bank and in hand		<u>1,776,080</u>	<u>806,676</u>
		<u>2,088,861</u>	<u>1,014,477</u>
CREDITORS: amounts falling due within one year	12	<u>(636,140)</u>	<u>(448,884)</u>
<b>NET CURRENT ASSETS</b>		<u>1,452,721</u>	<u>565,593</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>4,874,942</u>	<u>3,961,181</u>
CREDITORS: amounts falling due after more than one year	13	<u>1,306,862</u>	<u>1,328,704</u>
<b>RESERVES</b>			
Restricted reserve	18	2,983	2,983
Designated reserve	19	839,084	721,320
Revenue reserves		<u>2,726,013</u>	<u>1,908,174</u>
		<u>3,568,080</u>	<u>2,632,477</u>
		<u>4,874,942</u>	<u>3,961,181</u>

These financial statements were approved by the Board and signed on its behalf by:



JOANNA PITTS

Chairman

  
PETER CLELAND

Board member



DONNA MARSHALL

Secretary

Date of approval: 23 February 2005

The notes on pages 9 to 20 form part of these financial statements.

# Ability Housing Association

(a company limited by guarantee and not having a share capital)

## CASH FLOW STATEMENT

For the year ended 30 September 2004

	Note	2004 £	2003 £
CASH FLOW FROM OPERATING ACTIVITIES	20	688,235	735,045
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest received		40,568	17,388
Interest paid		(97,036)	(100,125)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(56,468)	(82,737)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Acquisition and construction of housing properties		(1,534,230)	(2,021,251)
Social housing grant and other capital grants received		1,234,612	1,775,627
Purchase of other tangible fixed assets		(24,280)	(69,554)
Proceeds of disposal of fixed assets		683,377	-
		359,479	(315,178)
CASH INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		991,246	337,130
FINANCING			
Housing loans received	22	-	-
Housing loans repaid		(21,842)	(26,559)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING		(21,842)	(26,559)
INCREASE/(DECREASE) IN CASH IN THE YEAR		969,404	310,571

The notes on pages 9 to 21 form part of these financial statements.

# Ability Housing Association

(a company limited by guarantee and not having a share capital)

## NOTES ON THE FINANCIAL STATEMENTS

30 September 2004

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### 1 PRINCIPAL ACCOUNTING POLICIES

The Association is established under the Companies Act 1985 as a company limited by guarantee. It is registered with both the Charity Commissioners and the Housing Corporation.

The financial statements have been prepared in accordance with the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000, the Statement of Recommended Practice, "Accounting by Registered Social Landlords" and other applicable accounting standards.

#### BASIS OF ACCOUNTING

The financial statements are prepared on the historical cost basis.

#### TURNOVER

Turnover represents rental income receivable net of voids, fees and grants from local authorities and The Housing Corporation.

#### FIXED ASSETS AND DEPRECIATION

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

Freehold offices	-	2%
Plant, machinery and fixtures	-	25%
Motor vehicles	-	25%
Hostel furniture	-	25%
Computer equipment	-	33 $\frac{1}{3}$ %

#### HOUSING PROPERTIES

Housing properties are stated at cost, less capital grants receivable.

Depreciation on freehold housing properties is provided where material. Depreciation is calculated by reference to the building cost of the properties, less related grants, and the estimated remaining useful economic lives of the buildings. The estimated useful economic lives are up to 100 years, dependent on property type, age and condition.

Freehold land is not depreciated. Leasehold properties are depreciated on a straight line basis over the term of the lease.

Housing properties in the course of construction are stated at cost and are transferred into housing properties when completed. Cost includes directly attributable overheads wholly incurred in the course of construction.

#### IMPAIRMENT

In the event that any assets are impaired in value or, in the case of housing properties, in use, provisions are made to reduce the book value of the relevant assets to their value in use.

# Ability Housing Association

(a company limited by guarantee and not having a share capital)

## NOTES ON THE FINANCIAL STATEMENTS

30 September 2004

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### 1 PRINCIPAL ACCOUNTING POLICIES (continued)

#### WORKS TO EXISTING HOUSING PROPERTIES

The cost of works to existing housing properties which extend the useful economic lives of those properties, increase rental income or reduce on going costs are capitalised. The cost of any other works not meeting these criteria are expensed as incurred.

#### GRANTS

Capital grants received are shown as a deduction from the cost of fixed assets where these contribute towards capital expenditure, with any excess grants shown within creditors. Grants which relate to revenue expenditure are credited to the income and expenditure account as part of turnover.

#### PENSION COSTS

The cost of providing retirement pensions and related benefits is charged to the income and expenditure account over the periods benefiting from employees' services.

#### MAJOR REPAIRS

The Association designates reserves for future major repairs expenditure on all housing properties developed under the 1988 Housing Act arrangements and for other properties in so far as the major repairs expenditure is not eligible for grants from the Housing Corporation or local authorities.

The RSF re-investment fund for major repairs is set aside in a restricted reserve as required by Housing Corporation regulations.

#### AGENCY MANAGED SCHEMES

One of the Association's hostel schemes is managed on its behalf under an agency arrangement. As the Association retains all of the financial risk of managing this project, all of the income and expenditure and assets and liabilities relating to the scheme is included in these financial statements.

#### VALUE ADDED TAX

The Association is not registered for VAT, and therefore all amounts are inclusive of VAT.

#### OPERATING LEASES

Operating lease rentals are charged to the income and expenditure account on a straight line basis over the lease term.

# Ability Housing Association

(a company limited by guarantee and not having a share capital)

## NOTES ON THE FINANCIAL STATEMENTS

30 September 2004

### 2 TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Turnover £	Operating costs £	2004 Operating surplus £	Turnover £	Operating costs £	2003 Operating surplus £
<b>SOCIAL HOUSING LETTINGS</b> (NOTE 3)						
General needs	767,892	(541,979)	226,003	736,689	(519,434)	217,255
Supported housing & services	2,530,118	(2,072,713)	457,405	2,595,852	(2,225,328)	370,524
Residential care homes	857,492	(786,239)	71,253	587,138	(660,733)	(73,595)
Shared ownership	14,061	(2,687)	11,374	10,861	-	10,861
	<u>4,169,653</u>	<u>(3,403,618)</u>	<u>766,035</u>	<u>3,930,540</u>	<u>(3,405,495)</u>	<u>525,045</u>
<b>OTHER SOCIAL HOUSING ACTIVITIES</b>						
Management services	26,101	(10,557)	15,544	25,917	(10,316)	15,601
Development administration		(68,405)	(68,405)	54,950	(75,450)	(20,500)
Other	476,597	(438,126)	38,471	22,465	(41,778)	(19,313)
	<u>502,698</u>	<u>517,088</u>	<u>(14,390)</u>	<u>103,332</u>	<u>(127,544)</u>	<u>(24,212)</u>
	<u>4,672,351</u>	<u>3,920,706</u>	<u>751,645</u>	<u>4,033,872</u>	<u>(3,533,039)</u>	<u>500,833</u>

# Ability Housing Association

(a company limited by guarantee and not having a share capital)

## NOTES ON THE FINANCIAL STATEMENTS

30 September 2004

### 3 INCOME AND EXPENDITURE FROM LETTINGS

#### SOCIAL HOUSING

#### INCOME FROM LETTINGS

Rent receivable net of identifiable service charges  
Service charges receivable  
Care & support charges receivable

#### GROSS RENTS RECEIVABLE

Less: rent losses from voids

#### NET RENTS RECEIVABLE

Revenue grants from local authorities  
Major repair grants from The Housing Corporation  
Other grants from The Housing Corporation

#### TURNOVER FROM SOCIAL HOUSING LETTINGS

	General needs housing £	Supported housing £	Residential care Homes £	Shared ownership accommodation £	Total 2004 £	Total 2003 £
	546,718	555,536	58,726	13,500	1,174,480	1,040,103
	50,151	202,593	2,492	561	255,797	1,871,064
	186,547	1,814,634	19,591		2,020,772	9,620
	783,416	2,572,763	80,809	14,061	3,451,049	2,920,787
	(15,434)	(72,500)	(205)		(88,139)	(120,190)
	767,982	2,500,263	80,604		3,362,910	2,800,597
		29,855	744,234		774,089	671,639
			32,654		32,654	458,304
	767,982	2,530,118	857,492	14,061	4,169,653	3,930,540

# Ability Housing Association

(a company limited by guarantee and not having a share capital)

## NOTES ON THE FINANCIAL STATEMENTS

30 September 2004

3	INCOME AND EXPENDITURE FROM LETTINGS (continued)	General needs housing £	Supported housing £	Residential care Homes £	Shared ownership accommodation £	Total 2004 £	Total 2003 £
	EXPENDITURE ON LETTING ACTIVITIES						
	Property services	45,136	179,934	2,461	2,687	230,218	289,344
	Care and support service	158,565	1,542,439	716,831		2,417,835	1,623,376
	Management	156,296	212,482	60,767		429,545	1,177,691
	Routine maintenance	166,617	113,040	6,180		285,837	226,374
	Rent losses from bad debts	4,010	3,937			7,947	9,950
	Major repairs expenditure	11,355	20,881			32,236	78,760
	TOTAL EXPENDITURE ON LETTINGS	541,979	2,072,713	786,239	2,687	3,403,618	3,405,495
	OPERATING SURPLUS ON LETTING ACTIVITIES	226,003	457,405	71,253	11,374	766,035	525,045
	Service charges receivable eligible for housing benefit	46,420	167,733	1,273		215,426	1,823,023
	Service charges receivable not eligible for housing benefit	3,731	34,860	1,219	561	40,371	48,041
		50,151	202,593	2,492	561	255,797	1,871,064
	Average weekly assured tenancy rent in respect of housing accommodation including service charges eligible for housing benefit					79.70	£78.64
	Increase over the year					1.3 %	

# Ability Housing Association

(a company limited by guarantee and not having a share capital)

## NOTES ON THE FINANCIAL STATEMENTS

30 September 2004

4	INTEREST PAYABLE	2004 £	2003 £
	On housing loans:		
	Repayable wholly or partly in more than 5 years	97,036	100,125
	Deferred interest		(743)
		<u>97,036</u>	<u>99,382</u>
5	SURPLUS ON ORDINARY ACTIVITIES		
	Is stated after charging:		
	Depreciation	75,587	92,267
	Auditors' remuneration (inc. VAT):		
	- in their capacity as auditors	9,000	8,000
	- audit of hostels managed by agent	1,237	999
		<u></u>	<u></u>
6	TAXATION		
	The company is a registered charity and is exempt from corporation tax on its income and gains to the extent that these are applied for charitable purposes.		
7	DIRECTORS' EMOLUMENTS		
	The directors are defined as the Board members, the Chief Executive and members of the senior management team.		
	No Board members received any emoluments in the year.	2004 £	2003 £
	Aggregate emoluments of directors (including pension contributions and benefits in kind)	<u>133,722</u>	<u>141,168</u>
	Emoluments of the highest paid director (excluding pension contributions and including benefits in kind)	<u>64,701</u>	<u>56,593</u>
	Total expenses reimbursed to directors not chargeable to United Kingdom income tax	<u>5,555</u>	<u>6,398</u>
	<i>The Chief Executive is an ordinary member of the Association's pension scheme and no special pension arrangements exist.</i>		
8	EMPLOYEE INFORMATION	2004 Number	2003 Number
	Office staff	12	12
	Estate and tenant support staff	<u>110</u>	<u>106</u>
	Full time equivalents:		
	Office staff	11	11
	Estate and tenant support staff	<u>87</u>	<u>83</u>
	Staff costs (for the above persons):	£	£
	Wages and salaries	1,867,394	1,617,571
	Social security costs	171,103	144,195
	Pension costs (see note 16)	40,993	38,720
		<u>2,079,490</u>	<u>1,800,486</u>

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## NOTES ON THE FINANCIAL STATEMENTS

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9	TANGIBLE ASSETS	Completed freehold housing properties £	Completed leasehold housing properties £	Housing properties in the course of construction £	Shared ownership housing properties £	Total £
	<b>COST</b>					
	At 1 October 2003	11,255,353	3,615,864	1,383,940	852,656	17,107,813
	Additions	3,622	48,037	1,482,571		1,534,230
	Disposals	(277,512)			(191,316)	(468,828)
	Transfer of completed schemes	1,688,540	1,139,127	(2,827,667)		
	At 30 September 2004	12,670,003	4,803,028	38,844	661,340	18,173,215
	<b>DEPRECIATION</b>					
	At 1 October 2003	-	68,360	-	-	68,360
	Charge for the year		6,343			6,343
	At 30 September 2004		74,703			74,703
	<b>SOCIAL HOUSING GRANTS</b>					
	At 1 October 2003	9,381,327	2,705,471	957,397	492,758	13,536,953
	Additions			1,062,938		1,062,938
	Disposals	(230,615)			(16,534)	(247,149)
	Grants transferred for completed schemes	1,165,595	854,740	(2,020,335)		
	At 30 September 2004	10,316,307	3,560,211		476,224	14,352,742
	<b>OTHER CAPITAL GRANTS</b>					
	At 1 October 2003	296,206	17,001	252,200	24,818	590,225
	Additions			214,210		214,210
	Disposals	(42,536)				(42,536)
	Transferred from completed schemes	466,410		(466,410)		
		720,080	17,001		24,818	761,899
	<b>NET BOOK VALUE</b>					
	At 30 September 2004	1,633,616	1,151,114	38,844	160,298	2,983,872
	At 30 September 2003	1,577,820	825,032	174,343	335,080	2,912,275

Housing and hostel properties are insured on the basis of reinstatement costs for £ 24 million (2003 - £22 million).

All housing properties are for social housing use.

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10	OTHER FIXED ASSETS	Freehold office premises £	Office equipment and vehicles £	Hostel furniture £	Total £
	COST				
	At 1 October 2003	435,150	397,085	208,190	1,040,425
	Additions		16,885	7,395	24,280
	Disposals				
	At 30 September 2004	435,150	413,970	215,585	1,064,705
	DEPRECIATION				
	At 1 October 2003	51,797	320,643	184,672	557,112
	Charge for the year	8,704	46,603	13,937	69,244
	Disposals				
	At 30 September 2004	60,501	367,246	198,609	626,356
	NET BOOK VALUE				
	At 30 September 2004	374,649	46,723	16,977	438,349
	At 30 September 2003	383,353	76,442	23,518	483,313
11	DEBTORS: AMOUNTS RECEIVABLE WITHIN ONE YEAR			2004 £	2003 £
	Rental debtors			79,879	88,458
	Less: provision for bad debts			(26,189)	(17,078)
				53,690	71,380
	Prepayments and sundry debtors			259,091	136,421
				312,781	207,801
12	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR				
	Housing loans (see note 14)			16,000	16,000
	Capital creditors			24,396	24,396
	Other taxation and social security			-	45,559
	Other creditors			81,038	36,698
	Accruals and deferred income			514,706	326,231
				636,140	448,884

Included in creditors above is £289,686 (2003 : £Nil) relating to recycled capital grants.

The estimated average period between the receipt of invoices and their subsequent payment is not more than 30 days.

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30 September 2004

13	CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2004 £	2003 £
	Housing loans (see note 14)	1,253,750	1,275,592
	Social Housing Grant in excess of cost	53,112	53,112
		<u>1,306,862</u>	<u>1,328,704</u>

The social housing grant in excess of cost relates to shared ownership properties. The excess grant is repayable or recyclable as and when further tranches of the properties are sold.

### 14 HOUSING LOANS

Housing loans from local authorities and private lenders are repayable at varying rates of interest in instalments due as follows:

	2004 £	2003 £
Between one and two years	16,000	16,000
Between two and five years	34,000	34,000
In five years or more	1,203,750	1,225,592
	<u>1,253,750</u>	<u>1,275,592</u>
In one year or less	16,000	16,000
	<u>1,269,750</u>	<u>1,291,592</u>

This is represented by £256,000 at a fixed interest rate between 9.125% and 11.375%, and £1,013,750 at a variable interest rate between 5.45% and 7.84%.

The above loans are secured by way of charges over certain of the freehold properties. The amount secured is equal to the total liability at any time.

15	CAPITAL COMMITMENTS	2004 £	2003 £
	Authorised and committed	912,000	1,397,000
	Authorised and not contracted	1,985,000	1,350,000
		<u>2,897,000</u>	<u>2,747,000</u>

The capital commitments are to be funded by a Social Housing Grant (£1,883,000) and the balance from existing cash resources.

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30 September 2004

### 16 PENSION OBLIGATIONS

The Association participates in industry wide defined benefit and money purchase pension schemes known, respectively, as The Pensions Trust - Social Housing Pension Scheme ('SHPS') and The Pensions Trust - The Growth Plans. Each scheme had in excess of 18,000 members at the date of the valuations referred to below.

#### THE PENSIONS TRUST - SOCIAL HOUSING PENSION SCHEME

Two members of staff participate in the Social Housing Pension Scheme, which is a defined benefit scheme with assets held in separate funds administered by independent Trustees. The pension cost to the Association for the year was £16,743 (2003 : £15,908). This scheme is closed to new members.

The last formal valuation of the Scheme was performed as at 30 September 2002 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the last valuation date was £650 million.

The Association paid contributions at an average rate of 14.15% during the accounting period. Average member contributions varied between 2.55% and 5.55% depending on their age. Current contribution rates are 14.7% for employers and between 3.1% and 6.1% for employees. As the scheme is closed, employer contribution rates are subject to a 3% uplift.

It is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers. Due to the nature of the Scheme, the profit and loss account charge for the period under both SSAP24 and FRS17 represents the employer contribution payable.

The financial assumptions underlying the valuation were as follows:

	% pa.
Rate of return on future contributions	6.6
Rate of return on accumulated assets	7.2
Rate of salary increases	4.5
Rate of pension increases	2.5
Rate of price inflation	2.5

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

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

The long-term joint contribution rate required from employers with closed schemes and members to meet the cost of future benefit accrual was assessed as 18.0% of pensionable salaries.

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

#### THE PENSIONS TRUST - THE GROWTH PLANS

Twenty eight members of staff participate in The Growth Plans which is a money purchase scheme with assets held in separate funds administered by independent Trustees. The pension cost to the Association for the year was £ 24,250 (2003 : £22,812).

# Ability Housing Association

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## NOTES ON THE FINANCIAL STATEMENTS

30 September 2004

### 17 SHARE CAPITAL

The company which is incorporated under the Companies Act 1985, is limited by guarantee. No share capital is issued. The liability of each member is limited to £1, being the amount guaranteed.

18	RESTRICTED RESERVE - RENT SURPLUS FUND	2004 £	2003 £
	At beginning of year	2,983	2,983
	Transfer from income and expenditure account	-	-
	Transfer to income and expenditure account	-	-
	At end of year	<u>2,983</u>	<u>2,983</u>

19	DESIGNATED RESERVE - MAJOR REPAIRS	2004 £	2003 £
	At beginning of year	721,320	650,080
	Transfer from income and expenditure account	150,000	150,000
	Transfer to income and expenditure account	(32,236)	(78,760)
	At end of year	<u>839,084</u>	<u>721,320</u>

### 20 RECONCILIATION OF OPERATING SURPLUS TO CASH FLOW FROM OPERATING ACTIVITIES

Operating surplus	751,645	500,833
Depreciation	75,587	92,267
Donations	18,252	
Change in debtors	(122,331)	2,890
Change in creditors	187,256	139,055
Profit on disposal of fixed assets	(222,174)	
Cash flow from operating activities	<u>688,235</u>	<u>735,045</u>

### 21 RECONCILIATION OF NET CASH INFLOW/(OUTFLOW) TO MOVEMENT IN NET DEBT

Increase/(decrease) in cash in the year	939,404	310,571
Change in net debt resulting from cash flows	21,842	15,619
Deferred interest		743
Change in net debt	<u>991,246</u>	<u>326,933</u>
Net debt at beginning of year	(538,028)	(864,961)
Net debt at end of year	<u>453,218</u>	<u>(538,028)</u>

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## NOTES ON THE FINANCIAL STATEMENTS

30 September 2004

### 22 ANALYSIS OF NET DEBT

	At 1 October 2003 £	Cash flows £	Other changes £	At 30 September 2004 £
Cash at bank and in hand	806,676	969,404		1,776,080
Debt due after one year	(1,328,704)	21,842		(1,306,862)
Debt due within one year	(16,000)	16,000	(16,000)	(16,000)
	(1,344,704)	37,842	(16,000)	(1,322,862)
Total	(538,028)	37,842	(16,000)	453,218

### 23 HOUSING STOCK

The number of units of housing accommodation in management at 30 September was:

	2004 Number	2003 Number
General needs	167	134
Supported housing and care	194	199
Shared ownership	8	8
	369	341

In addition there are 9 units of staff accommodation in Supported Housing.

Details of hostels managed by agents are as follows:	Supported Housing Management Grant payable to agent £	Number of units managed by agent
AGENT		
North Surrey Group Scope	16,916	7

### 24 SOCIAL HOUSING GRANT

Total social housing grant received or receivable as at the year end was £ 14,352,742 (2003: £13,995,257) comprising capital grants of £14,352,742 (2003: £13,536,953) and revenue grants of £ nil (2003: £458,304). In the event that the properties to which these grants relate cease to be used for social housing purposes, the related grants may be required to be repaid.