

# Ability Housing Association

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

## FINANCIAL STATEMENTS

Year ended 30 September 2003



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 2003

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# Ability Housing Association

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

## DIRECTORS' REPORT

year ended 30 September 2003

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The directors, being the members of the Board, submit their report and financial statements for the year ended 30 September 2003.

### 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 Knevet		
Peter Wragg	-	Resigned 10 December 2003
Peter Cleland		
Michael Hoad		
John Daley		
Lesley Burton	-	Resigned 26 February 2003
Nasreen Bhatti	-	Co-opted 21 May 2003
Keith Hailstone	-	Co-opted 27 November 2003

### 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 year has been characterised by challenge and change – generated both internally and externally. The Board and management teams have responded to these by working together effectively to ensure that Ability has emerged stronger and better equipped for the future.

The implementation of *Supporting People* – the new framework for strategic planning, commissioning, funding and regulating housing-related support services – has dominated our work and is now a central feature of our business activities. During the year, we have successfully negotiated *Supporting People* contracts with 18 different administrative authorities.

# Ability Housing Association

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

## DIRECTORS' REPORT

year ended 30 September 2003

Whilst our first priority throughout this period of change has been to maintain continuity of service for our tenants and other users of our services, our staff and managers have also determinedly sought out and exploited new opportunities for service improvements and growth.

Despite the focus on *Supporting People*, we have still found time to review the role and structure of the Board and to introduce a new employment framework for our staff. We have also put in place new structures to support and encourage greater tenant involvement and have produced a new tenant handbook which has been enthusiastically received.

The UK's first web-based Disability Housing Register (DHR), a joint initiative by Ability, Reading Borough Council (RBC) and Reading NHS Primary Care Trust (PCT), was launched in May. It not only attracted national publicity and much interest from local authorities and professionals in the disability and housing sector but was also commended by Baroness Dean – then Chairman of the Housing Corporation - in a House of Lords debate on European Year of the Disabled Person.

Two new floating support services were established during the year. The first is for people with mental health-related support needs in Slough and the second is for people with physical or learning disabilities in Littlehampton, West Sussex.

Between October 2002 and 2003, ten units were acquired by purchase and repair to provide move-on housing: five in Merton for people with mental health related support needs; three in Havant and two in Reading for people with learning disabilities. The latter used capital provided by the Department of Health's Learning Disability Development Fund and the others were acquired with capital funding from the Housing Corporation.

A new-build scheme comprising three-units for shared-ownership was completed in Tower Hamlets. This has provided a rare opportunity for disabled people to step on to the housing ladder.

At the close of the year, three new-build schemes were on-site. The first is Jesse Terrace in Reading which will provide two wheelchair-standard bungalows. Courtwick Lane, Littlehampton is a scheme of six units of supported housing in self-contained flats for people with physical or learning disabilities. The third is Loddon Court, Wokingham providing eight units of self contained housing with support for people with learning disabilities.

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

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.

# Ability Housing Association

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

## DIRECTORS' REPORT

year ended 30 September 2003

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### 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 2003 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.

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.

# Ability Housing Association

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

## DIRECTORS' REPORT

year ended 30 September 2003

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### 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.

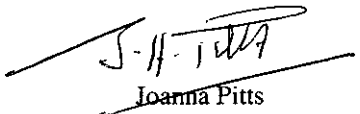
### SENIOR STAFF (as at 30 September 2003)

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

### AUDITORS

The Board recommends that a resolution to re-appoint Baker Tilly be proposed at the Annual General Meeting.

By Order of the Board



Joanna Pitts

Chairman

The Coach House  
Gresham Road  
Staines  
Middlesex  
TW18 2AE

25<sup>th</sup> February 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
ABILITY HOUSING ASSOCIATION  
year ended 30 September 2003

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We have audited the financial statements of Ability Housing Association Limited for the year ended 30 September 2003 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 2003 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.

*Baker Tilly*

Registered Auditor  
Chartered Accountants  
2 Bloomsbury Street  
London WC1B 3ST

*10 June* 2004

# Ability Housing Association

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

## INCOME AND EXPENDITURE ACCOUNT

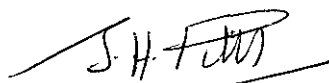
For the year ended 30 September 2003

	<i>Note</i>	2003 £	2002 £
TURNOVER	2	4,033,872	3,330,255
Operating costs	2	<u>(3,533,039)</u>	<u>(2,981,071)</u>
OPERATING SURPLUS	2	500,833	349,184
Interest receivable		17,388	36,709
Interest payable	4	<u>(99,382)</u>	<u>(103,256)</u>
SURPLUS ON ORDINARY ACTIVITIES	5	418,839	282,637
Transfer to restricted reserves	18	-	(13,645)
Transfer from restricted reserves	18	-	10,662
Transfer to designated reserves	19	(150,000)	(86,355)
Transfer from designated reserves	19	<u>78,760</u>	<u>26,263</u>
SURPLUS FOR THE YEAR		347,599	219,562
Revenue reserves brought forward		<u>1,560,575</u>	<u>1,341,013</u>
REVENUE RESERVES CARRIED FORWARD		<u>1,908,174</u>	<u>1,560,575</u>

All amounts relate to continuing activities.

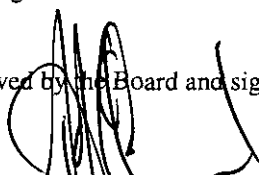
All recognised surpluses and deficits are included in the income and expenditure account, which has been prepared using historical cost accounting.

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



JOANNA PITTS

Chairman



PETER CLELAND

Board member

Donna Marshall

DONNA MARSHALL

Secretary

Date of approval: 25 February 2004

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



# Ability Housing Association

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## BALANCE SHEET

At 30 September 2003

	Note	£	2003 £	£	2002 £
<b>FIXED ASSETS</b>					
Tangible assets					
Housing properties at cost	9		17,107,813		15,086,562
Depreciation			(68,360)		(54,130)
Social housing grants			(13,536,953)		(12,182,236)
Other capital grants			(590,225)		(338,025)
			<u>2,912,275</u>		<u>2,512,171</u>
Other fixed assets	10		483,313		491,796
			<u>3,395,588</u>		<u>3,003,967</u>
<b>CURRENT ASSETS</b>					
Debtors	11	207,801		379,401	
Cash at bank and in hand		806,676		496,105	
		<u>1,014,477</u>		<u>875,506</u>	
CREDITORS: amounts falling due within one year	12	(448,884)		(320,769)	
			<u>565,593</u>		<u>554,737</u>
<b>NET CURRENT ASSETS</b>					
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
			<u>3,961,181</u>		<u>3,558,704</u>
CREDITORS: amounts falling due after more than one year	13		1,328,704		1,345,066
<b>RESERVES</b>					
Restricted reserve	18		2,983		2,983
Designated reserve	19		721,320		650,080
Revenue reserves			1,908,174		1,560,575
			<u>2,632,477</u>		<u>2,213,638</u>
			<u>3,961,181</u>		<u>3,558,704</u>

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

JOANNA PITTS

Chairman

PETER CLELAND

Board member

Donna Marshall

DONNA MARSHALL

Secretary

Date of approval: 25 February 2004

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

# Ability Housing Association

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## CASH FLOW STATEMENT

For the year ended 30 September 2003

	Note	£	2003 £	2002 £
CASH FLOW FROM OPERATING ACTIVITIES	20		735,045	462,179
RETURNS ON INVESTMENT AND SERVICING OF FINANCE				
Interest received		17,388	36,708	
Interest paid		(100,125)	(103,777)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(82,737)	(67,069)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Acquisition and construction of housing properties		(2,021,251)	(1,155,184)	
Social housing grant and other capital grants received		1,775,627	541,044	
Purchase of other tangible fixed assets		(69,554)	(64,678)	
Proceeds of disposal of fixed assets		-	7,000	
			(315,178)	(671,818)
CASH INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING			337,130	(276,708)
FINANCING				
Housing loans received	22	-	56,116	
Housing loans repaid		(26,559)	(16,000)	
NET CASH (OUTFLOW)/INFLOW FROM FINANCING			(26,559)	40,116
INCREASE/(DECREASE) IN CASH IN THE YEAR			310,571	(236,592)

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 2003

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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 2003

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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 they 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 2003

2	TURNOVER, COST OF SALES OPERATING COSTS AND OPERATING SURPLUS	2003			2002		
		Turnover £	Operating costs £	Operating surplus £	Turnover £	Operating costs £	Operating surplus £
	SOCIAL HOUSING LETTINGS (NOTE 3)						
	General needs	736,689	(519,434)	217,255	650,975	(457,662)	193,313
	Supported housing & services	2,546,998	(2,225,328)	318,670	1,451,051	(1,250,090)	200,961
	Residential care homes	638,992	(660,733)	(21,741)	1,144,355	(1,165,031)	(20,676)
	Shared ownership	10,861	-	10,861	8,566	(61)	8,505
		<u>3,930,540</u>	<u>(3,405,495)</u>	<u>525,045</u>	<u>3,254,947</u>	<u>(2,872,844)</u>	<u>382,103</u>
	OTHER SOCIAL HOUSING ACTIVITIES						
	Management services	25,917	(10,316)	15,602	25,567	(23,626)	1,941
	Development administration	54,950	(75,450)	(20,500)	29,207	(58,454)	(29,247)
	Other	22,465	(41,778)	(19,314)	20,534	(26,147)	(5,613)
		<u>103,332</u>	<u>(127,544)</u>	<u>(24,212)</u>	<u>75,308</u>	<u>(108,227)</u>	<u>(32,919)</u>
		<u>4,033,872</u>	<u>(3,533,039)</u>	<u>500,833</u>	<u>3,330,255</u>	<u>(2,981,071)</u>	<u>349,184</u>

# Ability Housing Association

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

## NOTES ON THE FINANCIAL STATEMENTS

30 September 2003

### 3 INCOME AND EXPENDITURE FROM LETTINGS

#### SOCIAL HOUSING

#### INCOME FROM LETTINGS

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

#### GROSS RENTS RECEIVABLE

Less: rent losses from voids

#### NET RENTS RECEIVABLE

Revenue grants from local authorities and other agencies  
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 2003 £	Total 2002 £
	522,882	446,831	59,529	10,861	1,040,103	1,017,291
	214,271	1,650,783	6,010	-	1,871,064	628,977
	4,475	-	5,145	-	9,620	115,587
	741,628	2,097,614	70,684	10,861	2,920,787	1,761,855
	(10,523)	(109,667)	-	-	(120,190)	(104,401)
	731,105	1,987,947	70,684	10,861	2,800,597	1,657,454
	-	218,997	452,642	-	671,639	1,106,282
	-	-	-	-	-	22,125
	5,584	388,908	63,812	-	458,304	469,086
	736,689	2,595,852	587,138	10,861	3,930,540	3,254,947

# Ability Housing Association

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

## NOTES ON THE FINANCIAL STATEMENTS

30 September 2003

### 3 INCOME AND EXPENDITURE FROM LETTINGS (continued)

#### EXPENDITURE ON LETTING ACTIVITIES

	General needs housing £	Supported housing £	Residential care Homes £	Shared ownership accommodation £	Total 2003 £	Total 2002 £
Property services	27,297	205,664	56,403	-	289,344	239,497
Care and personal service	23,667	1,121,360	478,349	-	1,623,376	1,238,494
Management	288,158	776,316	113,217	-	1,177,691	1,154,599
Routine maintenance	109,849	103,760	12,765	-	226,374	175,705
Rent losses from bad debts	8,126	1,824	-	-	9,950	5,500
Major repairs expenditure	62,337	16,424	-	-	78,760	59,049
<b>TOTAL EXPENDITURE ON LETTINGS</b>	<b>519,434</b>	<b>2,225,328</b>	<b>660,733</b>	<b>-</b>	<b>3,405,495</b>	<b>2,872,844</b>
<b>OPERATING SURPLUS ON LETTING ACTIVITIES</b>	<b>217,255</b>	<b>370,524</b>	<b>(73,595)</b>	<b>10,861</b>	<b>525,045</b>	<b>382,103</b>
Service charges receivable eligible for housing benefit	209,796	1,611,015	2,212	-	1,823,023	577,673
Service charges receivable not eligible for housing benefit	4,475	39,768	3,798	-	48,041	51,304
	214,271	1,650,783	6,010	-	48,041	628,977
<b>Average weekly assured tenancy rent in respect of housing accommodation including service charges eligible for housing benefit</b>					<b>78.64</b>	<b>£75.61</b>
<b>Increase over the year</b>					<b>4 %</b>	

# Ability Housing Association

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

## NOTES ON THE FINANCIAL STATEMENTS

30 September 2003

4	INTEREST PAYABLE	2003 £	2002 £
	On housing loans:		
	Repayable wholly or partly in more than 5 years	100,125	103,777
	Deferred interest	(743)	(521)
		<u>99,382</u>	<u>103,256</u>
5	SURPLUS ON ORDINARY ACTIVITIES		
	Is stated after charging:		
	Depreciation	92,267	80,657
	Auditors' remuneration (inc. VAT):		
	- in their capacity as auditors	8,000	7,755
	- audit of hostels managed by agent	999	1,023
		<u>9,999</u>	<u>8,778</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.	2003 £	2002 £
	Aggregate emoluments of directors (including pension contributions and benefits in kind)	<u>141,168</u>	<u>153,211</u>
	Emoluments of the highest paid director (excluding pension contributions and including benefits in kind)	<u>56,593</u>	<u>48,966</u>
	Total expenses reimbursed to directors not chargeable to United Kingdom income tax	<u>6,398</u>	<u>8,567</u>
	The Chief Executive is an ordinary member of the Association's pension scheme and no special pension arrangements exist.		
8	EMPLOYEE INFORMATION	2003 Number	2002 Number
	Office staff	12	12
	Estate and tenant support staff	106	77
	Full time equivalents:		
	Office staff	11	11
	Estate and tenant support staff	83	62
	Staff costs (for the above persons):	£	£
	Wages and salaries	1,617,571	1,345,380
	Social security costs	144,195	105,046
	Pension costs (see note 16)	38,720	31,773
		<u>1,800,486</u>	<u>1,482,199</u>



# Ability Housing Association

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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 2002	11,232,206	2,750,647	718,857	384,852	15,086,562
	Additions	23,147	-	-	-	2,021,251
	Transfer of completed schemes	-	865,217	(1,333,021)	467,804	-
	At 30 September 2003	11,255,353	3,615,864	1,383,940	852,656	17,107,813
	<b>DEPRECIATION</b>					
	At 1 October 2002	-	54,130	-	-	54,130
	Charge for the year	-	14,230	-	-	14,230
	At 30 September 2003	-	68,360	-	-	68,360
	<b>SOCIAL HOUSING GRANTS</b>					
	At 1 October 2002	9,381,327	2,073,856	407,671	319,382	12,182,236
	Additions	-	-	1,354,717	-	1,354,717
	Grants transferred for completed schemes	-	631,615	(804,991)	173,376	-
	At 30 September 2003	9,381,327	2,705,571	957,397	492,758	13,536,953
	<b>OTHER CAPITAL GRANTS</b>					
	At 1 October 2002	296,206	17,001	-	24,818	338,025
	Additions	-	-	252,200	-	252,200
		296,206	17,001	252,200	24,818	590,225
	<b>NET BOOK VALUE</b>					
	At 30 September 2003	1,577,820	825,032	174,343	335,080	2,912,275
	At 30 September 2002	1,554,673	605,660	311,186	40,652	2,512,171

Housing and hostel properties are insured on the basis of reinstatement costs for £22 million (2002 - £20.2 million).

All housing properties are for social housing use.

# Ability Housing Association

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## NOTES ON THE FINANCIAL STATEMENTS

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10	OTHER FIXED ASSETS	Freehold office premises £	Office equipment and vehicles £	Hostel furniture £	Total £
	COST				
	At 1 October 2002	435,150	351,026	198,412	984,588
	Additions	-	59,776	9,778	69,554
	Disposals	-	(13,717)	-	(13,717)
	At 30 September 2003	435,150	397,085	208,190	1,040,425
	DEPRECIATION				
	At 1 October 2002	43,093	280,417	169,282	492,792
	Charge for the year	8,704	53,943	15,390	78,037
	Disposals	-	(13,717)	-	(13,717)
	At 30 September 2003	51,797	320,643	184,672	557,112
	NET BOOK VALUE				
	At 30 September 2003	383,353	76,442	23,518	483,313
	At 30 September 2002	392,057	70,609	29,130	491,796
11	DEBTORS: AMOUNTS RECEIVABLE WITHIN ONE YEAR			2003 £	2002 £
	Rental debtors			88,458	79,363
	Less: provisions for bad debts			(17,078)	(5,500)
				71,380	73,863
	Social Housing Grant			-	168,710
	Prepayments and sundry debtors			136,421	136,828
				207,801	379,401
12	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR				
	Housing loans (see note 14)			16,000	16,000
	Capital creditors			24,396	35,336
	Other taxation and social security			45,599	37,606
	Other creditors			36,698	-
	Accruals and deferred income			326,331	231,827
				448,924	320,769

Included in creditors above is £Nil (2002 : £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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## NOTES ON THE FINANCIAL STATEMENTS

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13	CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2003 £	2002 £
	Housing loans (see note 14)	1,275,592	1,291,954
	Social Housing Grant in excess of cost	53,112	53,112
		<u>1,328,704</u>	<u>1,345,066</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:

	2003 £	2002 £
Between one and two years	16,000	17,000
Between two and five years	34,000	38,000
In five years or more	1,225,592	1,236,954
	<u>1,275,592</u>	<u>1,291,954</u>
In one year or less	16,000	16,000
	<u>1,291,592</u>	<u>1,307,954</u>

This is represented by £259,680 at a fixed interest rate between 9.125% and 11.375%, and £1,031,912 at a variable interest rate between 6.00% and 7.49%.

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

15	CAPITAL COMMITMENTS	2003 £	2002 £
	Authorised and committed	1,397,000	579,647
	Authorised and not contracted	1,350,000	2,221,959
		<u>2,747,000</u>	<u>3,301,606</u>

The capital commitments are to be funded by a Social Housing Grant (£2,259,000) and the balance from existing cash resources, additional borrowing facilities and the anticipated sale proceeds (of some £500,000) of one freehold property. The loan facilities are currently available or are in the process of being negotiated.

# Ability Housing Association

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## NOTES ON THE FINANCIAL STATEMENTS

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### 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

Three 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 £15,908 (2002 : £11,356).

The last formal valuation of the Scheme for which details are available was performed as at 30 September 1999 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 £595 million.

The Association paid contributions at the rate of 12.6% during the accounting period. Member contributions vary between 1.6% and 5% depending on their age at the date of joining the scheme.

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	5.4
Rate of salary increases	4.5
Rate of pension increases	2.5
Rate of price inflation	2.5

The accumulated assets of the Scheme were assumed to earn the same return as if they had been invested in a portfolio comprising 100% U.K. equities for non-pensioner liabilities and 50% U.K. equities / 50% index-linked gilts for pensioner liabilities.

The valuation revealed a shortfall of assets compared with the value of liabilities of some £19 million (equivalent to a past service funding level of 97%). The employer's ongoing future service contribution rate, after allowing for changes in benefits, was 9.3% of pensionable salaries.

In view of the past service shortfall most employers (including the Association) are required to contribute at the standard rate of 10.6% of pensionable salaries in order to bring the value of assets and liabilities into balance. Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee contribution rate) of 15.0%. Employers that have closed the Scheme to new members are required to contribute at the rate of 12.6% to reflect the higher costs of a closed arrangement. A small number of employers are required to contribute at a different rate to the standard 10.6% 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.

# Ability Housing Association

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## NOTES ON THE FINANCIAL STATEMENTS

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### 16 PENSION OBLIGATIONS (continued)

A further actuarial valuation has been undertaken as at 30 September 2002. The number of members in the scheme was 38,679, comprising 22,801 active members, 12,295 deferred members and 3,583 pensioners.

The financial assumptions underlying the valuation were as follows:

- Rate of return on future contributions 7.1% per annum
- Rate of salary increase 4.5% per annum
- Rate of pension increases 2.5% per annum
- Rate of price inflation 2.5% per annum
- Rate on accumulated assets of 6.5% per annum.

The preliminary valuation revealed assets of £650 million and liabilities of £767 million, resulting in a net deficit of £117 million. To fund the deficit, future employee and employer contributions are to be 17.1% of pensionable salary as from April 2004, the increase being split equally as between employees and employers.

#### THE PENSIONS TRUST - THE GROWTH PLANS

Thirty seven 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 £22,812 (2002 : £20,417).

### 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	2003 £	2002 £
	At beginning of year	2,983	-
	Transfer from income and expenditure account	-	13,645
	Transfer to income and expenditure account	-	(10,662)
	At end of year	<u>2,983</u>	<u>2,983</u>

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19	DESIGNATED RESERVE - MAJOR REPAIRS	2003 £	2002 £		
	At beginning of year	650,080	589,988		
	Transfer from income and expenditure account	150,000	86,355		
	Transfer to income and expenditure account	(78,760)	(26,263)		
	At end of year	721,320	650,080		
20	RECONCILIATION OF OPERATING SURPLUS TO CASH FLOW FROM OPERATING ACTIVITIES				
	Operating surplus	500,833	349,184		
	Depreciation	92,267	80,657		
	Change in debtors	2,890	(25,500)		
	Change in creditors	139,055	57,838		
	Surplus on disposal of fixed assets	-	-		
	Cash flow from operating activities	735,045	462,179		
21	RECONCILIATION OF NET CASH OUTFLOW TO MOVEMENT IN NET DEBT	2003 £	2002 £		
	Increase / (Decrease) in cash in the year	310,571	(236,592)		
	Change in net debt resulting from cash flows	15,619	(40,116)		
	Deferred interest	743	521		
	Change in net debt	326,933	(276,187)		
	Net debt at beginning of year	(864,961)	(588,774)		
	Net debt at end of year	(538,028)	(864,961)		
22	ANALYSIS OF NET DEBT				
		At 1 October 2002 £	Cash flows £	Other changes £	At 30 September 2003 £
	Cash at bank and in hand	496,105	310,571	-	806,676
	Debt due after one year	(1,345,066)	10,559	5,803	(1,328,704)
	Debt due within one year	(16,000)	16,000	(16,000)	(16,000)
		(1,361,066)	26,559	(10,197)	(1,344,704)
	Total	(864,961)	337,130	(10,197)	(538,028)

# Ability Housing Association

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

## NOTES ON THE FINANCIAL STATEMENTS

30 September 2003

### 23 HOUSING STOCK

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

	2003 Number	2002 Number
General needs	134	154
Supported housing and care	199	165
Shared ownership	8	6
	<u>341</u>	<u>325</u>

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	<u>16,916</u>	<u>6</u>

### 24 SOCIAL HOUSING GRANT

Total social housing grant received or receivable as at the year end was £13,995,257 (2002 : £12,611,095) comprising capital grants of £13,536,953 (2002 : £12,182,236) and revenue grants of £458,304 (2002 : £428,859). 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.