1261380.

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

(formerly The Cheshire Foundation
Housing Association)

Financial Statements

Year ended
30 September 1999

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 1999

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ABILITY HOUSING ASSOCIATION
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REPORT OF THE BOARD
Year ended 30 September 1999

The directors being the members of the Board, submit their report and accounts for the year ended 30 September 1999.

BOARD MEMBERS

Mrs Jane Cooke	(Chairman)
Mr Keith Cook	(resigned August 1999)
Mr J. Cedric Dennis	
Mr Guy Eason	(resigned July 1999)
Mr Graham Faulkner	(resigned November 1998)
Mr Ashok Ghose	
Ms Phillippa Jones	(member from July 1998)
Mr Francis Markham	(member from May 1998)
Mrs Joanna Pitts	
Gino Mancini	(member from November 1998)
John Knevett	(member from November 1998)
Peter Wragg	(member from November 1998)

RESULTS AND DIVIDENDS

The results for the year are shown in the attached financial statements. The Association is a company limited by guarantee without a share capital, Company No 1261380. Therefore no dividend is payable to its members. It is also a Registered Charity, No. 271547.

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 9 members and meets 6 times a year in addition to the Annual General Meeting.

REVIEW OF THE YEAR

The Board of the Association undertook a comprehensive Risk Assessment exercise in the early months of the year. At the same time a review of the Business Plan was being undertaken and the two processes came together in the adoption of the new Business Plan for the period 1999 – 2000 in May 1999.

At the beginning of the year CFHA entered into an Alliance with Airways Housing Society, the first evidence of which was their financial support for the newly launched Berkshire Disabled Persons Housing Service, a section of CFHA.

CFHA and Airways also made a joint bid to Slough Borough Council for the provision of housing, support and care for 26 people with learning disabilities in the Borough. The result was the award of the contract to provide for 20 of them, who will be housed in property owned by Airways Housing Society and New Era Housing Association.

New developments of shared ownership and rented housing for people with physical disabilities are being undertaken with finance from both the Housing Corporation and Local Authorities.

During the latter part of the year the objectives of the Business Plan were beginning to be implemented most important of which was the decision to change the Association's name to Ability Housing Association. After the year end approval was sought from the Membership, Companies House, the Charities Commission and the Housing Corporation with a view to a launch in the spring of 2000.

The Housing Corporation's Best Value initiative, has been adopted, reviews of projects planned and a Benchmarking club joined.

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 departures 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 1997 and 1998. 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.

STATEMENT ON INTERNAL FINANCIAL CONTROL

The Board is responsible for maintaining a satisfactory system of internal financial control over the accounting records and transactions and for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

The Board acknowledges that no system of control can provide absolute assurance against material mis-statement or loss but the measures in place provide reasonable assurance as to the above.

The Association's internal financial control procedures include:

- Financial policies are in place which lay down regulations for investment, borrowing, delegation of authority to place orders and make payments.
- The Board reviews these policies annually.
- A budget is approved by the Board annually and reports presented quarterly of performance against budget.
- Quarterly and Annual Accounts are presented to and approved by Board.
- An Internal Auditor is appointed by 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 1999 shows a satisfactory situation of internal control, commensurate with the size of the Association, and has 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.

The Board has reviewed the effectiveness of internal financial control and no weaknesses were found which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements.

FIXED ASSETS

The changes in the fixed assets of the Association are shown in the notes to the financial statements.

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

Joyce Denny MA FRICS FCIH	Chief Executive
David Williams Bsc	Director Housing and Care Services
Philip Revnell ARICS	Development Manager
Chris Rogers BA, FCA	Finance and Administration Manager

AUDITORS

Following a competitive tender, the Board recommended that a resolution to appoint H.L.B. Kidsons be proposed at the annual general meeting.

YEAR 2000 COMPLIANCE

The Association has experienced no significant problems arising from the year 2000 date change. All information systems and service installations which utilise microchip date functions continue to operate satisfactorily. The Board believes that any future impact of date change problems will be negligible. The cost of implementing any action plans have been subsumed into the Association's recurring activities and have been expensed as incurred.

By order of the Board

JANE COOKE
Chairman

Date: 26 January 2000

ABILITY HOUSING ASSOCIATION
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REPORT OF THE AUDITORS ON COMPLIANCE WITH HOUSING CORPORATION CIRCULAR R2-18/96

To Ability Housing Association

In addition to our audit of the financial statements, we have reviewed the Board's statement on page 3 on the Association's compliance with the Housing Corporation's Circular R2-18/96, "Internal Financial Control and Financial Reporting" ("The Circular"). The objective of our review is to draw attention to any non-compliance with those paragraphs of the Circular which is not disclosed.

Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of the Association's system of internal financial control.

Opinion

With respect to the Board's statement on internal financial control on page 3, in our opinion the Board has provided the disclosures required by the Circular referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

BDO Stoy Hayward

BDO STOY HAYWARD
Chartered Accountants and Registered Auditors
RICHMOND UPON THAMES

Date: 31 January 2000

ABILITY HOUSING ASSOCIATION
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REPORT OF THE AUDITORS ON THE FINANCIAL STATEMENTS

To the members of Ability Housing Association

We have audited the financial statements on pages 7 to 22 which have been prepared under the accounting policies set out on pages 10 and 11.

Respective responsibilities of the board and auditors

As described on page 2 the Board is responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 Association's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Association's affairs as at 30 September 1999, and of its result 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 1997 and 1998.

BDO Stoy Hayward

BDO STOY HAYWARD
Chartered Accountants and Registered Auditors
RICHMOND UPON THAMES

Date: 31 January 2000

ABILITY HOUSING ASSOCIATION
(A company limited by guarantee and not having a share capital)

INCOME AND EXPENDITURE ACCOUNT
Year ended 30 September 1999

	Note	1999 £	1998 £
TURNOVER	2	2,230,062	2,381,919
Operating costs	2	(2,135,642)	(2,206,309)
OPERATING SURPLUS	2	94,420	175,610
Interest receivable		43,006	41,491
Interest payable	4	(103,540)	(76,699)
SURPLUS ON ORDINARY ACTIVITIES	5	33,886	140,402
Transfer to designated reserves	18	(85,898)	(121,280)
Transfer from designated reserves	18	4,670	24,989
Transfer to restricted reserves	19	(14,102)	(13,795)
Transfer from restricted reserves	19	44,206	4,034
(DEFICIT)/SURPLUS FOR THE YEAR		(17,238)	34,350
Revenue reserves brought forward		1,210,837	1,176,487
REVENUE RESERVES CARRIED FORWARD		1,193,599	1,210,837

All amounts relate to continuing activities.

All recognised surpluses and deficits are included in the income and expenditure account.

The notes on pages 10 to 22 form part of these financial statements.

ABILITY HOUSING ASSOCIATION
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BALANCE SHEET
30 September 1999

	Note	1999 £	1999 £	1998 £	1998 £
FIXED ASSETS					
Tangible assets	9				
Housing properties at cost			12,485,160		11,246,712
Depreciation			(35,446)		(29,980)
Social housing grants			(10,372,256)		(9,598,809)
Other capital grants			(318,025)		(309,587)
			1,759,433		1,308,336
Other fixed assets	10		498,883		546,140
			2,258,316		1,854,476
CURRENT ASSETS					
Debtors	11	77,034		80,192	
Cash at bank and in hand		960,557		804,604	
		1,037,591		884,796	
CREDITORS: amounts falling due within one year	12	(319,993)		(178,332)	
NET CURRENT ASSETS			717,598		706,464
TOTAL ASSETS LESS CURRENT LIABILITIES			2,975,914		2,560,940
CREDITORS: amounts falling due after more than one year	13		(1,290,702)		(909,614)
			1,685,212		1,651,326
RESERVES					
Designated reserves	18		457,969		376,741
Restricted reserves	19		33,644		63,748
Revenue reserves			1,193,599		1,210,837
			1,685,212		1,651,326

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

JANE COOKE
Chairman

GINO MANCINI
Board member

JOYCE DENNY
Secretary

Date of approval: 26 January 2000

The notes on pages 10 to 22 form part of these financial statements.

ABILITY HOUSING ASSOCIATION
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CASH FLOW STATEMENT
Year ended 30 September 1999

	Note	1999 £	1999 £	1998 £	1998 £
CASH FLOW FROM OPERATING ACTIVITIES	20		289,419		259,686
RETURNS ON INVESTMENT AND SERVICING OF FINANCE					
Interest received		43,006		41,491	
Interest paid		(102,967)		(73,538)	
NET CASH OUT FLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(59,961)		(32,047)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Acquisition and construction of housing properties		(1,212,375)		(1,005,024)	
Social housing grant and other capital grants received		780,445		549,000	
Purchase of other tangible fixed assets		(28,411)		(182,157)	
Proceeds on disposal of fixed assets		24		100,909	
			(460,317)		(537,272)
Cash outflow before use of liquid resources and financing			(230,859)		(309,633)
FINANCING	22				
Housing loans received		395,212		117,148	
Housing loans repaid		(8,400)		(7,740)	
NET CASH INFLOW FROM FINANCING			386,812		109,408
INCREASE/(DECREASE) IN CASH IN THE YEAR	22		155,953		(200,225)

The notes on pages 10 to 22 form part of these financial statements.

1 PRINCIPAL ACCOUNTING POLICIES

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 1997 and 1998, the Statement of Recommended Practice, "Accounting by Registered Housing Associations" (1994 SORP) 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%
Computer equipment	33 1/3%

Housing properties

Housing properties are stated at cost, less capital grants receivable. As freehold housing properties are maintained in a state of repair such that their estimated residual value is not less than their cost or valuation amount, (less social housing and other capital grants), no depreciation is charged on freehold properties. Leasehold properties are depreciated 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.

Grants

In accordance with the SORP all capital grants received are shown as a deduction from the cost of fixed assets where they contribute towards capital expenditure, or credited to the income and expenditure account where they contribute towards revenue expenditure.

Capitalisation of interest

Interest on the mortgage loan financing a development is capitalised up to the date of practical completion of the scheme.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

Deferred interest

The finance cost of loans is allocated to the income and expenditure account at a constant rate on the carrying amount of the debt at the balance sheet date.

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.

Cyclical repairs designated reserve

Due to the number of properties held and the establishment of regular programmes of repairs and maintenance, the Association only sets aside a designated reserve for future works if there is a time delay in actual costs incurred which are charged to the income and expenditure account.

Agency managed schemes

A number of the Association's hostel schemes are managed on its behalf under agency arrangements. Because the Association retains all of the financial risk of managing these projects, all of the income and expenditure and assets and liabilities relating to these schemes are included in these financial statements.

2 TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	1999 Turnover £	1999 Operating costs £	1999 Operating surplus £	1998 Turnover £	1998 Operating costs £	1998 Operating surplus £
Income and expenditure from lettings (note 3)						
Housing accommodation	448,228	(315,070)	133,158	310,466	(152,477)	157,989
Hostels	1,681,835	(1,726,887)	(45,052)	1,872,090	(1,867,723)	4,367
	2,130,063	(2,041,957)	88,106	2,182,556	(2,020,200)	162,356
Management Services	67,145	(50,273)	16,872	179,300	(147,934)	31,366
Other income and expenditure						
Development administration	17,891	(33,394)	(15,503)	-	(22,643)	(22,643)
Other	14,963	(10,018)	4,945	20,063	(15,532)	4,531
Operating surplus	2,230,062	(2,135,642)	94,420	2,381,919	(2,206,309)	175,610

3 INCOME AND EXPENDITURE FROM LETTINGS

	Housing Accommo-dation £	Hostels £	Total 1999 £	Total 1998 £
Income from lettings				
Rent receivable net of identifiable service charges	400,780	396,871	797,651	544,768
Service charges receivable	57,098	229,488	286,586	319,214
Care charges receivable	-	272,839	272,839	621,016
Gross rents receivable	457,878	899,198	1,357,076	1,484,998
Less: rent losses from voids	(9,650)	(23,333)	(32,983)	(25,937)
Net rents receivable	448,228	875,865	1,324,093	1,459,061
Revenue grant from local authorities and other agencies	-	378,995	378,995	328,560
Revenue grants from the Housing Corporation	-	426,975	426,975	394,935
Total income from lettings	448,228	1,681,835	2,130,063	2,182,556
Expenditure on letting activities				
Services	73,082	210,898	283,980	228,296
Care and personal service	-	831,904	831,904	1,020,906
Management	148,955	556,769	705,724	625,056
Routine maintenance	75,949	93,366	169,315	116,555
Rent losses/(gains) from bad debts	1,749	408	2,157	(601)
Major repairs expenditure	15,335	33,542	48,877	27,413
Other costs	-	-	-	2,575
Total expenditure on lettings	315,070	1,726,887	2,041,957	2,020,200
OPERATING SURPLUS ON LETTING ACTIVITIES	133,158	(45,052)	88,106	162,356
Services charges receivable eligible for housing benefit	57,098	173,066	230,164	272,244
Service charges receivable not eligible for housing benefit	-	56,422	56,422	46,970
	57,098	229,488	286,586	319,214
Average weekly assured tenancy rent in respect of housing accommodation including service charges eligible for housing benefit			69.21	66.51

4 INTEREST PAYABLE

	1999 £	1998 £
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than 5 years	102,664	73,841
Deferred interest	876	2,858
	103,540	76,699

5 SURPLUS ON ORDINARY ACTIVITIES

Is stated after charging:

Depreciation	81,110	75,257
Auditors' remuneration:		
- In their capacity as auditors	7,404	6,800
- Audit of hostels managed by agents	880	3,700

6 TAXATION

The company is a registered charity and is exempt from Corporation Tax.

7 DIRECTORS' EMOLUMENTS

The directors are defined as the Board members, the Chief Executive and any other person reporting directly to the Chief Executive or to the Board whose total emoluments exceeds £40,000 per annum.

	1999 £	1998 £
Aggregate emoluments of directors (including pension contributions and benefits in kind)	39,369	38,122
Emoluments of the highest paid director (excluding pension contributions and including benefits in kind)	35,591	34,454
Total expenses reimbursed to directors not chargeable to United Kingdom income tax	2,468	2,657

The Chief Executive is an ordinary member of the Association's pension scheme and no special pension arrangements exist.

8 EMPLOYEES INFORMATION

The average monthly number of persons employed during the year was:

	Number	Number
Office staff	11	8
Estate and tenant support staff	38	38
Staff costs (for the above persons)	£	£
Wages and salaries	666,107	611,200
Social security costs	52,895	52,004
Pension costs (see note 16)	24,952	22,286
	743,954	685,490

9 TANGIBLE ASSETS

	Completed freehold housing properties £	Completed leasehold housing properties £	Housing properties in the course of construction £	Shared ownership housing properties £	Total £
Cost					
At 1 October 1998	8,998,495	1,113,076	1,021,114	114,027	11,246,712
Additions	37,917	2,672	1,197,859	-	1,238,448
Transfer of completed schemes	1,059,164	1,054,282	(2,113,446)	-	-
At 30 September 1999	10,095,576	2,170,030	105,527	114,027	12,485,160
Depreciation					
At 1 October 1998	-	29,980	-	-	29,980
Charge for the year	-	5,466	-	-	5,466
At 30 September 1999	-	35,446	-	-	35,446
Social housing grants					
At 1 October 1998	7,738,621	826,831	965,845	67,512	9,598,809
Additions	19,425	1,738	752,284	-	773,447
Grant transferred for completed schemes	837,202	820,082	(1,657,284)	-	-
At 30 September 1999	8,595,248	1,648,651	60,845	67,512	10,372,256
Other capital grants					
At 1 October 1998	276,206	17,001	-	16,380	309,587
Addition	-	-	-	8,438	8,438
At 30 September 1999	276,206	17,001	-	24,818	318,025
Net book value					
At 30 September 1999	1,224,122	468,932	44,682	21,697	1,759,433
At 30 September 1998	983,668	239,264	55,269	30,135	1,308,336

Housing and hostel properties are insured on the basis of reinstatement costs for £15.5 million (1998: £13.7 million).

10 OTHER FIXED ASSETS

	Freehold office premises £	Office equipment and vehicles £	Hostel furniture £	Total £
Cost				
At 1 October 1998	423,797	227,603	136,907	788,307
Additions	3,339	13,396	11,676	28,411
Disposals	-	(398)	-	(398)
At 30 September 1999	427,136	240,601	148,583	816,320
Depreciation				
At 1 October 1998	8,439	117,779	115,949	242,167
Charge for the year	8,543	54,997	12,104	75,644
Disposals	-	(374)	-	(374)
At 30 September 1999	16,982	172,402	128,053	317,437
Net book value:				
At 30 September 1999	410,154	68,199	20,530	498,883
At 30 September 1998	415,358	109,824	20,958	546,140

11 DEBTORS

Amounts receivable within one year:

	1999 £	1998 £
Rental debtors	15,975	16,181
Grant receivable	-	1,610
Prepayments and sundry debtors	61,059	62,401
	77,034	80,192

12 CREDITORS

Amounts falling due within one year:

Housing loans	15,000	8,400
Grant received in advance	103,383	3,050
Capital creditors in respect of capital schemes	51,964	25,891
Accruals and deferred income	149,646	140,991
	319,993	178,332

13 CREDITORS

Amounts falling due after more than one year:	**1999**	**1998**
	£	**£**
Housing loans	1,290,702	909,614

In accordance with the accounting policy set out in note 1, deferred interest of £876 has been charged to the income and expenditure account (1998: £2,858).

14 HOUSING LOANS

Housing loans from local authorities and private lenders are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments due as follows:

	1999	**1998**
	£	**£**
Between one and two years	16,000	8,200
Between two and five years	35,000	24,000
In five years or more	1,239,702	877,414
	1,290,702	909,614
In one year or less	15,000	8,400
	1,305,702	918,014

15 CAPITAL COMMITMENTS

Authorised and committed	574,575	-
Authorised and not contracted	-	1,600,000
	574,575	1,600,000

16 PENSION OBLIGATIONS

Ability Housing Association participates in an industry wide defined benefit scheme as well as a money purchase pension scheme.

The Social Housing Pension Scheme

Four members of staff participate in the Social Housing Pension scheme. The cost to the Association for the year was £12,170.

The latest full valuation of that Scheme was at 30 September 1996.

The financial assumptions underlying the valuation were as follows:

- Rate of return on investments 9% per annum.
- Rate of salary increases 6.5% per annum.
- Rate of pension increases 4.5% per annum.
- Rate of dividend growth 4.5% per annum.

At the date of the last valuation, the actuarial assessed valuation of the Scheme's assets was £297 million (market value £328 million).

The valuation used the "projected unit credit" method.

The valuation has revealed an actuarial surplus of £29 million (10.9% of liabilities).

The surplus is being used to abate the contributions of existing employers' to 9.5% of pensionable salaries until 30 September 2009; new employers participating from 1 October 1997 will be required to contribute 10.6% of pensionable salaries in line with the assessed future service funding rate.

The Growth Plans

Eighteen members of staff participate in money purchase pension schemes which provide benefits based on members' contributions. The cost to the Association for the year was £12,782. The growth plans were valued at 30 September 1993. Total market value was shown as £250,840,000. The actuaries concluded that assets exceeded accrued liabilities by 6% assuming a real rate of return of 3.5%.

17 SHARE CAPITAL

The company is limited by guarantee. No share capital is issued.

18 DESIGNATED RESERVES

	1999 £	1998 £
At beginning of year	376,741	334,437
Transfer to restricted reserve (note 19)	-	(53,987)
Transfer from income and expenditure account	85,898	121,280
Transfer to income and expenditure account	(4,670)	(24,989)
At end of year	457,969	376,741

19 RESTRICTED RESERVE

At beginning of year	63,748	-
Transfer from designated reserves (note 18)	-	53,987
Transfer from income and expenditure account	14,102	13,795
Transfer to income and expenditure account	(44,206)	(4,034)
At end of year	33,644	63,748

20 RECONCILIATION OF OPERATING SURPLUS TO OPERATING CASH FLOWS

Operating surplus	94,420	175,610
Depreciation	81,110	75,257
Change in debtors	1,548	8,941
Change in creditors	112,341	8,056
Loss on disposal of fixed assets	-	(8,178)
	289,419	259,686

21 RECONCILIATION OF NET CASH INFLOW TO MOVEMENT IN NET DEBT

	1999 £	1998 £
Increase/(decrease) in cash in the year	155,953	(200,225)
Change in net debt resulting from cash flows	(386,812)	(109,408)
Deferred interest	(876)	(2,858)
Change in net debt	(231,735)	(312,491)
Net debt at beginning of year	(113,410)	199,081
Net debt at end of year	(345,145)	(113,410)

22 ANALYSIS OF NET DEBT

	At 1 October 1998 £	Cashflows £	Other changes £	At 30 September 1999 £
Cash at bank and in hand	804,604	155,953	-	960,557
Debt due after one year	(909,614)	(395,212)	14,124	(1,290,702)
Debt due within one year	(8,400)	8,400	(15,000)	(15,000)
	(918,014)	(386,812)	(876)	(1,305,702)
Total	(113,410)	(230,859)	(876)	(345,145)

23 HOUSING STOCK

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

	1999 £	1998 £
General needs	147	145
Supported housing and care	149	149
Shared ownership	1	1
	297	295

The above number of hostel units include 10 staff accommodation.

24 RELATED PARTY TRANSACTIONS

Ability Housing Association has an agency arrangement with the Leonard Cheshire Foundation.

A member of the Board of the Association, who resigned in November 1998 was an employee of the Leonard Cheshire Foundation. He is:

Graham Faulkner - Director of Development

The value of the Management Agreements and Service Contracts are made up as follows:

	£
Providing services at two homes, staff costs met by Ability Housing Association of	268,801
Central charge paid to Leonard Cheshire for two homes	2,427
	271,228

All the above transactions have been undertaken on a normal business basis and at arm's length.