

ABILITY HOUSING ASSOCIATION

Report and Financial Statements

For the year ended 30 September 2011

Registered Company No 1261380

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ABILITY HOUSING ASSOCIATION
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For the year ended 30 September 2011

Company registration number	1261380
Tenant Services Authority registration number	LH2174
Charity number	271547
Registered office and principal address	The Coach House Gresham Road Staines TW18 2AE
Board	John Daley (Chair) Michael Hoad Jane Coleman Rosemary Houseman Wendy Crichlow Keith Hailstone NabinaMitra (to 23 rd February 2011) Adrian Polisano David Brown (to 23 rd February 2011) Vince Mewett (appointed 23 rd February 2011) Jane Harrison (co-opted)
Chief Executive	David Williams BSc
Finance Director & Secretary	Donna Marshall BA ACA
Corporate Services Director	Richard Strudwick
Partnerships & Development Director	Steven Hurrell BSc
Bankers	Lloyds TSB Bank Plc 39 Threadneedle Street London EC2 R 8AU
Solicitors	Devonshires Salisbury House London EC2M 5QY
Auditors	Grant Thornton UK LLP Registered Auditors Chartered Accountants 202 Silbury Boulevard Central Milton Keynes MK9 1LW

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Report of the Board

The board presents its report and audited financial statements of Ability Housing Association (the association) for the year ended 30 September 2011

Principal activities and public benefit

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

The board confirms that it has referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the association's aims and objectives and in formulating future plans

Business review

Details of the association's performance for the year and future plans are set out in the Operating and Financial Review that follows this board report

Housing property assets

Details of changes to the association's fixed assets are shown in notes 9, 10 and 11 to the financial statements. Housing property values are considered in the Operating and Financial Review

Reserves

After transfer of the surplus for the year of £1,394,763 (2010 £1,214,977), at the year-end reserves amounted to £ 9,714,136 (2010 £8,348,836)

Payment of creditors

In line with government guidance, our policy is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier

Financial instruments

The association's approach to financial risk management is outlined in the Operating and Financial Review

Employees

The association is accredited as an Investor in People and has established an Information & Consultation Committee of elected staff representatives, who meet quarterly with executive directors to discuss issues relevant to employment. Salary levels are set in relation to the market and exceed the requirements of the National Minimum Wage

We are committed to equality of opportunity for all employees. We have a diverse workforce and have in place systems for monitoring the effectiveness of our diversity & inclusion policies

The association shares information on its objectives, progress and activities through regular office and departmental meetings

Health and safety

The board is aware of its responsibilities on all matters relating to health and safety. The association has employed an external advisor to prepare detailed health and safety policies and ongoing support and provides staff training and education on health and safety matters

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Board members and executive directors

The present board members and the executive directors of the association are set out on page 1. The board members are drawn from a wide background bringing together professional, commercial and local experience.

The executive directors are the chief executive and the other members of the association's senior management team. They hold no interest in the association's shares and act as executives within the authority delegated by the board.

Insurance policies indemnify board members and officers against liability when acting for the association.

Service contracts

The executive directors are employed on the same terms as other staff, their notice periods being three months.

Pensions

Two executive directors are members of the Social Housing Pension Scheme, a defined benefit final salary pension scheme. They participate in the scheme on the same terms as all other eligible staff. The Association contributes to the scheme on behalf of its eligible employees and offers a defined contribution scheme to all staff.

NHF Code of Governance

We are pleased to report that the association complies with the principal recommendations of the NHF Code of Governance (revised 2010).

At last year's Annual General Meeting held on 23 February 2011, John Daley was re-elected as Chair. Nabina Mitra stood down from the Board. Vince Mewett was co-opted to the Board in May 2010, and his appointment confirmed at the AGM. Jane Harrison was co-opted to the Board in May 2011, a resolution to appoint her will be put to the forthcoming AGM.

Tenant involvement

We actively encourage tenants' involvement in decision-making by promoting tenant involvement. We have one tenant board member and up to one-third of ordinary members may be tenants or service users. A customer panel and Customer services committee were established during the year to report to the Board.

Complaints

Our clear and simple complaints policy is issued to all customers. During the year we received 3 complaints that reached level 2 (formal resolution) of which 3 were resolved to the satisfaction of the complainants.

Internal controls assurance

The board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the association is ongoing, and has been in place throughout the period commencing 1 October 2010 up to the date of approval of the annual report and financial statements. The board receives and considers reports from management on these risk management and control arrangements at each meeting during the year.

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Key elements of the control framework include

- board approved terms of reference and delegated authorities for finance, audit and risk, human resources and customer services committees,
- clearly defined management responsibilities for the identification, evaluation and control of significant risks,
- robust strategic and business planning processes,
- biannual review of the risk map by the board,
- detailed financial budgets and forecasts for subsequent years,
- formal recruitment, retention, training and development policies,
- established authorisation and appraisal procedures for all significant new initiatives and commitments,
- regular reporting by senior management to the appropriate committee of key business objectives, targets and outcomes,
- board approved whistleblowing and anti-theft and corruption policies, and
- detailed policies and procedures in each area of the association's work

The board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the finance, audit & risk committee to regularly review the effectiveness of the system of internal control. The board receives reports from the committee together with minutes of meetings.

The means by which the finance audit & risk committee reviews the effectiveness of the system of internal control include considering risk reports, internal audit reports, management assurances, the external audit management letter and specialist reviews on areas such as supporting people, health and safety, housing services and property development. The committee has received the chief executive's annual review of the effectiveness of the system of internal control for the association, together with the annual report of the internal auditor, and has reported its findings to the board. The board has in turn conducted its own annual review of the effectiveness of the system of internal control.

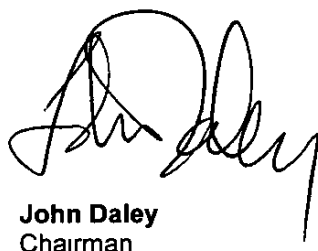
A fraud register is maintained and is reviewed by the audit committee on an annual basis. There were no reported frauds during the year.

The board is therefore satisfied that the systems of internal control are sufficiently robust and have been operating throughout the year.

External auditors

A resolution to re-appoint Grant Thornton UK LLP will be proposed at the forthcoming annual general meeting.


The report of the board was approved by the board on 25th January 2012 and signed on its behalf by



John Daley
Chairman



Michael Hoad
Board Member



Donna Marshall
Secretary

ABILITY HOUSING ASSOCIATION

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For the year ended 30 September 2011

Operating and Financial Review

Activities

Ability Housing Association is a Registered Provider (RP) and registered charity that specialises in providing people with housing and support services tailored to their individual needs to enable them to live more independent lives. These services include the provision of affordable, high quality accommodation for rent and shared ownership, including supported housing, floating support services, disability housing registers and adaptations services.

Ability aims to work strategically with local authorities and other Registered Providers in the South of England to help meet the local needs of disabled people, where Ability's expertise can assist with promoting independent living. Our pursuit of this aim is underpinned by these values:

Quality – a desire always to provide a high quality service and to strive to improve upon our standards and performance wherever possible,

Respect – being aware that our tenants and service users are individuals, each with their own unique needs and aspirations,

Value – ensuring that our housing and services are affordable, efficient and responsive to the needs of our tenants and service users, and

Integrity – encouraging a culture of openness, honesty and accountability

We commit ourselves to

- Putting our customers first,
- Continuously improving,
- Working in partnership, and
- Valuing diversity

The registered office is based in Staines and our properties are primarily in south-east England.

External influences

Nationally the level of Government subsidy for Supporting People activities will diminish substantially over the next few years, the formula for distributing subsidy between authorities is also likely to result in large shifts between different local authorities. Within this climate, opportunities to develop new supported housing will be constrained by uncertainty about the availability of revenue funding.

Existing services have and will continue to come under pressure as administrative authorities seek cost savings. Services will need to demonstrate quality, value for money and strategic relevance. We will need to identify efficiency savings in order to maintain operating margins and ensure service viability.

Housing associations are also expected to contribute to improved efficiency and value for money within the sector, and we are therefore faced with the challenging objectives of improving efficiency and quality of services within increasingly constrained resources.

Objectives and strategy

The association's objectives and strategy are set out in a five year business plan that is updated, reviewed and approved by the board each year. The four key strategies underpinning the 2009-2013 plan are summarised as follows:

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Partnerships and Development Strategy

Through partnerships to increase the supply of high quality affordable housing that meets the needs of our customers By 2013 we will have 750 homes in management, of which at least 700 will be fully self-contained and 638 owned

Service Improvement Strategy

To be renowned for providing customers with excellent services that are noted for choice, personalisation, flexibility and responsiveness We will increase from 85% to 90% the number of customers satisfied or very satisfied overall with the services we provide We will also increase from 500 to 1,000 the number of customers who are tenants or support service users

Human Resources Strategy

To optimise the contribution of our workforce by developing great leaders at all levels, rewarding achievement and being recognised as a "first choice" employer By 2013 we will be within the Sunday Times "Top 100 Small Companies to work for"

Financial Plan

To maintain our financial viability and independence We will achieve an operating surplus, after interest payable, in excess of 5% of turnover in each year of this plan The surplus will be used to finance investment in new homes

Performance and Development

The key indicators used by senior management and the board to monitor achievement of the association's objectives are set out below The board agrees targets each year that are designed to manage development and deliver continuous service improvement

	Objective	Indicator
Finance	<ul style="list-style-type: none">• achieve planned operating surplus• meet lenders' covenants	<ul style="list-style-type: none">• results compared to budget• performance against loan covenants
Development	<ul style="list-style-type: none">• achieve 750 decent, self contained homes by 2013	<ul style="list-style-type: none">• new units into management
Environment	<ul style="list-style-type: none">• achieve average SAP ratings of at least 82	<ul style="list-style-type: none">• results compared to target
Asset management	<ul style="list-style-type: none">• Reduction in the proportion of shared housing	<ul style="list-style-type: none">• number of shared units
Customer service	<ul style="list-style-type: none">• continuous improvement in standards of customer service	<ul style="list-style-type: none">• rent losses from voids/bad debts• rent arrears• repair response times• tenant satisfaction

Performance against these indicators is set out below

Finance

Excluding donation and legacy income of £60,422 (2010 £178,958) turnover from lettings has increased by £70,655 The increase arises from the addition of a total of 49 (net 29) housing units during the year and new Supporting People contract income from Windsor & Maidenhead which partly offset contract reductions in Essex, Hampshire, Reading and Slough Total costs of lettings activities have also increased by £31,744 to £7,160,633

The Operating surplus for the year excluding the donation and legacy received was £1,131,151 (13% of turnover) compared to a budget surplus of £1,120,000

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Other income and expenditure activities resulted in a net cost of £198,581 (2010 £143,798). This is in line with expectations and is attributable to development activities. Management services and sundry items contributed a surplus of £21,832 and the donations from Reap following the 2009 merger and other sources added £60,422.

Cash balances have decreased during the year from £1,011,220 to £230,966. Additional drawdowns of £1,400,000 were made during the year and the funds used for development activities. Current loan covenant requirements have been met.

Development

- A capital development bids programme has been identified which amounts to up to 62 new homes.
- The number of self-contained and decent homes in management has increased to 551 from 508, exceeding the target of 525.
- The total number of homes in management has increased to 604 from 575. Remodelling of shared housing has resulted in some reductions in unit count, added to which, some delays have been experienced with some schemes in development.

Asset management

- All homes met the decent homes standard by 31st March 2010.
- The number of shared housing units in management has decreased by 14 to 53 (8.7%), this is due to the remodelling or disposal of units under the asset management strategy.

Environment

- The average SAP (energy efficiency) rating of our housing stock has increased to 84 (2010 83), exceeding an original target of 82.

Customer service

Our performance is summarised below:

Rent losses from voids and bad debts

- Rent loss due to voids has increased to 1.92% from 1.18% in 2010, compared with a target of 1.5%.
- Average re-let time has declined to 30 days from 28 days, against a target of 28 days.

Rent arrears

- Rent arrears have increased to 3.53% from 3.17% in 2010 against a target of 3%.

Risks and uncertainties

The main risks that may prevent the association achieving its objectives are considered and reviewed six monthly by the senior management team and board as part of the corporate planning processes. The risks are recorded and assessed in terms of their impact and probability. Major risks, presenting the greatest threats to the association, are reported to the board six monthly together with action taken to manage the risks and the outcome of the action. These risk reports include assessments of key controls used to manage the risks. The association has identified the major risks to successful achievement of its objectives and these are considered below.

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Key risk	How Managed	Impact on strategic objectives
Dependency on Supporting People & revenue contracts	Identification of other funding sources, social care funding other business opportunities Increase housing stock to reduce proportion of turnover that is dependent upon short term contracts	Development, Finance
Change in government / regulatory policy	Accept the risk and monitor policy trends Build flexibility into plans	Development Customer services
Corporate Operations	Proactive relationship and communications strategy Evaluation of investment & business options	Asset management Development
Operating surplus deterioration	Reduce the risk by maintaining financial plan minimum Seek out new business opportunities meeting strategic criteria	Development Finance
Loan Funding	Implementation of interest rate & treasury strategy Monitoring of covenants	Finance Development
Property Development	Evaluation of development opportunities for sustainability Assessment of opportunities to maximise capacity in light of declining grant rates	Development Finance

Financial position

The association's income and expenditure account and balance sheet are summarised in Table 1 (page 12) and the following paragraphs highlight key features of the association's financial position at 30 September 2011

Accounting policies

The association's principal accounting policies are set out on pages 20 to 22 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include deduction of capital grant from the cost of assets and housing property depreciation. Each of these policies has remained unchanged during the period under review.

Housing properties

At 30 September 2011 the association owned 513 housing properties (2010: 480). The properties were carried in the balance sheet at cost (after depreciation and capital grant) of £16,569,015 (2010: £13,031,821).

Our investment in housing properties this year was funded through a mixture of social housing grant, loan funding and cash resources where we continue to show a strong current asset balance, an important indicator of liquidity.

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Pension costs

The association participates in two pension schemes, the Social Housing Pension Scheme (SHPS) and the Social Housing growth plan. One is a final salary scheme, the other money purchase. The group has contributed to the schemes in accordance with levels, set by the actuaries, of between 5% and 15.7%.

The last actuarial valuation of the SHPS was at 30 September 2008. Although the value of scheme assets has increased as anticipated in the last valuation, salary increases in excess of expected inflationary increases have been a contributory factor to higher scheme liabilities and we anticipate that our contributions to the scheme will increase beyond 15.7% of pensionable salaries in accordance with the pension trustees' recovery plan. We will continue to contribute to the scheme in line with the advice of independent actuaries.

Capital structure and treasury policy

The Association borrowed a further £1.4 million during the year, to develop housing. By the year end borrowings amounted to £7.8m of which £0.094m falls due to be paid within the next year as shown below.

Maturity	2011	2010
	£	£
Within one year	90,425	84,128
Between one and two years	90,425	84,128
Between two and five years	271,275	261,137
After five years	7,375,996	6,099,680
	<hr/>	<hr/>
	7,828,121	6,529,073

The association borrows, principally from banks and building societies, at both fixed and floating rates of interest. At the year-end, 62 per cent of the association's borrowings were at fixed rates.

The fixed rates of interest range from 1.765% to 11.375% and in the current market, where long term fixed rates have fallen below 5%, this means that the association is paying interest on part of its borrowing at rates substantially in excess of market levels. The amounts are small however and at present the breakage costs exceed the likely benefits. The situation is reviewed regularly. The association borrows and lends only in sterling and so is not exposed to currency risk.

The trend information in Table 1 (page 12) shows that gearing, calculated as total loans as a percentage of capital grants and reserves, has increased this year from 18% to 19% as a result of increased loan funding required to fund the development programme.

Cash flows

Cash inflows and outflows during the year are shown in the cash flow statement (page 20). The cash inflow from operating activities fell this year to £994,966 (2010: £1,177,946), reflecting cash used for property construction and operating surplus compensating in part for changes in working capital arising from the timing of invoice receipts.

Future developments

A key influence on the timing of borrowings is the rate at which development activity takes place. The board has approved plans to spend almost £7.5 million during the next three years to develop housing accommodation. We have undrawn facilities of £2.4 million and have commenced negotiations in respect of a new facility.

Statement of compliance

In preparing this Operating and Financial Review, the board has followed the principles set out in the SORP 2008.

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For the year ended 30 September 2011

Table 1 –highlights, five-year summary

For the year ended 30 September	2011	2010	2009	2008	2007
Income and Expenditure account (£'000)					
Total turnover	8,577	8,661	7,361	5,633	4,853
Income from lettings	8,468	8,398	7,146	5,503	4,721
Operating surplus	1,191	1,339	892	713	670
Surplus for the year transferred to reserves	1,394	1,215	794	749	592
Balance Sheet (£'000)					
Housing properties net of depreciation and grants	16,569	13,032	8,784	7,138	6,217
Other fixed assets	1,072	1,101	482	527	459
Fixed assets	17,641	14,133	9,266	7,665	6,676
Net current assets	209	822	396	682	186
Total assets less current liabilities	17,850	14,955	9,662	5,999	6,862
Loans (due over one year)	7,738	6,445	2,365	1,208	1,181
Other long term liabilities	398	161	126	53	53
Reserves designated	1,235	1,207	1,133	771	1,029
revenue	8,479	7,142	6,038	3,967	4,599
total	9,714	8,349	7,171	4,738	5,628
	17,850	14,955	9,662	5,999	6,862
Accommodation figures					
Total housing stock owned at year end (<i>number of dwellings</i>)	513	488	407	398	381
Social housing	505	480	399	390	373
Non-social housing	8	8	8	8	8
Statistics					
Surplus for the year as % of turnover	13.9	15.4	12.1	13.3	12.2
Surplus for the year as % of income from lettings	14.1	15.9	12.4	13.6	12.24
Rent losses (<i>voids and bad debts as % of rent and service charges receivable</i>)	1.92	1.18	3.82	3.41	3.30
Rent arrears (<i>gross arrears as % of rent and service charges receivable</i>)	3.53	3.17	3.16	3.82	3.33
Interest cover (<i>surplus before interest payable divided by interest payable</i>)	5.21	11.08	8.67	8.38	7.09
Liquidity (<i>current assets divided by current liabilities</i>)	1.15	1.76	1.47	1.48	1.54
Gearing (<i>total loans as % of capital grants plus reserves</i>)	19.1	18.1	7.7	5.0	4.69
Total reserves per home owned	£18,936	£17,107	£17,567	£16,022	£14,772

ABILITY HOUSING ASSOCIATION

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Statement of the responsibilities of the board for the report and financial statements

The board is responsible for preparing the report and financial statements in accordance with applicable law and regulations

Company law and housing legislation in the United Kingdom require the board to prepare financial statements for each financial year. Under that law the board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under housing legislation the board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the company for that period.

In preparing those financial statements the board is required to

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable United Kingdom Accounting Standards and the Statement of Recommended Practice Accounting by registered social landlords (2008), subject to any material departures disclosed and explained in the financial statements

The board is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable it to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006. It is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice Accounting by registered social landlords (2008).

The board is responsible for the maintenance and integrity of the corporate and financial information on the Company's website.

Going concern

After making enquiries, the board has a reasonable expectation that the Company equate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Annual general meeting

The annual general meeting will be held on 29th February 2012 at Southern Court, Reading.

Disclosure of information to auditors

At the date of making this report each of the company's directors, as set out on page 1, confirm the following:

- so far as each director is aware, there is no relevant information needed by the company's auditors in connection with preparing their report of which the company's auditors are unaware
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

External auditors

A resolution to re-appoint Grant Thornton UK LLP will be proposed at the forthcoming annual general meeting.

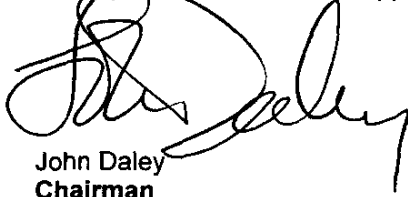
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Statement of compliance

In preparing this Operating and Financial Review and Board report, the board has followed the principles set out in the SORP 2008

The report of the board was approved by the board on 25th January 2012 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'John Daley', is written over the printed name and title.

John Daley
Chairman

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Independent auditor's report to the members of Ability Housing Association

We have audited the financial statements of Ability Housing Association for the year ended 30 September 2011 which comprise the income and expenditure account, the reconciliation of movement in company funds, the balance sheet, the cash flow statement, principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. 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 the board and the auditor

As explained more fully in the Statement of the responsibilities of the board set out on page 13, the board is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2011 and of its surplus for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Subarna Banerjee
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Central Milton Keynes

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Income and Expenditure Account	Note	2011	2010
		£	£
Turnover continuing activities	1	8,576,716	8,661,214
Operating costs	1	(7,385,143)	(7,321,864)
Operating surplus continuing activities	1	1,191,573	1,339,350
Profit / (Loss) on sale of fixed assets		430,459	(7,348)
Interest receivable and other income	5	1,467	3,465
Interest payable and similar charges	6	(228,736)	(120,490)
Surplus on ordinary activities before taxation		1,394,763	1,214,977
Surplus for the financial year		1,394,763	1,214,977

The notes on pages 23 to 38 form part of these financial statements

Historical cost surpluses and deficits were identical to those shown in the income and expenditure account

No other gains or losses in current or prior year

All of the above operations are classed as continuing

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RECONCILIATION OF MOVEMENTS IN COMPANY'S FUNDS

	2011	2010
	£	£
Opening total funds	8,348,836	7,171,332
Total recognised surpluses and deficits relating to the year	1,394,763	1,214,977
Transfer from designated reserve to capital additions	<u>(29,463)</u>	<u>(37,473)</u>
Closing total funds	<u>9,714,136</u>	<u>8,348,836</u>

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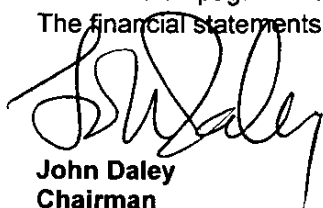
Company number 1261380

Balance Sheet at 30 September 2011

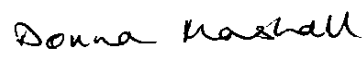
	Note	2011 £	2010 £
Tangible fixed assets			
Housing properties	9	47,893,411	40,663,349
Social housing grant	9	(24,408,288)	(23,446,990)
Other grants	9	(6,916,108)	(4,184,538)
		<u>16,569,015</u>	<u>13,031,821</u>
Other tangible fixed assets	11	1,072,295	1,100,591
		<u>17,641,310</u>	<u>14,132,412</u>
Current assets			
Debtors	12	1,409,816	891,856
Cash at bank and in hand		230,965	1,011,220
		<u>1,640,781</u>	<u>1,903,076</u>
Creditors: amounts falling due within one year	13	(1,431,837)	(1,080,707)
		<u>208,944</u>	<u>822,369</u>
Net current assets			
		<u>17,850,254</u>	<u>14,954,781</u>
Total assets less current liabilities			
		<u>17,850,254</u>	<u>14,954,781</u>
Creditors: amounts falling due after more than one year	14	8,136,118	6,605,945
Capital and reserves			
Major repairs reserve	17	1,002,304	944,154
Designated reserve	17	233,065	262,528
Revenue reserve	17	8,478,767	7,142,154
		<u>9,714,136</u>	<u>8,348,836</u>
Company's funds	17		
		<u>17,850,254</u>	<u>14,954,781</u>

The notes on pages 23 to 38 form part of these financial statements

The financial statements were authorised and approved by the Board on 29 February 2012


John Daley
Chairman


Michael Hoad
Board Member


Donna Marshall
Secretary

ABILITY HOUSING ASSOCIATION
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Cash Flow Statement	Note	2011 £	2010 £
Net cash inflow from operating activities	18	994,966	1,177,946
Returns on investments and servicing of finance			
Interest received		1,467	3,465
Interest paid		(194,482)	(120,490)
Net cash outflow from returns on investments and servicing of finance		(193,015)	(117,025)
Capital expenditure and financial investment			
Purchase and construction of housing properties		(8,228,033)	(8,070,308)
Social housing grant - received		1,513,350	2,463,620
Other capital grant - received		2,784,945	1,337,193
Purchase of other fixed assets		(72,366)	(750,894)
Sale of other fixed assets		1,120,850	99,900
Net cash outflow from capital expenditure and financial investment		(2,881,254)	(4,920,489)
Net cash flow before financing			
Financing			
Loans received		1,400,000	4,211,800
Housing loans repaid		(100,952)	(82,091)
Net cash inflow from financing		1,299,048	4,129,709
(Decrease)/Increase in cash	19	(780,255)	270,141

ABILITY HOUSING ASSOCIATION

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Accounting policies

Legal status

The association is registered under the Companies Act 2006 as a company limited by guarantee. It is registered with both the Charity Commission and the Tenant Services Authority as a Registered Provider.

Basis of accounting

The financial statements of the association are prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP) and the Statement of Recommended Practice Accounting by registered social landlords, issued in January 2008 (SORP 2008) and comply with the Accounting Requirements for registered social landlords General Determination 2006.

Turnover

Turnover comprises rental income receivable in the year, service charges receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale and other services included at the invoiced value of goods and services supplied in the year and revenue grants receivable in the year. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

Value added tax

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

Interest payable

Interest payable is charged to the income and expenditure account in the year. No interest is capitalised.

Derivatives

The association does not currently employ derivatives in the management of interest rates.

Pensions

The group participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) and the Local Government pension scheme under a TUPE transfer agreement and one multi-employer defined contribution scheme. For the SHPS, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period.

Cost allocation

Central and overhead costs are allocated proportionately to operational activities on the basis of turnover.

Supporting people

Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Housing properties

Housing properties are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, and expenditure incurred in respect of improvements.

Works to existing properties are works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover, and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

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Accounting policies (continued)

Donated land

Land donated by local authorities and others is added to cost at the market value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the increase in value between market value and cost is added to other grants. Where the donation is from a non-public source, the value of the donation is included as income.

Social housing grant

Social housing grant (SHG) is receivable from the Homes & Communities Agency (HCA) and is utilised to reduce the capital costs of housing properties, including land costs. SHG due from the HCA or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates. SHG is subordinated to the repayment of loans by agreement with the HCA. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

Other grants

Other grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

True and fair override

Under the requirements of the SORP, capital grants are shown as a deduction from the cost of housing properties on the balance sheet (see note 9). This is a departure from the rules under the Companies Act 2006 but in the opinion of the Board is a relevant accounting policy, comparable to that adopted by other registered social landlords and has been adopted in order to present a true and fair view.

Depreciation of housing properties

Freehold land is not depreciated. Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

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

Impairment

Housing properties are subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down is charged to operating surplus.

Other tangible fixed assets

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land.

The principal annual rates used for other assets are

Freehold offices	2%
Long leasehold property	Over life of lease
Furniture, fixtures and fittings	25%
Computers	33.3%
Motor vehicles	25%

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Leased assets

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the group's normal accounting policies. The present value of future rentals is shown as a liability.

The interest element of rental obligations is charged to the income and expenditure account over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

Properties for sale

Shared ownership first tranche sales, completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Liquid resources

Liquid resources are readily disposable current asset investments. They may include some money market deposits, held for more than 24 hours that can only be withdrawn without penalty on maturity or by giving notice of more than one working day.

Reserves

The association establishes *restricted reserves* for specific purposes where their use is subject to external restrictions and *designated reserves* where reserves are earmarked for a particular purpose.

Major repairs reserve

The association's commitment to fund other major repairs is recognised by the transfer from accumulated surpluses to the designated *major repairs reserve* - the amount is based on the expected future liabilities arising from the results of the association's latest stock condition survey.

Designated reserve

The association has transferred the legacy received in 2007 into a designated reserve which will be used to support the development and enhancement of its properties held for social housing lettings.

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NOTES TO THE FINANCIAL STATEMENTS

1 Particulars of turnover, cost of sales, operating costs and operating surplus

	2011 Turnover £	Operating costs £	Operating surplus £
Social housing lettings	8,468,533	(7,160,633)	1,307,900
Other social housing activities			
Development costs not capitalised	-	(198,581)	(198,581)
Management services	47,761	(25,929)	21,832
Donation & Legacy	60,422	-	60,422
	<u>108,183</u>	<u>224,510</u>	<u>(116,327)</u>
	<u>8,576,716</u>	<u>(7,385,143)</u>	<u>1,191,573</u>
	2010 Turnover £	Operating costs £	Operating surplus £
Social housing lettings	8,397,878	(7,128,889)	1,268,989
Other social housing activities			
Development costs not capitalised	-	(143,367)	(143,367)
Management services	63,010	(27,809)	35,201
Donation	178,958	-	178,958
Other	21,368	(21,799)	(431)
	<u>263,336</u>	<u>(192,975)</u>	<u>70,361</u>
	<u>8,661,214</u>	<u>(7,321,864)</u>	<u>1,339,350</u>

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NOTES TO THE FINANCIAL STATEMENTS

2	Particulars of income and expenditure from social housing lettings	2011				2010
		General needs housing £	Supported housing £	Care homes £	Low cost home ownership £	Total £
	Rent receivable net of identifiable service charges	853,210	1,625,481	54,727	11,933	2,331,798
	Service income	98,287	443,627	-	-	501,901
	Charges for support services	305,864	3,538,956	575,754	-	4,550,653
	Net rental income	1,257,361	5,608,064	630,481	11,933	7,384,352
	Other revenue grants	-	960,694	-	-	1,013,526
	Turnover from social housing lettings	1,257,361	6,567,758	630,481	11,933	8,397,878
	Management	(192,250)	(412,801)	(3,626)	(2,606)	(669,357)
	Services	(47,890)	(311,782)	(38,481)	-	(392,700)
	Routine maintenance	(90,295)	(292,486)	(244)	-	(356,697)
	Planned maintenance & major repairs	(251,196)	(108,992)	(12,704)	-	(319,873)
	Care & Support costs	(356,566)	(3,991,804)	(443,512)	-	(4,889,355)
	Bad debts	2,064	(6,219)	-	-	(4,603)
	Property lease charges	(250,200)	(255,014)	-	-	(426,975)
	Depreciation of housing properties	(19,644)	(74,385)	-	-	(69,329)
	Operating costs on social housing lettings	(1,205,977)	(5,453,483)	(498,567)	(2,606)	(7,128,889)
	Operating surplus on social housing lettings	51,384	1,115,275	131,914	9,327	1,268,989
	Void losses	8,662	43,355	-	-	33,902

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NOTES TO THE FINANCIAL STATEMENTS

3 Accommodation in management and development

At the end of the year accommodation in management for each class of accommodation was as follows

	2011	2010
	No	No
Social housing		
General housing	226	219
Supported housing	262	243
Low cost home ownership	5	6
Residential care homes	12	12
Total owned	<u>505</u>	<u>480</u>
Accommodation managed for others	91	87
Total managed	<u>596</u>	<u>567</u>
Non-social housing		
Respite Unit	8	8
Total owned and managed	<u>604</u>	<u>575</u>
Accommodation in development at the year end	<u>62</u>	<u>82</u>

4 Operating surplus

The operating surplus is arrived at after charging/crediting

	2011	2010
	£	£
Depreciation of housing properties	94,204	69,329
Depreciation of other tangible fixed assets	100,662	132,261
Operating lease rentals		
office equipment and computers	4,144	3,503
Auditors' remuneration (including VAT)		
- for audit services	8,060	10,193

5 Interest receivable and other income

	2011	2010
	£	£
Interest receivable and similar income	<u>1,467</u>	<u>3,465</u>

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NOTES TO THE FINANCIAL STATEMENTS

6 Interest payable and similar charges

	2011 £	2010 £
Loans and bank overdrafts	228,736	120,490

7 Employees

Average monthly number of employees expressed as full time equivalents

	2011 No	2010 No
Administration	11	12
Development	3	3
Housing, support and care	142	152
	<u>156</u>	<u>167</u>

Employee costs

	2011 £	2010 £
Wages and salaries	3,805,169	3,748,958
Social security costs	346,791	350,392
Other pension costs	79,985	83,733
	<u>4,231,855</u>	<u>4,183,083</u>

Social Housing Pension Scheme

The association participates in the Social Housing Pension Scheme (SHPS or the Scheme), a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme and employer participation in the Scheme is subject to adherence with the employer responsibilities and its obligations as set out in the "SHPS House Policies and Rules Employer Guide".

The Scheme actuary has stated that it is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, the accounting charge for period under FRS17 represents the employer contribution payable. During the accounting period the association paid contributions at the rate of 19.3% (2010 19.3%). Member contributions were 6.1%.

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NOTES TO THE FINANCIAL STATEMENTS

The association has closed the Scheme to new members and at the balance sheet date there were two active members of the Scheme

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due.

The last valuation of the scheme was at 30 September 2008 by a professionally qualified actuary using the Projected Unit Method. The market value of the scheme's assets at that date was £1,527 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £663 million, equivalent to a past service funding level of 70%.

The financial assumptions underlying the valuation were as follows:

	% per annum
Investment return pre retirement	7.8
Investment return post retirement	6.2
Pensioner post retirement	5.6
Pensionable earnings growth	4.7
Rate of pension increases pre 88 GMP	0.0
Rate of pension increases post 88 GMP	2.8
Excess over GMP	3.0
Rate of price inflation	3.2

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

The valuation was carried out using the following demographic assumptions: Mortality pre retirement PA92 year of birth, long cohort projection, minimum improvement 1% p.a. Mortality post retirement – 90% S1PA year of birth, long cohort projection, and minimum improvement 1% p.a.

The long term contribution rates that applied from April 2010 required from employers and members to meet the cost of future benefit accrual depend on the benefit structure agreed by the employer. The association has elected to operate the "final salary with a 1/60th accrual rate benefit structure" for active members at 1st April 2007. The association's long-term joint contribution rate, as a percentage of pensionable salaries, has been assessed as 17.8%.

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall. Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £663 million would be dealt with by the payment of deficit contributions of 7.5% of pensionable salaries, increasing each year in line with salary growth assumptions from 1st April 2010 to 30 September 2020, dropping to 3.1% from October 2020 to 30 September 2023. Pensionable earnings at 30 September 2008 are used as the reference point for calculating these deficit contributions. These deficit contributions are in addition to the long term joint contribution rates and vary between employers, depending on when they joined the Scheme and their on-going participation.

Employers that have closed the scheme to new entrants, including the association, are required to pay an additional employer contribution loading of 3% to reflect the higher costs of a closed arrangement. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

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A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable must be sent to the Pensions Regulator. The Regulator has the power under part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the SHPS Scheme and confirmed that, in respect of the September 2005 actuarial valuation it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004. A copy of the recovery plan in respect of the 30th September 2008 valuation will be forwarded to the regulator in due course.

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis, i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed the assets there is a buy-out debt. The leaving employer's share of the buy out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total scheme liabilities, scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the scheme as at 30 September 2008. The association's estimated employer debt was £1,325,000.

Pensions Trust's Growth Plan

The association participates in the Pensions Trust's Growth Plan (the Growth Plan or the Plan) which is funded and not contracted out of the state scheme. The Growth Plan is a multi-employer pension plan. Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity. The rules of the Growth Plan allow for the declaration of bonuses and/ or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/ investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

At the balance sheet date there were 36 active members of the Plan employed by the association which continues to offer membership of the Plan to its employees. It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The rules of the Growth Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

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NOTES TO THE FINANCIAL STATEMENTS

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The main purpose of the valuation is to determine the financial position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns. If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them. Both the association and the members paid contributions at the rate of 5% during the accounting period.

The last valuation of the Plan was performed at 30 September 2008 by a professionally qualified actuary using the Projected Unit Method. The market value of the scheme's assets at that date was £742 million and the Plan's Technical provisions (i.e. past service liabilities) were £771 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a past service funding level of 96%.

The financial assumptions underlying the valuation were as follows:

	% per annum		% per Annum
Investment return pre retirement	7.6	Investment return pre retirement	6.6
Investment return post retirement		Investment return post	4.5
Actives / Deferreds	5.1	Bonuses on accrued benefits	0.0
Pensioners	5.6	Rate of price inflation	2.5
Bonuses on accrued benefits	0.0		
Rate of price inflation	3.2		

In determining the investment return assumptions the Trustee considered professional actuarial advice relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment assumptions, such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall. In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30 September 2008) will be cleared within 10 years if the investment returns from assets are in line with the "best estimate" assumptions. "Best estimate" means that there is a 50% expectation that the return will be in excess of that assumed and a 50% chance that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 8.4% per annum pre-retirement and 5.1% per annum post retirement (actives and deferreds) and 5.6% per annum post retirement (pensioners).

A copy of the recovery plan must be sent to the Pensions Regulator. The Regulator has the power under part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the scheme (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation will be forwarded to the regulator in due course. The next full actuarial valuation will be carried out as at 30 September 2011.

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NOTES TO THE FINANCIAL STATEMENTS

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up. The debt for the Plan as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis, i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed the assets there is a buy-out debt. The leaving employer's debt includes a share of any "orphan" liabilities in respect of previously participating employers and the amount of the debt depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time. The association's estimated debt on withdrawal is currently £144,725.

Surrey County Council Pension scheme

The association makes payments as an Admitted Body to the Surrey County Council Pension Fund for employees who were members of that scheme on 1st April 2008 under the terms of a TUPE transfer. This is a funded defined benefit scheme that covers Surrey County Council employees and Scheduled and Admitted Bodies under the Local Government Pension Scheme Regulations 1997.

The association has been notified by the Scheme Administrator that they are unable to satisfactorily identify the association's share of the underlying Scheme assets and liabilities as at 30 September 2011 and accordingly the pension costs are accounted for as defined contribution.

The total employer contribution payable in the year was £ 25,740 (2010 £26,000). At 30 September 2011 the association had 5 active members in the fund.

Friends Provident Stakeholder Pension

The association makes payments into a defined contribution stakeholder pension scheme operated by Friends Provident for employees who were members of the scheme on 1st February 2009 when the association took the transfer of engagements from Reap Resettlement Agency. At 30 September 2011 there was 1 active member in the scheme and contributions totalled £2,758 for the year (2010 £5,345).

8 Board members and executive directors

	2011	2010
Aggregate emoluments of directors (including pension contributions)	258,886	313,331
Emoluments of the highest paid director (excluding pension contributions and including benefits in kind)	102,670	98,122
Total expenses reimbursed to directors not chargeable to UK income tax	8,285	10,834

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £102,670 (2010 £98,122).

The Chief Executive is a member of the Social Housing Pension Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The association does not make any further contribution to an individual pension arrangement for the Chief Executive.

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NOTES TO THE FINANCIAL STATEMENTS

9 Tangible fixed assets - properties

Housing properties	Freehold Social housing properties held for letting	Leasehold housing properties held for letting	Total housing properties held for letting	Housing properties for letting under construction	Completed shared ownership housing properties	Total housing properties
Cost	£	£	£	£	£	£
At 1 October 2010	21,410,024	12,985,950	34,395,974	5,556,950	978,681	40,931,605
Additions	-	-	-	8,301,844	-	8,301,844
Works to existing properties	42,175	38,643	80,818	-	-	80,818
Schemes completed	7,091,136	1,217,244	8,308,380	(8,308,380)	-	-
Disposals	(446,489)	-	(446,489)	-	(611,907)	(1,058,396)
At 30 September 2011	<u>28,096,846</u>	<u>14,241,837</u>	<u>42,338,683</u>	<u>5,550,414</u>	<u>366,774</u>	<u>48,255,871</u>
Depreciation and impairment						
At 1 October 2010	32,578	235,678	268,256	-	-	268,256
Charged in year	49,037	45,167	94,204	-	-	94,204
Released on disposal	-	-	-	-	-	-
At 30 September 2011	<u>81,615</u>	<u>280,845</u>	<u>362,460</u>	<u>-</u>	<u>-</u>	<u>362,460</u>
Social housing grant						
At 1 October 2010	12,542,413	7,955,201	20,497,614	2,473,152	476,224	23,446,990
Additions	-	-	-	1,513,350	-	1,513,350
Schemes completed	1,593,000	568,000	2,161,000	(2,161,000)	-	-
Disposals	(311,164)	-	(311,164)	-	(240,888)	(552,052)
At 30 September 2011	<u>13,824,249</u>	<u>8,523,201</u>	<u>22,347,450</u>	<u>1,825,502</u>	<u>235,536</u>	<u>24,408,288</u>
Other capital grant						
At 1 October 2010	2,283,676	548,001	2,831,677	1,277,193	75,668	4,184,538
Additions	-	-	-	2,784,945	-	2,784,945
Schemes completed	2,255,613	-	2,255,613	(2,255,613)	-	-
Disposals	(28,557)	-	(28,557)	-	(24,818)	(53,375)
At 30 September 2011	<u>4,510,732</u>	<u>548,001</u>	<u>5,058,733</u>	<u>1,806,525</u>	<u>50,850</u>	<u>6,916,108</u>
Net book value						
At 30 September 2011	<u>9,680,250</u>	<u>4,889,790</u>	<u>14,570,040</u>	<u>1,918,387</u>	<u>80,588</u>	<u>16,569,015</u>
At 30 September 2010	<u>6,551,357</u>	<u>4,247,070</u>	<u>10,798,427</u>	<u>1,806,605</u>	<u>426,789</u>	<u>13,031,821</u>

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10 Tangible fixed assets - properties

Expenditure on works to existing properties

	2011	2010
	£	£
Amounts capitalised	80,818	85,221
Amounts charged to the income and expenditure account	372,892	319,873
	<u>453,710</u>	<u>405,094</u>

Social housing grant

	2011	2010
	£	£
Total accumulated social housing grant received or receivable at 30 September		
Capital grant	24,408,288	23,446,990
	<u>24,408,288</u>	<u>23,446,990</u>

Housing properties book value, net of depreciation and grants

	2011	2010
	£	£
Freehold land and buildings	9,680,250	6,551,357
Long leasehold land and buildings	4,889,790	4,247,070
	<u>14,570,040</u>	<u>10,798,427</u>

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11 Tangible fixed assets - other

	Freehold offices £	Vehicles & office equipment £	Furniture, fixtures and fittings £	Total £
Cost				
At 1 October 2010	1,085,778	496,545	126,275	1,708,598
Additions	7,926	39,711	24,729	72,366
At 30 September 2011	<u>1,093,704</u>	<u>536,256</u>	<u>151,004</u>	<u>1,780,964</u>
Depreciation				
At 1 October 2010	112,726	407,045	88,236	608,007
Charged in the year	12,704	65,815	22,143	100,662
At 30 September 2011	<u>125,430</u>	<u>472,860</u>	<u>110,379</u>	<u>708,669</u>
Net book value				
At 30 September 2011	968,274	63,396	40,625	1,072,295
At 30 September 2010	<u>973,053</u>	<u>89,500</u>	<u>38,038</u>	<u>1,100,591</u>

12 Debtors

	2011 £	2010 £
Due within one year		
Rent and service charges receivable	126,599	104,847
Less provision for bad and doubtful debts	(12,332)	(9,366)
	<u>114,267</u>	<u>95,481</u>
Other debtors	1,225,591	554,783
Prepayments and accrued income	69,958	241,592
	<u>1,409,816</u>	<u>891,856</u>

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13 Creditors amounts falling due within one year

	2011	2010
	£	£
Debt (note 16)	90,425	84,128
Trade creditors	60,412	125,214
Rent and service charges received in advance	57,421	72,523
Other taxation and social security	96,077	-
Other creditors	127,720	27,261
Accruals and deferred income	999,782	771,581
	<u>1,431,837</u>	<u>1,080,707</u>

14 Creditors amounts falling due after more than one year

	2011	2010
	£	£
Debt (note 16)	7,737,696	6,444,945
Recycled capital grant fund (note 15)	398,422	161,000
	<u>8,136,118</u>	<u>6,605,945</u>

15 Recycled capital grant fund

	2011	2010
	£	£
At 1 October	161,000	126,000
SHG recycled	237,422	-
Other grant	-	35,000
At 30 September	<u>398,422</u>	<u>161,000</u>

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NOTES TO THE FINANCIAL STATEMENTS

16 Debt analysis

Borrowings

	2011	2010
	£	£
Due within one year		
Housing loans	90,425	84,128
	<hr/>	<hr/>
Due after more than one year		
Housing loans	7,737,696	6,444,945
	<hr/>	<hr/>
Total loans	7,828,121	6,529,073
	<hr/> <hr/>	<hr/> <hr/>

Security

Housing loans are secured by fixed charges on individual properties

Terms of repayment and interest rates

The loans are repaid in monthly, quarterly or half yearly instalments over the agreed period of the loan. The final instalments fall to be repaid in the period 2013 to 2053. Interest rates on borrowings range from 1.13% to 11.375%.

At 30 September the association had undrawn loan facilities of £2.4m (2010: £3.8m).

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	2011	2010
	£	£
Within one year or on demand	90,425	84,128
One year or more but less than two years	90,425	84,128
Two years or more but less than five years	271,275	261,137
Five years or more	7,375,996	6,099,680
	<hr/>	<hr/>
	7,828,121	6,529,073
	<hr/> <hr/>	<hr/> <hr/>

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NOTES TO THE FINANCIAL STATEMENTS

17 Reserves

	Designated reserve	Major repairs reserve	Revenue reserve	Total reserves
	£	£	£	£
At 1 October 2010	262,528	944,154	7,142,154	8,348,836
Surplus for the year	-	-	1,394,763	1,394,763
Used for capital works	(29,463)	-	-	(29,463)
Transfers from revenue reserve	-	431,042	(431,042)	-
Transfers to revenue reserve	-	(372,892)	372,892	-
At 30 September 2011	233,065	1,002,304	8,478,767	9,714,136

18 Net cash inflow from operating activities

	2011 £	2010 £
Operating surplus	1,191,573	1,339,350
Depreciation of tangible fixed assets	194,866	201,590
	1,386,439	1,540,940
Working capital movements		
Debtors	(517,960)	(385,955)
Creditors	126,487	22,961
Net cash inflow from operating activities	994,966	1,177,946

19 Reconciliation of net cash flow to movement in net debt

	2011 £	2010 £
(Decrease) / Increase in cash	(780,255)	270,141
Cash inflow from increase in debt	(1,299,048)	(4,129,709)
Change in net debt resulting from cash flows	(2,079,303)	(3,859,568)
Movement in net debt for the period	(2,079,303)	(3,859,568)
Net debt at 1 October	(5,517,853)	(1,658,285)
Net debt at 30 September	(7,597,156)	(5,517,853)

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20 Analysis of changes in net debt

	1 October 2010	Cashflow	30 Sept 2011
	£	£	£
Cash at bank and in hand	1,011,220	(780,255)	230,965
Changes in cash	1,011,220	(780,255)	230,965
Loans	(6,529,073)	(1,299,048)	(7,828,121)
Changes in debt	(6,529,073)	(1,299,048)	(7,828,121)
Changes in net debt	(5,517,853)	(2,079,303)	(7,597,156)

21 Capital commitments

	2011	2010
	£	£
Capital expenditure		
Expenditure contracted for but not provided in the accounts	2,277,000	7,732,000
Expenditure authorised by the board, but not contracted	11,591,000	5,103,500
	13,868,000	12,835,500

The above commitments will be financed through borrowings (£2.4m), which are available for draw-down under existing loan arrangements, with the balance (£11.4m) funded through social housing grant (£8m) cash balances and further loan facilities currently under negotiation

22 Contingent assets/liabilities

The association had no contingent assets or contingent liabilities at 30 September 2011 (2010 nil)

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NOTES TO THE FINANCIAL STATEMENTS

23 Leasing commitments

Operating lease payments amounting to £4,144 (2010 £3,510) are due within one year. The leases to which these amounts relate expire as follows

	2011 Office equipment £	2010 Office equipment £
In one year or less	4,144	3,510

24 Related parties

There is one beneficiary member of the board, Keith Hailstone. His tenancy is on normal commercial terms and he is not able to use his position to his advantage.

25 Financial liabilities excluding trade creditors – interest rate risk profile

The association's financial liabilities are sterling denominated. The interest rate profile of the group's financial liabilities at 30 September was

	2011 £	2010 £
Floating rate	2,459,673	3,796,869
Fixed rate	5,368,448	2,732,204
Total (note 16)	7,828,121	6,529,073

The fixed rate financial liabilities have a weighted average interest rate of 3.27% (2010 3.76%) and the weighted average period for which it is fixed is 1 year to 42 years (2010 1 year to 43 years). The floating rate financial liabilities comprise loans that bear interest at rates based on the monthly LIBOR.

The debt maturity profile is shown in note 16.

Borrowing facilities

The association has undrawn committed borrowing facilities. The facilities available at 30 September in respect of which all conditions precedent had been met were as follows

	2011 £	2010 £
Expiring in one year or less	-	-
Expiring in more than one year but less than two years	2,400,000	-
Expiring in more than two years	-	3,800,000
	2,400,000	3,800,000