

*Registered Company No 1261380
Registered Charity No 271547
Registered Housing Association No LH2174*

**ABILITY HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2009**



ABILITY HOUSING ASSOCIATION
Year ended 30 September 2009

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ABILITY HOUSING ASSOCIATION
Year ended 30 September 2009

BOARD MEMBERS, EXECUTIVE DIRECTORS, ADVISORS AND BANKERS

Board

Chairman	John Daley
Vice Chairman	Michael Hoad
Other Members	Keith Hallstone
	Jane Coleman
	Wendy Crichlow
	Nabina Mitra
	Rosemary Houseman
	Yvonne Akinmodun
	David Brown
	Adnan Polisano

Executive Directors

Chief Executive	David Williams BSc
Director of Finance and Secretary	Donna Marshall BA ACA
Corporate Services Director	Richard Strudwick
Customer Services Director	Rita Nath-Dongre (from 01 02 09)
Partnerships & Development Director	Steven Hurrell BSc (from 01 04 09)

Registered office

The Coach House
Gresham Road
Staines
Middlesex
TW18 2AE

Registered number

Registered Company No 1261380
Registered Charity No 271547
Registered by the Tenant Services Authority No LH2174

Auditors

Grant Thornton UK LLP
Bryanston Court
Selden Hill
Hemel Hempstead
HP2 4TN

Solicitors

Devonshires
Salisbury House
London EC2M 5QY

Bankers

Lloyds TSB Plc
39 Threadneedle Street
London
EC2R 8AU

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 2009

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 11 and 12 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 £794,081 (2008 £748,998), at the year-end reserves amounted to £7,171,332 (2008 £6,377,251)

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.

We have adopted the Code of Practice on Race Equality arising from the Race and Housing Inquiry Challenge Report 2000.

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.

Board members and executive directors

The present board members and the executive directors of the group 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 schemes on the same terms as all other eligible staff. The Association contributes to the scheme on behalf of its 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 2009).

At last year's Annual General Meeting held on 27th May 2009, John Daley was re-elected as Chair. Peter Cleland and Nazlee Aziz stood down from the Board. Nabina Mitra, David Brown and Adrian Polisano were elected as members.

Tenant involvement

We actively encourage tenants' involvement in decision-making by promoting tenant involvement. We have two tenant board members and up to one-third of ordinary members may be tenants or service users.

Complaints

Our clear and simple complaints policy is issued to all customers. During the year we received 11 complaints that reached level 2 (formal resolution) of which 10 were resolved to the satisfaction of the complainants. We are continuing to investigate and take action on the remaining complaint.

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 2008 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.

Key elements of the control framework include:

- board approved terms of reference and delegated authorities for audit & risk, finance & general purposes and human resources 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 audit & risk committee to regularly review the effectiveness of the system of internal control. The board receives reports from the audit & risk committee together with minutes of meetings.

The means by which the 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 audit & risk 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. During the year there was one minor fraud arising at a supported housing scheme. The overall value of the fraud was below the threshold for reporting to the TSA. Following a procedural review tighter measures have been introduced to prevent a recurrence.

Going concern

After making enquiries, the board has a reasonable expectation that the association has adequate 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 24th February 2010 at the Runnymede Hotel, Egham.

Disclosure of information to auditors

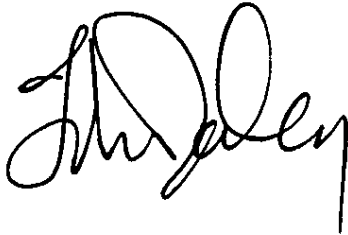
At the date of making this report each of the company's directors, as set out on page 1, confirm the following:

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

The report of the board was approved by the board on 5th February 2010 and signed on its behalf by



John Daley
Chairman



Michael Hoad
Board Member



Donna Marshall
Secretary

OPERATING AND FINANCIAL REVIEW

Activities

Ability Housing Association is a Registered Social Landlord (RSL) 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.

On 1st February 2009, following extensive negotiations the association took a transfer of engagements from Reap resettlement agency, a support provider based in the Berkshire area. Together we will be able to offer a more comprehensive range of services to additional service user groups including single homeless and others.

Ability aims to work strategically with local authorities and other Registered Social Landlords 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. From April 2009 local authority budgets were distributed via Local Area Agreements and are no longer being ring-fenced for housing related support.

Existing services will 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.

In addition, the quality of affordable housing remains a key focus for a government that has committed to delivering decent homes for all social housing tenants by 2010. Housing associations are also expected to contribute to the efficiency targets, for the social housing sector, set following the Gershon review and we are therefore faced with the challenging objectives of improving efficiency and quality of services.

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 2008-13 plan are summarised as follows:

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"> Decent Homes Standard achieved by 2010 Reduction in the proportion of shared housing 	<ul style="list-style-type: none"> proportion of units meeting Decent Homes Standard 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

The accounts for the year show that turnover from lettings has increased by £1,642,120 (29.8 %) to £7,145,857 The increase results from the merger with REAP which added approximately £700,000 the addition of a total of 37 housing units during the year and new Supporting People contract income from Hillingdon and Croydon Total costs have also increased by £1,471,956 to £6,259,940

The Operating surplus for the year excluding the Reap donation was £780,519 (10.7 % of turnover) compared to a budget surplus of £ 599,500

Other income and expenditure activities contributed a net contribution of £6,617 (2008 £2,585) This is in line with expectations and is attributable to development activities (£146,542) Management services and sundry items contributed a surplus of £41,053 and the donation from Reap following the merger added £112,015

Cash balances have increased during the year from £298,763 to £741,079 An additional drawdown of £1,000,000 was 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 133 new homes
- The number of self-contained and decent homes in management has increased to 425 from 377, although this is less than the target of 453
- The total number of homes in management has increased to 495 from 464 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

- The number of homes failing the decent homes standard has fallen to 12 (2%), compared to a target of 7%
- The number of shared housing units in management has decreased by 10 to 74 (14%), this is due to the remodelling of units under the asset management strategy

Environment

- The average SAP (energy efficiency) rating of our housing stock has remained at 83, compared to an original target of 78 (revised to 82 in 2006)

Customer service

Our performance is summarised below

Rent losses from voids and bad debts

- Rent loss due to voids in supported housing has declined to 4.45% (target 2.85%) from 4.12% in 2008
- Rent loss due to voids in general needs (non-supported) homes has declined to 2.57% (target 1%) from 2.16%
- Average re-let time has declined to 53 days from 41 days, against a target of 28 days

Rent arrears

- Rent arrears in supported housing have reduced to 3.31% from 4.06% in 2008 against a target of <3%
- Rent arrears in general needs homes have reduced to 2.87% from 3.28%, meeting the target of <3.6%

Repair response times

Repair Response Time		% in target	No out of target
Emergency (24 Hrs) Target 98%	2008	98%	3
	2009	92%	5
Urgent (5 working days) Target 98%	2008	97%	12
	2009	86%	49
Routine (28 working days) Target 98%	2008	99%	6
	2009	92%	40

Tenant Satisfaction

A STATUS tenant satisfaction survey was carried out within the previous two years, which yielded the following results

- 85% were satisfied overall with the housing & services provided by their landlord
- 81% were satisfied with their opportunities to participate in decision making

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 overleaf.

Key risk	How Managed	Area of 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 10) and the following paragraphs highlight key features of the association's financial position at 30 September 2009

Accounting policies

The association's principal accounting policies are set out on pages 17 to 19 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.

The Statement of Recommended Practice for Registered Social Landlords (2008) was released in January 2008 and the Association has chosen to adopt the new recommendations in advance. The key change relates to our accounting policy for shared ownership properties. No prior period balance changes have been required.

Housing properties

At 30 September 2009 the association owned 407 housing properties (2008: 398). The properties were carried in the balance sheet at cost (after depreciation and capital grant) of £8,784,411 (2008: £7,138,224). The Board has decided not to obtain valuations of the properties at present.

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.

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.

ABILITY HOUSING ASSOCIATION
Year ended 30 September 2009

Capital structure and treasury policy

The Association borrowed a further £1 million during the year, to develop housing. By the year end borrowings amounted to £2.4m of which £0.034m falls due to be paid within the next year as shown below.

Maturity	2009	2008
	£	£
Within one year	34,125	20,884
Between one and two years	34,125	20,884
Between two and five years	104,357	63,059
After five years	2,226,757	1,328,106
	<u>2,399,364</u>	<u>1,432,933</u>

The association borrows, principally from banks and building societies, at both fixed and floating rates of interest. At the year-end, 53 per cent of the association's borrowings were at fixed rates.

The fixed rates of interest range from 3.79% 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 10) shows that gearing, calculated as total loans as a percentage of capital grants and reserves, has remained relatively stable over the period at between 5% and 7%. The association borrows and lends only in sterling and so is not exposed to currency risk.

Cash flows

Cash inflows and outflows during the year are shown in the cash flow statement (page 16). The cash inflow from operating activities rose this year to £1,227,248 (2008: £578,481), reflecting cash received from the REAP merger and in working capital, particularly the increase in creditors arising from the timing of invoice payments.

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 £5.5 million during the next three years to develop housing accommodation. We are in negotiation for a further £5million facility with a new lender.

Statement of compliance

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

ABILITY HOUSING ASSOCIATION
Year ended 30 September 2009

Table 1 –highlights, five-year summary

For the year ended 30 September	2009	2008	2007	2006	2005
Income and Expenditure account (£'000)					
Total turnover	7,361	5,633	4,853	4,682	4,766
Income from lettings	7,146	5,503	4,721	4,552	4,628
Operating surplus	759	713	670	561	653
Surplus for the year transferred to reserves	892	749	592	520	663
Balance Sheet (£'000)					
Housing properties net of depreciation and grants	8,784	7,138	6,217	4,851	3,126
Other fixed assets	482	527	459	466	465
Fixed assets	9,266	7,665	6,676	5,317	3,591
Net current assets	396	301	186	682	1,909
Total assets less current liabilities	9,662	7,966	6,862	5,999	5,500
Loans (due over one year)	2,365	1,416	1,181	1,208	1,230
Other long term liabilities	126	173	53	53	53
Reserves designated revenue total	1,133 6,038 7,171	1,119 5,258 6,377	1,029 4,599 5,628	771 3,967 4,738	828 3,389 4,217
	9,662	7,966	6,862	5,999	5,500
Accommodation figures					
Total housing stock owned at year end (<i>number of dwellings</i>)	407	398	381	355	339
Social housing	399	390	373	347	331
Non-social housing	8	8	8	8	8
Statistics					
Surplus for the year as % of turnover	12.1	13.3	12.2	11.9	13.7
Surplus for the year as % of income from lettings	12.4	13.6	12.24	12.32	14.1
Rent losses (<i>voids and bad debts as % of rent and service charges receivable</i>)	3.82	3.41	3.30	2.38	4.20
Rent arrears (<i>gross arrears as % of rent and service charges receivable</i>)	3.16	3.82	3.33	3.99	4.24
Interest cover (<i>surplus before interest payable divided by interest payable</i>)	8.67	8.38	7.09	5.61	6.87
Liquidity (<i>current assets divided by current liabilities</i>)	1.47	1.48	1.54	1.98	3.28
Gearing (<i>total loans as % of capital grants plus reserves</i>)	7.7	5.0	4.69	5.4	6.01
Total reserves per home owned	£17,567	£16,022	£14,772	£13,346	£12,439

STATEMENT OF RESPONSIBILITIES OF THE BOARD FOR THE REPORT AND FINANCIAL STATEMENTS

The Board are responsible for preparing the Report and Financial statements in accordance with applicable law and regulations

Company law and registered social landlord legislation in the United Kingdom require the Board to prepare financial statements for each financial year. Under these laws the Board has to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the association and of the surplus or deficit of the association for that period. In preparing these financial statements, the Board is required to

- select suitable accounting policies and then apply them consistently
- make judgments 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) 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 adequate accounting records that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that the financial statements comply with the Companies Act 2006, paragraph 16 of Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. It is also responsible for safeguarding the assets of the association 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)

- In so far as each of the members of the Board is aware
- there is no relevant audit information of which the association's auditors are unaware, and
- the Board has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the auditors are aware of that information

The Board are responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 2009 which comprise the income and expenditure account, the balance sheet, the cash flow statement, principal accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Board, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Board 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 charitable company and its Board, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Board and auditors

As described on page 11, the Board is responsible for the preparation of the Report of the Board and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with the Companies Act 2006, the Housing Act 1996 and the Accounting Requirements for registered social landlords General Determination 2006. We also report to you whether the information given in the Report of the Board is consistent with those financial statements.

In addition we report to you if, in our opinion, the charitable company has not kept adequate accounting records, if the charitable company's financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosures of director's remuneration specified by law are not made.

We read the Board's statement on internal controls assurance, prepared in accordance with the Housing Corporation Circular R-07/07 'Internal Controls Assurance', together with other information contained in the Report of the Board and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the charitable company's affairs as at 30 September 2009 and of its surplus for the year then ended,
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- the financial statements have been prepared in accordance with the Companies Act 2006, the Housing Act 1996 and the Accounting Requirements for registered social landlords General Determination 2006, and
- the information given in the Report of the Board is consistent with the financial statements.

Grant Thornton UK LLP

Jane Harrison
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Hemel Hempstead

12 February 2010

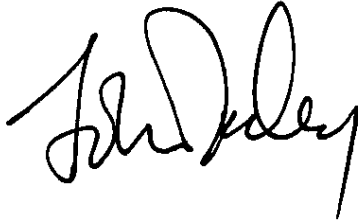
ABILITY HOUSING ASSOCIATION
Year ended 30 September 2009

INCOME AND EXPENDITURE ACCOUNT

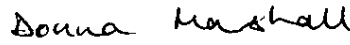
	Note	2009 £	2008 £
Turnover: continuing activities	3	7,361,714	5,632,979
Operating costs	3	(6,469,180)	(4,919,811)
Operating surplus: continuing activities	3	892,534	713,168
Interest receivable and other income	7	4,950	25,050
Interest payable and similar charges	8	(103,403)	(104,025)
Surplus on sale of fixed assets	9	-	114,805
Surplus on ordinary activities before taxation		794,081	748,998
Surplus for the financial year	18	794,081	748,998

The notes on pages 17 to 34 form part of these financial statements
Historical cost surpluses and deficits were identical to those shown in the income and expenditure account.

The financial statements were authorised and approved by the Board on 5th February 2010 and signed on its behalf by


John Daley
Chairman


Michael Hoad
Board Member


Donna Marshall
Secretary

ABILITY HOUSING ASSOCIATION
Year ended 30 September 2009

RECONCILIATION OF MOVEMENTS IN ASSOCIATION'S FUNDS

	2009	2008
	£	£
Opening funds	6,377,251	5,628,253
Total recognised surpluses and deficits relating to the year	794,081	748,998
	<hr/>	<hr/>
Closing total funds	7,171,332	6,377,251
	<hr/>	<hr/>

The notes on pages 17 to 34 form part of these financial statements

ABILITY HOUSING ASSOCIATION
Year ended 30 September 2009

BALANCE SHEET



		2009 £	2008 £
Tangible fixed assets			
Housing properties	12	32,650,126	29,237,524
Social housing grant	12	(20,983,370)	(19,490,005)
Other grants	12	(2,882,345)	(2,609,295)
		<u>8,784,411</u>	<u>7,138,224</u>
Other tangible fixed assets	13	481,958	527,215
		<u>9,266,369</u>	<u>7,665,439</u>
Current assets			
Debtors	16	505,901	620,553
Cash at bank and in hand		741,079	298,763
		<u>1,246,980</u>	<u>919,316</u>
Creditors · Amounts falling due within one year	14	(850,778)	(618,643)
Net current assets		<u>396,202</u>	<u>300,673</u>
Total assets less current liabilities		<u>9,662,571</u>	<u>7,966,112</u>
Creditors · Amounts falling due after more than one year	15	2,491,239	1,588,861
Capital and reserves			
Major repairs reserve		833,027	819,647
Designated reserve		300,000	300,000
Revenue reserve		6,038,305	5,257,604
Association's funds	18	<u>7,171,332</u>	<u>6,377,251</u>
		<u>9,662,571</u>	<u>7,966,112</u>

The notes on pages 17 to 34 form part of these financial statements

The financial statements were approved by the Board on 5th February 2010 and signed on its behalf by

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ABILITY HOUSING ASSOCIATION
Year ended 30 September 2009

CASH FLOW STATEMENT

	Note	2009 £	2008 £
Net cash inflow from operating activities	22	1,227,248	578,481
Returns on investments and servicing of finance			
Interest received		4,950	25,050
Interest paid		(101,103)	(101,488)
		<u>(96,153)</u>	<u>(76,438)</u>
Capital expenditure			
Purchase and construction of housing properties		(3,334,552)	(3,439,646)
Social housing grant – received		1,493,365	1,443,777
Other capital grants – received		273,050	1,229,800
Purchase of other fixed assets		(87,073)	(172,540)
Sales of housing properties		-	232,361
Sales of other fixed assets		-	5,000
		<u>(1,655,210)</u>	<u>(701,248)</u>
Financing			
Loans received		1,000,000	580,000
Housing loans repaid		(33,569)	(344,064)
		<u>966,431</u>	<u>235,936</u>
Increase in cash	24	442,316	36,731

The notes on pages 17 to 34 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1 Legal status

The association is registered under the Companies Act 2006 as a company limited by guarantee. It is registered with both the Charity Commissioners and the TSA as a social landlord.

2 Accounting policies

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.

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.

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.

ABILITY HOUSING ASSOCIATION
Year ended 30 September 2009

Social housing grant

Social housing grant (SHG) is receivable from the HCA (formerly from the Housing Corporation) 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 12). 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 that 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 where material. 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.

NOTES TO THE FINANCIAL STATEMENTS

2 Accounting policies (continued)

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%

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.

ABILITY HOUSING ASSOCIATION*Year ended 30 September 2009***NOTES TO THE FINANCIAL STATEMENTS****3 Turnover, cost of sales, operating costs and operating surplus**

	2009		
	Turnover	Operating costs	Operating surplus
	£	£	£
Social housing lettings	7,145,857	(6,259,940)	885,917
Other social housing activities			
Development costs not capitalised	-	(146,542)	(146,542)
Management services	50,730	(26,189)	24,541
Other	53,112	(36,509)	16,603
Donation from Reap resettlement agency	<u>112,015</u>	<u>-</u>	<u>112,015</u>
	<u>215,857</u>	<u>(209,240)</u>	<u>6,617</u>
	<u><u>7,361,714</u></u>	<u><u>(6,469,180)</u></u>	<u><u>892,534</u></u>

	2008		
	Turnover	Operating costs	Operating surplus
	£	£	£
Social housing lettings	5,503,737	(4,787,984)	715,753
Other social housing activities			
Development costs not capitalised	-	(98,011)	(98,011)
Management services	85,049	(27,912)	57,137
Other	44,193	(5,904)	38,289
	<u>129,242</u>	<u>(131,827)</u>	<u>(2,585)</u>
	<u><u>5,672,979</u></u>	<u><u>(4,919,811)</u></u>	<u><u>713,168</u></u>

ABILITY HOUSING ASSOCIATION
Year ended 30 September 2009

NOTES TO THE FINANCIAL STATEMENTS

3 Turnover, cost of sales, operating costs and operating surplus (continued)

Particulars of income and expenditure from social housing lettings

2009

	General needs housing	Supported housing	Care homes	Low cost home ownership	Total	Total 2008
	£	£	£	£	£	£
Rent receivable net of identifiable service charges	667,282	1,157,042	15,691	24,165	1,864,180	1,564,958
Service income	99,697	369,100	2,431	1,219	472,447	320,458
Charges for support services	297,644	3,579,184	227,682	-	4,104,510	3,347,981
Net rental income	1,064,623	5,105,326	245,804	25,384	6,441,137	5,233,397
Revenue grants	-	704,720	-	-	704,720	270,340
Turnover from social housing lettings	1,064,623	5,810,046	245,804	25,384	7,145,857	5,503,737
Management	(196,470)	(379,932)	(2,790)	(4,472)	(583,664)	(540,974)
Services	(74,291)	(303,839)	(21,033)	(1,100)	(400,263)	(314,667)
Care & support	(318,210)	(3,931,082)	(202,353)	-	(4,451,645)	(3,320,050)
Routine maintenance	(77,719)	(160,013)	(1,025)	-	(238,757)	(275,750)
Planned maintenance & major repairs	(34,103)	(146,915)	(5,602)	-	(186,620)	(109,635)
Bad debts	(1,659)	(12,960)	-	-	(14,619)	(7,191)
Property lease charges	(83,233)	(264,839)	-	-	(347,622)	(188,070)
Depreciation of housing properties	(6,914)	(29,836)	-	-	(36,750)	(31,647)
Other costs	-	-	-	-	-	-
Operating costs on social housing lettings	(792,599)	(5,228,966)	(232,803)	(5,572)	(6,259,940)	(4,787,984)
Operating surplus/(deficit) on social housing lettings	272,024	581,080	13,001	19,812	885,917	763,841
Void losses	20,955	72,749	-	-	93,704	48,525

ABILITY HOUSING ASSOCIATION
Year ended 30 September 2009

NOTES TO THE FINANCIAL STATEMENTS

4 Accommodation in management and development

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

	Association	
	2009	2008
	No	No.
Social housing		
General housing	179	161
Supported housing	201	209
Low cost home ownership	7	8
Residential care homes	12	12
Total owned	<u>399</u>	<u>390</u>
Accommodation managed for others	88	66
Total managed	<u>487</u>	<u>456</u>
Non-social housing		
Respite care unit	8	8
Total owned and managed	<u>495</u>	<u>464</u>
Accommodation in development at the year end	<u>133</u>	<u>81</u>

5 Operating Surplus

This is arrived at after charging/(crediting)

	2009	2008
	£	£
Depreciation of housing properties	36,750	31,647
Depreciation of other tangible fixed assets	119,991	116,746
Surplus on disposal of other tangible fixed assets	-	(5,000)
Operating lease rentals		
- office equipment	1,537	-
Auditors' remuneration (including VAT)		
- for audit services	9,826	9,394
- for non-audit services	-	-
	<u></u>	<u></u>

6 Surplus on sale of fixed assets – housing properties

	2009	2008
	£	£
Disposal proceeds	-	232,361
Carrying value of fixed assets	-	(122,556)
	<u>-</u>	<u>109,805</u>

ABILITY HOUSING ASSOCIATION
Year ended 30 September 2009

7. Interest receivable and other income

	2009	2008
	£	£
Interest receivable and similar income	4,950	25,050

8 Interest payable and similar charges

	Association	
	2009	2008
	£	£
Housing Loans	101,103	101,488
Recycled capital grant fund	2,300	2,537
	<u>103,403</u>	<u>104,025</u>

9 Employees

Average monthly number of employees expressed in full time equivalents

	Association	
	2009	2008
	No	No
Administration	12	10
Development	3	2
Housing, support and care	142	92
	<u>157</u>	<u>104</u>

Employee costs

	Association	
	2009	2008
	£	£
Wages and salaries	3,247,457	2,334,982
Social security costs	303,576	219,601
Other pension costs	84,257	65,212
	<u>3,635,290</u>	<u>2,619,795</u>

Some of the association's employees are members of the Surrey County Council Pension Fund (SCCPF) or of the Social Housing Pension Scheme (SHPS) Further information on each scheme is given overleaf

ABILITY HOUSING ASSOCIATION
Year ended 30 September 2009

NOTES TO THE FINANCIAL STATEMENTS

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%. Member contributions were 6.1%.

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 will apply 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.

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.

ABILITY HOUSING ASSOCIATION
Year ended 30 September 2009

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 £1,200,000.

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 29 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.

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
Investment return pre retirement	7.6
Investment return post retirement	
Actives / Deferreds	5.1
Pensioners	5.6
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%

ABILITY HOUSING ASSOCIATION
Year ended 30 September 2009

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.

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 £69,535.

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 2009 and accordingly the pension costs are accounted for as defined contribution.

The total employer contribution payable in the year was £ 27,353 (2008 £4,673). At 30th September 2009 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 30th September 2009 there were 5 active members the scheme and contributions totalled £4,374 for the year (2008 nil).

NOTES TO THE FINANCIAL STATEMENTS

10. Board members and executive directors

None of the board members received emoluments

	2009 £	2008 £
Aggregate emoluments of directors (including pension contributions)	255,581	174,731
Emoluments of the highest paid director (excluding pension contributions and including benefits in kind)	93,378	89,073
Total expenses reimbursed to directors not chargeable to UK income tax	8,384	3,303

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £93,378 (2008 £89,073)

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.

NOTES TO THE FINANCIAL STATEMENTS

11. 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 £	Social housing properties under construction £	Completed shared ownership housing properties £	Total £
Cost						
At 1 October 2008	15,128,931	11,574,211	26,703,142	1,916,535	780,023	29,399,700
Additions	-	-	-	3,235,071	-	3,235,071
Properties acquired	-	-	-	-	193,760	193,760
Works to existing properties	11,568	8,954	20,522	-	-	20,522
Schemes completed	2,980,124	930,897	3,911,021	(4,018,091)	107,070	-
Disposals	-	-	-	-	-	-
At 30 September 2009	18,120,623	12,514,062	30,634,685	1,133,515	1,080,853	32,849,053
Depreciation and impairment						
At 1 October 2008	-	162,176	162,176	-	-	162,176
Charged in year	-	36,751	36,751	-	-	36,751
Released on disposal	-	-	-	-	-	-
At 30 September 2009	-	198,927	198,927	-	-	198,927
Depreciated cost						
At 30 September 2009	18,120,623	12,315,135	30,435,758	1,133,515	1,080,853	32,650,126
At 30 September 2008	15,128,931	11,412,035	26,540,966	1,916,535	780,023	29,237,524
Social Housing Grant						
At 1 October 2008	11,097,240	7,633,541	18,730,781	283,000	476,224	19,490,005
Additions	-	-	-	1,493,365	-	1,493,365
Schemes completed	368,000	321,660	689,660	(689,660)	-	-
Disposals	-	-	-	-	-	-
At 30 September 2009	11,465,240	7,955,201	19,420,441	1,086,705	476,224	20,983,370
Other grants						
At 1 October 2008	1,112,676	548,001	1,660,677	888,800	59,818	2,609,295
Additions	-	-	-	273,050	-	273,050
Schemes completed	1,111,000	-	1,111,000	(1,161,850)	50,850	-
Disposals	-	-	-	-	-	-
At 30 September 2009	2,223,676	548,001	2,771,677	-	110,668	2,882,345
Net book value						
At 30 September 2009	4,431,707	3,811,933	8,243,640	46,810	493,961	8,784,411
At 30 September 2008	2,919,015	3,230,493	6,149,508	744,735	243,981	7,138,224

NOTES TO THE FINANCIAL STATEMENTS

11. Tangible fixed assets – properties (continued)

Expenditure on works to existing properties

	2009 £	2008 £
Amounts capitalised	20,522	134,214
Amounts charged to income and expenditure account	186,620	109,635
Total	<u>207,142</u>	<u>243,849</u>

Social housing grant

	2009 £	2008 £
Total accumulated SHG receivable at 30 September was		
Capital grants	20,983,370	19,490,005

Housing properties book value, net of depreciation and grants, and offices net book value (note 12) comprises

	2009 £	2008 £
Freehold land and buildings	5,265,421	4,357,799
Long leasehold land and buildings	3,710,322	3,128,882
	<u>8,975,743</u>	<u>7,486,681</u>

12 Tangible fixed assets - other

	Freehold offices £	Office equipment & vehicles £	Scheme furniture £	Total £
Cost				
At 1 October 2008	443,774	629,095	255,606	1,328,475
Additions	-	58,564	16,170	74,734
Disposals	-	(251,288)	(178,335)	(429,623)
At 30 September 2009	<u>443,774</u>	<u>436,371</u>	<u>93,441</u>	<u>973,586</u>
Depreciation				
At 1 October 2008	95,317	478,490	227,453	801,260
Charged in year	8,704	92,881	18,406	119,991
Released on disposal	-	(251,288)	(178,335)	(429,623)
At 30 September 2009	<u>104,021</u>	<u>320,083</u>	<u>67,524</u>	<u>491,628</u>
Net book value				
At 30 September 2009	<u>339,753</u>	<u>116,288</u>	<u>25,917</u>	<u>481,958</u>
At 30 September 2008	<u>348,457</u>	<u>150,605</u>	<u>28,153</u>	<u>527,215</u>

NOTES TO THE FINANCIAL STATEMENTS

13. Debtors

	2009 £	2008 £
Due within one year		
Rent and service charges receivable	110,684	70,060
Less Provision for bad and doubtful debts	(29,033)	(20,463)
	<u>81,651</u>	<u>49,597</u>
Other debtors	12,593	48,137
Prepayments and accrued income	411,657	522,819
	<u>505,901</u>	<u>620,553</u>

14. Creditors: amounts falling due within one year

	2009 £	2008 £
Debt (note 17)	34,125	20,884
Trade creditors	123,021	101,478
Rent and service charges received in advance	61,100	36,493
Social housing grant received in advance	-	-
Other capital grants received in advance	-	-
Other taxation and social security	92,624	63,513
Other creditors	14,729	-
Accruals and deferred income	525,179	396,275
	<u>850,778</u>	<u>618,643</u>

15. Creditors: amounts falling due after more than one year

	2009 £	2008 £
Debt (note 17)	2,365,239	1,412,049
Recycled capital grant fund (note 16)	126,000	123,700
Social Housing Grant in excess of cost	-	53,112
	<u>2,491,239</u>	<u>1,588,861</u>

NOTES TO THE FINANCIAL STATEMENTS

16 Recycled capital grant fund

	2009 £	2008 £
At 1 October	123,700	-
Grants recycled	-	121,163
Interest accrued	2,300	2,537
Purchase/development of properties	-	-
	<u>126,000</u>	<u>123,700</u>
Balance at 30 September	<u>126,000</u>	<u>123,700</u>

17 Debt analysis

	2009 £	2008 £
Due within one year		
Housing Loans	<u>34,125</u>	<u>20,884</u>
Due after more than one year		
Housing Loans	<u>2,365,239</u>	<u>1,412,049</u>
	Association	
	2009 £	2008 £
Within one year	34,125	20,884
Between one and two years	34,125	20,884
Between two and five years	104,357	63,059
After five years	2,226,757	1,328,106
	<u>2,399,364</u>	<u>1,432,933</u>

Loans are secured by fixed charges on individual properties. The loans are repaid in monthly or half yearly instalments over the agreed period of the loan. The final instalments fall to be repaid in the period 2013 to 2053.

At 30 September the association had undrawn loan facilities of £3.42m (2008: £4.42m).

NOTES TO THE FINANCIAL STATEMENTS

18 Reserves

	Designated Reserve	Major Repairs Reserve	Revenue Reserve	Total Reserves
	£	£	£	£
At 1 October 2008	300,000	819,647	5,257,604	6,377,251
Surplus for the year	-	-	794,081	794,081
Transfers from revenue reserve	-	200,000	(200,000)	-
Transfers to revenue reserve	-	(186,620)	186,620	-
At 30 September 2009	<u>300,000</u>	<u>833,027</u>	<u>6,038,305</u>	<u>7,171,332</u>

19 Financial commitments

Capital expenditure commitments were as follows

	2009 £	2008 £
Capital expenditure		
Expenditure contracted for but not provided in the accounts	3,416,000	2,181,000
Expenditure authorised by the board, but not contracted	7,088,000	4,798,000
	<u>10,504,000</u>	<u>6,979,000</u>

The above commitments will be financed by a combination of the association's own cash resources, Social Housing and other grants and secured loan funding facilities

20. Operating leases

The payments which the association is committed to make in the next year under operating leases are as follows

	2009 No	2008 No
(ii) Office equipment and computers expiring		
Within one year	-	-
One to five years	2,049	-
Beyond five years	-	-
	<u>2,049</u>	<u>-</u>

21 Contingent liabilities

The association had no contingent liabilities at 30 September 2009 (2008 nil)

NOTES TO THE FINANCIAL STATEMENTS

22 Reconciliation of operating surplus to net cash inflow from operating activities

	2009	2008
	£	£
Operating surplus	892,534	713,168
Depreciation of tangible fixed assets	156,741	148,393
Old balances written back	(21,417)	-
	<u>1,027,858</u>	<u>861,561</u>
Working capital movements		
Debtors	82,957	(401,794)
Creditors	116,433	118,714
	<u>1,227,248</u>	<u>578,481</u>
Net cash inflow from operating activities		

23. Reconciliation of net cash flow to movement in net debt

	2009	2008
	£	£
Increase / (decrease) in cash	442,316	36,731
Cash inflow from increase in debt finance	(966,431)	(235,936)
	<u>(524,115)</u>	<u>(199,205)</u>
Increase in net debt from cash flows		
Non cash movement	53,112	-
	<u>(471,003)</u>	<u>(199,205)</u>
Total changes in net debt for the period		
Net debt at 1 October	(1,187,282)	(988,077)
	<u>(1,658,285)</u>	<u>(1,187,282)</u>
Net debt at 30 September		

24 Analysis of net debt

	1 October 2008	Cash Flow	Non-cash movement	30 September 2009
	£	£	£	£
Cash at bank and in hand	298,763	442,316	-	741,079
Changes in cash	<u>298,763</u>	<u>442,316</u>	<u>-</u>	<u>741,079</u>
Loans	(1,432,933)	(966,431)	-	(2,399,364)
Social Housing Grant in excess of cost	(53,112)	-	53,112	-
Changes in debt	<u>(1,486,045)</u>	<u>(966,431)</u>	<u>53,112</u>	<u>(2,399,364)</u>
Changes in net debt	<u>(1,187,282)</u>	<u>(524,115)</u>	<u>53,112</u>	<u>(1,658,285)</u>

NOTES TO THE FINANCIAL STATEMENTS

25. Financial assets and liabilities

The board policy on derivatives and financial instruments is explained in the Operating and Financial Review and Board Report (page 2)

Financial liabilities excluding trade creditors – interest rate risk profile

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

	2009 £	2008 £
Floating rate	1,505,999	661,441
Fixed rate	893,365	771,492
Total (note 17)	<u>2,399,364</u>	<u>1,432,933</u>

The fixed rate financial liabilities have a weighted average interest rate of % (2008 6 18% - 11 375%) and for periods between 1 and 45 years (2008 2 and 46 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 17

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

	2009 £	2008 £
Expiring in one year or less	3,420,000	-
Expiring in more than one year but not more than two years	-	4,420,000
Expiring in more than two years	-	-
	<u>3,420,000</u>	<u>4,420,000</u>

26. Related parties

There are two beneficiary members of the board, Keith Hailstone and Nabina Mitra. Their tenancies are on normal commercial terms and they are not able to use their position to their advantage.