ABILITY HOUSING ASSOCIATION

Report and Financial Statements

For the year ended 30 September 2016

Registered Company No 1261380

Company registration number	1261380
Homes & Communities Agency registration number:	LH2174
Charity number:	271547
Registered office and principal address:	The Coach House Gresham Road Staines TW18 2AE
Board:	John Daley (resigned 23.03.2016) Wendy Crichlow Adrian Polisano Vince Mewett Jane Harrison (Chair) Jane Minter Karen Hillhouse Ian Lines Sally Reay Nicola Philp
Chief Executive	David Williams BSc (resigned 30.04.2016) Jeff Skipp (appointed 01.07.2016)
Finance Director & Secretary	Donna Marshall BA ACA
Operations Director	Tim Hall
Bankers:	Barclays 1 Churchill Place London E14 8HP
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 2016.

These have been drawn up under United Kingdom Generally Accepted Accounting Practice, including FRS102 ('the financial reporting standard applicable in the UK and Republic of Ireland'). 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 Homes and Communities Agency as a Registered Provider.

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 association is classed as a public benefit entity. 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 and future development

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.

Reserves

After transfer of the surplus for the year of £ 4,357,346 (2015: £735,946), at the year-end reserves amounted to £16,776,117 (2015: £12,418,771).

Employees

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

Board members and executive directors (continued)

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 2015) with the exception that terms of office may be extended by consent of the Board.

At last year's Annual General Meeting held on 23 March 2016, Jane Harrison was re-elected as Chair. John Daley stood down from the Board.

Tenant involvement
We actively encourage tenants' involvement in decision-making by promoting tenant participation; up to one-third of ordinary members may be tenants or service users. A customer panel and customer services committee have been established to report to the Board and a customer engagement co-ordinator appointed.

Complaints
Our clear and simple complaints policy is issued to all customers. During the year we received two complaints that reached level 2 (formal resolution) both of which have been resolved.

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 continuing, and has been in place throughout the period commencing 1 October 2015 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.

Internal controls assurance

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 review the effectiveness of the system of internal control on a regular basis. 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 key issues memorandum and specialist reviews on areas such as support service contracts, health and safety, housing services and property development. The committee has received reports from the internal auditor, and has reported its findings to the board. The Board has received the chief executive's annual review of the effectiveness of the system of internal control for the association and 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 finance, audit and risk committee on a six monthly basis.

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

The report of the board was approved by the board on 15th March 2017 and signed on its behalf by:

Jane Harrison	[signature]	Donna Marshall
Jane Harrison	**Sally Reay**	**Donna Marshall**
Chairman	Board Member	Secretary

Operating and Financial Review and Strategic Report

Activities

Ability Housing Association is a Registered Provider (RP) and a 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 the following values:

We focus on ability not disability .
- we focus on what each person can do rather than what they cannot do. We work together with our customers to help them overcome barriers to their own personal independent living goals.

We engage actively for feedback
– we engage actively with our customers, colleagues and partners to seek feedback that helps us to understand how we can improve what we do and how we do it.

We value differences
– we respect and value the individuality of each person; we believe that differences are strengths and that diversity enriches our lives and communities.

We demonstrate integrity
– we encourage a culture of openness, honesty and personal accountability; we respond to a challenge by asking ourselves what we can do to help and always delivering on our promises.

We commit ourselves to:

- listening in order to gain the best possible understanding
- focussing on what is possible and thinking about what we can do
- working to agree a positive outcome without excuse or blame and
- taking full responsibility to ensure the agreed outcome is achieved.

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

External influences

Nationally the level of Government subsidy for Social Care activities will diminish substantially over the next few years and the wider reforms to the benefits system will also have an impact. Within this climate, combined with the impact of decreasing rents, 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 provided will need to demonstrate quality, value for money and strategic relevance. As a result we will need to identify further 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.

External influences (continued)
We have been monitoring the effects of welfare reform, so far the impact has been minimal as many of our customers live in exempt accommodation or are in receipt of discretionary housing payments. We will continue to keep the position under review.

Strategic Report

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 key objectives underpinning the 2015-2020 plan are summarised as follows:

- To invest in increasing the supply of supported living in our core areas
- To review our existing housing assets to ensure these are applied wherever possible for a supported living purpose
- To invest in our homes to ensure these meet our *Ability Home Standard*, are sustainable for the long term and offer value for money
- To optimise housing revenue to provide a more localised and responsive *Intensive Housing Management* service
- To establish a sustainable model of *supported living* that matches the aspirations of our customers and is affordable to commissioners and purchasers of services

By 2020 our targets are to have:

- 750 homes in management, of which at least:
- 90% will be owned by Ability Housing Association (up from 84%)
- 90% will be in *core areas*, where Ability Care & Support operates
- 75% will provide *Supported Living*

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	• achieve planned operating surplus • meet lenders' covenants	• results compared to budget • performance against loan covenants
Development	• achieve 750 decent, self contained homes by 2020	• new units into management
Environment	• achieve average SAP ratings of at least 82	• results compared to target
Asset management	• reduction in the proportion of shared housing	• number of shared units
Customer service	• continuous improvement in standards of customer service	• rent losses from voids/bad debts • rent arrears • repair response times • tenant satisfaction
Value for money (VFM)	• achieve reductions in overhead costs • identify the true costs of services provided • assess the social impact of services delivered	• revised and updated VFM strategy • benchmarked performance indicators • identify service improvements • customer consultation

Performance and development (continued)

Performance against the key indicators for the financial year ended 30th September 2016 is set out below.

Finance
Turnover from rents and service charges has increased by £379,293. The increase arises from the addition of a net total of 15 housing units during the year. Additional Social Care contract income arising from successful tenders amounted to £471,996. Total operating costs of lettings activity have increased by £854,098 reflecting the increased pension provision required under IFRS102..

The operating surplus for the year was £1,244,439, compared to a budgeted surplus of £1,269,972. This is consistent with forecast expectations and the business plan.

Other income and expenditure activities resulted in a net cost of £41,549 (2015: £119,935). This is in line with expectations and is attributable to development activities. Management services and sundry items contributed a surplus of £14,381 (2015: £48,499).

Cash balances have increased during the year from £706,529 to £5,599,973. This arose from the sale proceeds of Layton House, sold in October 2015. Performance monitoring against our loan covenants has been undertaken with all requirements met under UK GAAP. Any revisions to requirements following the introduction of IFRS102 have yet to be negotiated with our funders

Our development position at the year end is summarised as:
- The capital development programme is temporarily on hold in the light of uncertainty over future rents and funding.
- The number of owned self-contained and decent homes in management has increased to 585 from 570 exceeding the annual target for 2016 of 82%.
  The total number of homes in management has increased to 724 from 709, meeting the annual target of greater than 720.

Environment
- The average SAP (energy efficiency) rating of our housing stock has remained at 85 (2015: 85), exceeding an original target of 82.

Asset management
- All homes met the decent homes standard by 31st March 2010; a programme of further investment is underway to ensure all homes meet the enhanced *Ability* standard.
- The number of shared housing units in management has remained at 61 (8%). Further remodelling or disposal of owned units is planned under the asset management strategy.

Customer service
Our performance is summarised below.

Rent losses from voids and bad debts
- Rent loss due to lettable voids has remained consistent with 2015 at 3.8%,compared with a target of 2%.
- A comprehensive review of the bad debt provision was undertaken, full provision has been made for gross former tenant arrears, excluding credit balances of an additional £90,406

Rent arrears
- Rent arrears have decreased to 4.6% from 5.05% in 2015 against a target of 3.5%, largely a result of outstanding benefit claims and benefit cycle position at the year end.

Value for Money (VFM)

Following the development of our VFM strategy we have taken a number of actions to deliver the plan and to meet the regulatory standard. A revised strategy was agreed for the forthcoming financial year The table below outlines the principal actions from the strategy and progress to date. The detailed VFM self assessment report can be found on the website www.ability-housing.co.uk.

Action from Strategy	Progress to date	Next steps
Active Asset Management Strategy, replace, repurpose or dispose of low demand / high voids shared supported housing schemes	Disposal of redundant hostel in Wimbledon – completed October 2015. Low demand hostel in Oxfordshire – remodelled for high care group. Void cover agreement with local authority. Now fully let. Completion of remodelled Residential care home in Farnham to deliver four self contained units of supported housing. Shared flat in Dorking – sale completed for £222,000.	Development of new asset management strategy. Identify next quartile of poor performing stock.
Quarterly VFM reports	Quarterly drafts produced and agreed by the Board. Updated and revised VFM strategy approved at September 2015 Board meeting.	Publication of performance report and trends. New strategy planned for 2016-17. performance targets fed into 2016-17 plans. VFM impact assessment undertaken and included in minuted management team and board decisions.
Quarterly performance reports issued to Board	September Quarter produced for senior management team and board with comparative data, shows a decrease in rates and cost per unit despite inflation. The report also shows the housing unit cost reduction target not met.	Identify revised peer comparison group. Consider joining benchmarking group.

Action from Strategy	Progress to date	Next steps
Identify costs of service delivery	Service delivery costs identified and compared with local authority framework rates where possible. Individual management accounts produced per support service. Successful inclusion on frameworks and winning tenders indicates that prices are in line with authority expectations.	Form a strategic cost reduction plan. Undertake project on alternative service delivery methods. Review overhead apportionment. Devise and implement exit strategies where services found to be unviable.
Identify cost reduction targets	Report on performance against the 15-16 budgets of cost per unit / hour targets on housing (10%) and support (1%). Management cost per unit of £1,200 exceeded target of £1,150. Direct support costs pre central attribution at 87%. Central overheads reduced to 9.3% of turnover from 12%.	Monitor cost trends. Process continues into 2016-17 budget year. 2016-17 target cost reduction of 5% overall.
Gather benchmarking data from selected peer group and compare costs / outcomes. **Data from published sources**	Data obtained on support service costs and local authority expectations. Tendering price matrices used where available. Tendering results suggest we are at the market rate for the services provided. Hourly support average costs have been reduced by 2% in 2016-17.	Benchmarking targets written into 2016-17 objectives. Further data on types of support service, housing and development. Further cost reduction exercises built into 2016-17 updated VFM strategy. Individual service cost reduction targets set as part of 16-17 budgeting process.
Assess & evaluate social and environmental impact of business activities	Support outcomes recorded. Social impact data being gathered. Comparative costs of long term residential care /	Further assessment across all activities including energy efficiency, social inclusion.

Action from Strategy	Progress to date	Next steps
	hospitalisation vs cost of tenancy support. For example care fees approximately £1,000 per week per person vs 24/7 support costing under £600 for comparable numbers of customers. Research data via the DCLG benefits tool suggests that for each £1 invested in supported living saves £3.29 in health and other social benefit costs.	Raise profile of services provided, education and lobbying at government level. Quantify and publish savings achieved by our services.
Review social benefits of services and investments	Social impact data being gathered. Participation in community and social activity by supported customers, including attending concerts and participation in sport.	Assess preventive aspects of housing support – e.g. enhanced quality of life vs cost of residential care / hospitalisation. Assess and publish social benefits of high standard housing.
Evaluate impact of higher levels of investment in property **Energy efficiency** - **Responsive repairs cost and number** - **Customer satisfaction**	Customer feedback sought. OJEU procurement process in respect of the new repairs contract. Awarded from April 2016, with expected annual savings of 10%. Scrutiny panel reports on repairs & voids.	Comparison of data on repairs undertaken, energy ratings. Contract cost and performance monitoring.
Provide VFM training to colleagues and Customer panel members	Standing agenda item at customer panel (CP) meetings.	Research options available. Develop in house training resource. Encourage attendance at suitable seminars / courses.
Involve customer panel in VFM consultation	VFM issues discussed at CP meeting. Members invited to define their idea of VFM. Opinions sought on cost and service levels of repairs, rents and service charges. Energy	Ongoing outcomes report to board and committees. Production & monitoring of associated action plan.

Action from Strategy	Progress to date	Next steps
	contract management so far saving approximately £15,000 per year.	
Include on Customer Service Committee agendas	Customer scrutiny roadmap developed and project on voids undertaken. Customer panel met with repairs contractor. Panel input into rent setting policy. Tenant/ customer surveys.	CS meetings to consider feedback on VFM from customer panel.Data analysis and feedback action plans.
Reduce central overheads	Review of business staffing requirements undertaken with two posts disestablished and external communications outsourced. Net saving of approximately £40k p.a.	Data gathering from activities above.
Build savings into 2016-17 budget	Included in 2017 budget setting process. Target of £50,000 p.a. savings. Working groups devised local business plans.	Employment costs held to current levels. Central cost budget held to 9% of turnover.

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 achievement of its objectives and these are considered below.

Key risk area	How Managed	Impact on strategic objectives
Dependency on social care & revenue contracts	Identification of other funding sources, social care funding and other business opportunities. Maximise efficiency of delivery. Increase housing stock to reduce proportion of turnover that is dependent upon short-term contracts. Marketing of housing+ support as single entity.	Development, Finance
Change in government / regulatory policy	Accept the risk and monitor policy trends. Build flexibility into plans. Assessment of financial impact. Stress testing of business plans.	Development Customer services
Corporate Operations	Proactive relationship and communications strategy. Evaluation of investment & business options. Contract management.	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 and rental income rates.	Development Finance

Financial position
The association's statement of comprehensive income and financial position are summarised in Table 1 (page 15) and the following paragraphs highlight key features at 30 September 2016.

Accounting policies
The association's principal accounting policies are set out on pages 22 to 26 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.

Housing properties
At 30 September 2016 the association owned 602 housing properties (2015: 587). The properties were carried in the statement of financial position at cost (after depreciation) of £57,232,557(2015: £57,747,876).

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 four pension schemes, the Social Housing Pension Scheme (SHPS), the Surrey County scheme (LGPS), the Social Housing growth plan and the Social Housing direct contribution plan which was used as the auto enrolment vehicle from May 2014. The former two are final salary schemes, the others money purchase. The group has contributed to the schemes in accordance with levels, set by the actuaries, of between 1% and 21%.

The last actuarial valuation of the SHPS was at 30 September 2014. The past service funding level has been assessed at 70%. We anticipate that our contributions to the scheme will increase beyond 16% 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.

The Association has no liability for past service deficit contributions.

Capital structure and treasury policy
By the year end borrowings amounted to £12.15m of which £2.6m falls due to be paid within the next year as shown below. £2.5m of this is a short term facility expiring in May 2017. Negotiations are in progress for the refinancing or repayment of this debt.

Maturity	2016	2015
	£	£
Within one year	2,634,767	122,815
Between one and two years	122,353	2,622,815
Between two and five years	367,059	868,445
After five years	9,025,724	8,670,594
	12,149,903	12,284,669

The association borrows, principally from banks, at both fixed and floating rates of interest. At the year-end, 48% of the association's borrowings were at fixed rates (2015: 56%).

The fixed rates of interest range from 1.765% to 10.68% and in the current market, where long term fixed rates have fallen to around 4%. 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 15) shows that gearing, calculated as total loans as a percentage of capital grants and reserves, has remained stable, decreasing slightly from this year from 23.8% to 21.5%.

Cash flows
Cash inflows and outflows during the year are shown in the statement of cash flow (page 22). The cash inflow from operating activities decreased this year to £941,852 (2015: £1,541,255), reflecting changes to working capital. Overall cash balances increased to £5,599,973 (2015 £706,529 reflecting proceeds of asset sales, cash used for property construction and operating surplus

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 approximately £4 million during the next three years to develop housing accommodation; plans have been temporarily halted pending the continued uncertainty over revenue streams and funding. We have undrawn facilities of £2.5 million (2015: £2.5million).

Statement of compliance
In preparing this Operating and Financial Review, the board has followed the principles set out in the SORP 2014.

The Board also confirms compliance with the HCA's Governance and Financial Viability standard.

Table 1 –highlights, five-year summary

For the year ended 30 September	2016	2015 (restated)*	2014	2013	2012
Statement of Comprehensive income (£'000)					
Total turnover	10,099	9,252	8,754	8,732	8,838
Income from lettings	10,038	9,180	8,690	8,679	8,785
Operating surplus	1,244	1,209	851	1,332	1,203
Surplus for the year transferred to reserves	4,357	736	412	894	922
Balance Sheet (£'000)					
Housing properties net of depreciation (and grants up to 2014)	57,232	57,748	21,876	19,790	18,874
Other fixed assets	1,111	1,098	1,135	1,150	1,081
Fixed assets	58,343	58,846	23,011	20,940	19,955
Net current assets	3,060	170	903	686	756
Total assets less current liabilities	61,404	59,016	23,914	21,626	20,711
Loans (due over one year)	9,515	12,163	11,792	9,916	9,532
Other long term liabilities	35,113	34,434	34	34	398
Reserves : designated	-	-	-	-	1,723
: revenue	-	-	-	-	9,058
: total	16,776	12,419	12,088	11,676	10,781
	61,404	59,016	23,914	21,626	20,711
Accommodation figures					
Total housing stock owned at year end *(number of dwellings)*:	610	595	566	556	529
Social housing	602	587	558	548	521
Non-social housing	8	8	8	8	8
Statistics					
Surplus for the year as % of turnover	12.3	13	4.7	10.2	13.6
Surplus for the year as % of income from lettings	12.3	13	4.8	10.3	13.7
Rent losses *(voids and bad debts as % of rent and service charges receivable)*	3.8	3.8	2.47	1.67	1.89
Rent arrears *(gross arrears as % of rent and service charges receivable)*	4.5	5.05	4.03	3.5	2.94
Interest cover *(surplus before interest payable divided by interest payable)*	2.71	2.55	1.96	3.07	3.36
Liquidity *(current assets divided by current liabilities)*	1.74	1.12	1.77	1.67	1.65
Gearing *(total loans as % of capital grants plus reserves)*	21.5	23.8	23.9	21.0	21.3
Total reserves per home owned	£27,502	£20,871	£21,741	£21,306	£20,380

*The 2015 numbers have been updated to reflect the changes as a result of the transition to FRS 102.

Statement of the responsibilities of the board for the report and financial statements
The board is responsible for preparing the report of the Board, operating and financial Review, strategic report and financial statements in accordance with applicable law and regulations.

Company law requires the board to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The financial reporting standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable United Kingdom Accounting Standards and the Statement of Recommended Practice (SORP): Accounting by registered housing providers, 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 company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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.

Disclosure of information to auditors

The board members confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

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

Annual general meeting
The annual general meeting will be held on 15th March 2017 at The Thames Club, Staines.

External auditors
Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed appointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

The report of the board was approved by the board on 15th March 2017 and signed on its behalf by:

Jane Harrison

Jane Harrison
Chairman

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 2016 which comprise the Statement of Comprehensive Income, the Statement of Changes In Reserves the Statement of Financial Position, the Statement of Cash Flows 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), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the charitable company's members, 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 charitable 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 charitable company and the charitable 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 Board's Responsibilities set out on page 16, 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 2016 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Board and the Strategic Report and 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 to you 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.

Grant Thornton UK LLP

Laura Brierley
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes
Date 31 March 2017

Statement of Comprehensive Income

	Note	2016 £	2015 restated £
Turnover: continuing activities	3	10,099,082	9,252,390
Operating costs	3	(8,854,643)	(8,042,554)
Operating surplus: continuing activities	6	1,244,439	1,209,836
Profit / (Loss) on disposal of property, plant & equipment	7	3,554,064	-
Interest Receivable	8	18,206	
Interest payable and similar charges	9	(459,363)	(473,890)
Surplus on ordinary activities before taxation		4,357,346	735,946
Tax on surplus for the year		-	-
Surplus and total comprehensive income for the financial year		4,357,346	735,946
Total comprehensive income for the year		4,357,346	735,946

The notes on pages 23 to 49 form part of these financial statements.

The results relate to continuing activities.

The financial statements were approved by the Board on 10th March 2017

Jane Harrison
Donna Marshall

Jane Harrison
Chairman

Sally Reay
Board Member

Donna Marshall
Secretary

15th March 2017

STATEMENT OF CHANGES IN RESERVES

Income and Expenditure Reserve

	2016	2015
	£	£
Balance at 1 October	12,418,771	11,682,825
Total comprehensive income for the year	4,357,346	735,946
Balance at 30 September	16,776,117	12,418,771

The notes on pages 23 to 49 form part of these financial statements

Company number 1261380

Statement of Financial Position at 30 September 2016

	Note	2016	2015
		£	£
Tangible fixed assets			
Housing properties	12	57,232,557	57,747,876
Other tangible fixed assets	13	1,111,490	1,097,746
		58,344,047	58,845,622
Current assets			
Trade and other debtors	14	1,594,225	935,971
Cash and cash equivalents		5,599,973	706,529
		7,194,198	1,642,500
Creditors: amounts falling due within one year	15	(4,134,108)	(1,472,782)
Net current assets		3,060,090	169,718
Total assets less current liabilities		61,404,137	59,015,340
Creditors: amounts falling due after more than one year	16	44,152,020	46,278,569
Pension provision SHPS		476,000	318,000
Total Net Assets		16,776,117	12,418,771
Capital and reserves			
Income and Expenditure reserve		16,776,117	12,418,771
Total Reserves		16,776,117	12,418,771
		61,404,137	59,015,340

The notes on pages 23 to 49 form part of these financial statements
The financial statements were authorised and approved by the Directors on 10th March 2017

Jane Harrison

Donna Marshall

Jane Harrison
Chairman

Sally Reay
Board Member

Donna Marshall
Secretary

Statement of Cash Flows	**Note**	**2016** £	**2015** £
Net cash generated from operating activities	21	941,852	1,541,255
Cash flow from investing activities			
Interest received		18,206	-
Purchase and construction of housing properties		(1,100,527)	(2,637,222)
Social housing grant – received		925,000	1,296,249
Proceeds from sale of tangible fixed assets		4,842,559	-
Purchase of other fixed assets		(146,517)	(102,835)
		4,538,721	(1,443,808)
Cash flow from financing activities			
Loans received		-	500,000
Repayment of borrowings		(134,766)	(122,816)
Interest paid		(452,363)	(464,890)
		(587,129)	(87,706)
Net change in cash and cash equivalents		4,893,444	9,741
Cash and cash equivalents at the beginning of the year		706,529	696,788
Cash and cash equivalents at end of the year		5,599,973	706,529

The notes on pages 23 to 49 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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 Homes and Communities Agency as a Registered Provider.

2. Accounting policies

Basis of accounting

The financial statements of the association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 ('FRS 102') and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

This is the first year in which the financial statements have been prepared under FRS 102. Refer to note 27 for an explanation of the transition. The financial statements are presented in Sterling (£), the functional and presentational currency of the association.

Going concern

The association's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The association is able to meet its commitments in respect of long-term debt facilities used to finance reinvestment and development programmes, along with the association's day to day operations. The association also has a business plan, which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants. On this basis, 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 at least 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.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Supporting people and social care contracts

Management judgement is applied in determining the extent to which the risks and benefits are transferred to the association when considering the Income to be recognised. £4,878640 (2015 £4,406,644)of supporting people and social care income was recognised in the year. see note 4 for further details

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to Decent Homes Standards which may require more frequent replacement of key components. Accumulated depreciation at 30 September 2016 was £7,516,761. (2015 £6,788,415).See note 12 for further details

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses. The liability at 30 September 2016 was £476,000 (2015 £318,000). See note 20 for further details

Turnover

Turnover comprises rental income receivable in the year, and other services included at the invoiced value of goods and services supplied in the year and grants receivable in the year.
Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Value added tax

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

Corporation tax

The association is recognised by HMRC as a charity. During the current year the association is claiming exemptions from corporation tax on its income and gains. All of the association's income and gains will be applied to its charitable purposes.

Interest payable

Interest payable is charged to the statement of comprehensive income in the year. No interest is capitalised.

Financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model.

Debtors

Short term debtors are measured at transaction price, less any impairment. Where deferral of payment terms have been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured at fair value, net of transaction costs.

Employee Benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Housing properties
Housing properties are principally properties held for the provision of social housing or otherwise to provide social benefit 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 replace a component that has been treated separately for depreciation purposes along with those 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 are capitalised as improvements.

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 fair 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 fair value and consideration paid is treated as a non monetary government grant and recognised as deferred income within liabilities. Where the donation is from a non-public source, the value of the donation is included as income. The association does not currently own any donated land.

Government Grants
Government grants include grants receivable from the Homes and Communities Agency (the HCA), local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure (excluding land) under the accruals model.

Grants relating to revenue are recognised in the statement of comprehensive income over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received. Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the HCA. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to the statement of comprehensive income. Upon disposal of the associated property, the association is required to recycle these proceeds and recognise them as a liability.

Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

The association separately identifies the major components which comprise its housing properties and charges depreciation so as to write down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.
The association depreciates the major components of its housing properties over the following timescales:

Structure	100 years
Roof	60 years
Kitchen	20 years
Bathroom	25 years
Boiler	15 years
Heating System	30 years
Windows & Doors	20 years
Electrics	30 years

Impairment
Annually housing properties are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the scheme's carrying amount to its recoverable amount. Where the carrying amount of a scheme is deemed to exceed its recoverable amount, the scheme is written down to its recoverable amount. The resulting impairment loss is recognised as operating expenditure. Where a scheme is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less costs to sell.

Other tangible fixed assets
Other tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

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	1%-2%
Long leasehold property	Over life of lease
Furniture, fixtures and fittings	25%
Computers	33.3%
Motor vehicles	25%

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Leased assets
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the association. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring the surplus or deficit. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the association recognises annual rent expense equal to amounts owed to the lessor. The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

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.

Provisions for liabilities
Provisions are recognised when the association has a present obligation (legal or constructive) as a result of a past event, it is probable that the association will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.
Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as finance cost in profit or loss in the period it arises.

The association recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

3. Particulars of turnover, cost of sales, operating costs and operating surplus

	2016 Turnover	2016 Operating costs	2016 Operating surplus
	£	£	£
Social housing lettings	10,037,910	(8,752,815)	1,285,095
Other social housing activities			
Development costs not capitalised	-	(55,930)	(55,930)
Management services	60,279	(45,898)	14,381
Donations	893	-	893
	61,172	(101,828)	(40,656)
	10,099,082	(8,854,643)	1,244,439

	2015 Turnover	2015 Operating costs	2015 Operating surplus
	£	£	£
Social housing lettings	9,179,989	(7,898,717)	1,281,272
Other social housing activities			
Development costs not capitalised	-	(119,935)	(119,935)
Management services	72,401	(23,902)	48,499
	72,401	(143,837)	(71,436)
	9,252,390	(8,042,554)	1,209,836

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Particulars of income and expenditure from social housing lettings

				2016	2015
	General needs housing	Supported housing	Care homes	Total	Total
	£	£	£	£	£
Rent receivable net of identifiable service charges	1,110,456	2,821,465	29,025	3,960,946	3,564,687
Service income	138,107	672,396	-	810,503	827,469
Charges for support services	228,463	4,091,424	368,505	4,688,392	4,058,356
Amortised government grants	52,152	329,911	5,758	387,821	381,180
Other revenue grants	-	190,248	-	190,248	348,288
Turnover from social housing lettings	1,529,178	8,105,444	403,288	10,037,910	9,179,989
Management	241,783)	(660,764)	(4,612)	(907,159)	(971,049)
Services	(84,087)	(471,255)	(27,317)	(582,659)	(573,917)
Routine maintenance	(155,755)	(349,941)	(18,674)	(524,370)	(596,243)
Planned maintenance & major repairs	(204,374)	(379,142)	-	(583,516)	(386,448)
Care & Support costs	(250,070)	(4,338,756)	(246,602)	(4,835,428)	(4,162,062)
Bad debt provision	(19,889)	(70,517)	-	(90,406)	-
Property lease charges	(210,605)	(373,242)	-	(583,847)	(570,200)
Depreciation of housing properties	(130,295)	(508,833)	(6,302)	(645,430)	(638,798)
Operating costs on social housing lettings	(1,296,858)	(7,022,204)	(303,507)	(8,752,815)	(7,898,717)
Operating surplus on social housing lettings	232,320	952,994	99,781	1,285,095	1,281,272
Void losses	24,652	163,862	-	188,514	186,235

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Accommodation in management and development

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

	2016 No	2015 No
Social housing		
General housing	210	213
Supported housing	383	363
Low cost home ownership	2	4
Residential care homes	7	7
Total owned	602	587
Accommodation managed for others	114	114
Total managed	716	701
Non-social housing		
Respite Unit	8	8
Total owned and managed	724	709
Accommodation in development at the year end	-	16

6. Operating surplus

The operating surplus is arrived at after charging:

	2016 £	2015 £
Depreciation of freehold housing properties	497,949	556,454
Depreciation of leasehold housing properties	147,481	147,481
Depreciation of other tangible fixed assets	132,773	139,293
Operating lease rentals		
- office equipment	1,805	5,324
- land and buildings	609,594	570,200
Auditors' remuneration		
- for audit services	17,900	13,930
- for other services -covenant compliance	770	750

7. Profit / (Loss) on Disposal of fixed assets – housing properties

	2016	2015
	£	£
Disposal proceeds - housing properties	4,842,559	-
Carrying value- components	(13,937)	-
Carrying value- housing properties	(889,494)	
	(385,064)	-
Capital grant recycled note 17		-
Profit on disposal	3,554,064	-

8. Interest receivable and similar income

	2016	2015
Interest receivable and similar income	18,206	-

9. Interest payable and similar charges

	2016	2015
	£	£
Loans and bank overdrafts	452,363	464,890
Unwinding of discount on pension provision	7,000	9,000
	459,363	473,890

10. Employees

Average monthly number of employees expressed as full time equivalents (calculated based on a standard working week of 40 hours for care & support staff and 35 hours for others):

	2016	2015
	No	No
Administration	9	10
Development	-	1
Housing, support and care	112	110
	121	121

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Employees (continued)

The full time equivalent number of staff who received remuneration (including directors):

	2016	2015
	No.	No.
£60,001-£70,000	1	1
£70,001-£80,000	-	-
£80,001-£90,000	1	1

Employee costs:	**2016**	**2015**
	£	**£**
Wages and salaries	3,607,005	3,355,315
Social security costs	306,136	281,803
Other pension costs	89,140	92,153
Change in pension provision	151,000	(31,000)
	4,153,281	3,698,270

11. Directors, members and executive directors

	2016	2015
	£	£
Aggregate emoluments of directors (including pension contributions)	208,985	188,221
Emoluments of the highest paid director (excluding pension contributions and including benefits in kind)	65,000	100,793
Total expenses reimbursed to directors not chargeable to UK income tax – Board members	414	164
– Executives	5,074	2,961

Executive salary bands	**2016**	**2015**
£50,000 - £60,000	1	1
£60,000 - £70,000	1	1
£70-000-£80,000	-	-
£80,000-£90,000	1	1

The Chief Executive is a member of the Social Housing Pension Scheme Growth Plan series 4. He is an ordinary member of the pension scheme and no enhanced or special terms apply. Pension contributions totalling £8,405 (2015: £13,032 - £7,602) in respect of Mr Williams and £803 in respect of Mr Skipp were made during the year. The association does not make any further contribution to an individual pension arrangement for the Chief Executive.

Board members

None of the board members received emoluments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. 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 2015	46,037,940	15,581,216	61,619,156	1,354,766	366,774	63,340,696
Additions	9,641	-	9,641	823,938	-	833,579
Works to existing properties	253,255	-	253,255	-	-	253,255
Shared ownership buy back					352,252	352,252
Shared ownership reclassified	531,182		531,182		(531,182)	-
Schemes completed	2,166,247	-	2,166,247	(2,166,247)	-	-
Disposals	(1,280,731)	(67,644)	(1,348,375)	(12,457)	-	(1,361,001)
At 30 September 2016	47,717,534	15,513,572	63,231,106	-	187,844	63,418,950
Depreciation and impairment						
At 1 October 2015	3,986,340	1,606,480	5,592,820	-	-	5,592,820
Charged in year	497,949	147,481	645,430	-	-	645,430
Released on disposal	(51,857)	-	(51,857)	-	-	(51,857)
At 30 September 2016	4,432,432	1,753,961	6,186,393	-	-	6,186,393
Net book value						
At 30 September 2016	43,284,933	13,759,611	57,044,544	-	187,844	57,232,557
At 30 September 2015	42,051,600	13,974,736	56,026,336	1,354,766	366,774	57,747,876

Tangible fixed assets - properties

Expenditure on works to existing properties

	2016	2015
	£	£
Components capitalised	253,255	-
Amounts charged to statement of comprehensive income	583,516	386,448
	836,771	386,448

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Tangible fixed assets – properties (continued)

Social housing assistance

	2016	2015
	£	£
Total accumulated social housing grant received or receivable at 30 September:		
Recognised in the statement of comprehensive income	387,821	381,189
Held as deferred income	34,667,858	34,469,536

Housing properties book value, net of depreciation

	2016	2015
	£	£
Freehold land and buildings	43,472,946	43,773,140
Long leasehold land and buildings	13,759,611	13,974,736
	57,232,557	57,747,876

Annually housing properties are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the scheme's carrying amount to its recoverable amount. No impairment charges were required for the financial year (2015: £nil). Amounts do not include capitalised interest, all interest charges are written off to expenditure as incurred. At the year end a total of 212 (2015: 212) properties were subject to charges securing loan funding. Of these 137 (2015:137) secured the total Barclays facility 59 (2015: 59) the Dexia loan and 16 (2015 ;16) the Crown Mortgage loans.

13. Tangible fixed assets - other

	Freehold offices	Vehicles & office equipment	Furniture, fixtures and fittings	Total
	£	£	£	£
Cost				
At 1 October 2015	1,150,894	829,039	315,408	2,295,341
Additions	-	122,361	24,156	146,517
At 30 September 2016	1,150,894	951,400	339,564	2,441,858
Depreciation				
At 1 October 2015	188,246	764,215	245,134	1,197,595
Charged in the year	18,704	82,922	31,147	132,773
At 30 September 2016	206,950	847,137	276,281	1,330,368
Net book value				
At 30 September 2016	943,944	104,263	63,283	1,111,490
At 30 September 2015	962,648	64,824	70,274	1,097,746

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

14. Debtors

	2016	2015
	£	£
Due within one year		
Rent and service charges receivable	308,652	225,464
Less: provision for bad and doubtful debts	(99,633)	(9,227)
	209,019	216,237
Other debtors	715,874	360,970
Prepayments and accrued income	669,332	358,764
	1,594,225	935,971

15. Creditors: amounts falling due within one year

	2016	2015
	£	£
Debt (note 18)	2,634,767	122,815
Trade creditors	402,933	234,636
Rent and service charges received in advance	144,894	88,255
Other taxation and social security	89,239	81,444
Other creditors	940	940
Accruals and deferred income	456,294	539,652
Holiday pay accrual	17,219	17,219
Deferred grant income	387,821	387,821
	4,134,108	1,472,782

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

	2015	2015
	£	£
Debt (note 19)	9,515,133	12,161,854
Recycled capital grant fund (note 17)	356,850	35,000
Deferred grant income (note 18)	34,280,037	34,081,715
	44,152,020	46,278,569

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Recycled capital grant fund

	2015	2015
	£	£
At 1 October	35,000	35,000
Grants recycled	385,064	-
Grant utilised	(63,214)	-
At 30th September	356,850	35,000

18. Deferred Grant Income

	2016	2015
	£	£
At 1st October	34,469,536	33,685,725
Disposals	338,857	1,165,000
Grant Received	925,000	1,165,000
Released to income	(387,821)	(381,189)
At 30th September	34,667,858	34,469,536
Due in one year	387,821	387,821
Due after one year	34,280,037	34,081,715

19. Debt analysis

Borrowings

	2016	2015
	£	£
Due within one year		
Housing loans	2,634,767	122,815
Due after more than one year		
Housing loans	9,515,136	12,161,854
Total loans	12,149,903	12,284,669

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Debt analysis (continued)

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 2017 to 2037. Interest rates on borrowings range from 0.91% to 10.688%.

At 30 September the association had undrawn loan facilities of £2.5 m (2015: £2.5m).

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

	2016	2015
	£	£
Within one year or on demand	2,634,767	122,815
One year or more but less than two years	122,353	2,622,815
Two years or more but less than five years	367,059	868,445
Five years or more	9,025,724	8,670,594
	12,149,903	12,284,669

The prior year comparatives have been restated to reflect more appropriately the ageing of the debt

20. Pension

Pension Provision

	2016	2015
	£	£
At 1st October	318,000	340,000
Remeasurement	158,000	(31,000)
At 30th September	476,000	318,000

The SHPS obligation is referred to in note 19. The provision is based on the net present value of payments agreed at the year end. The provision will be adjusted following the triennial valuations in the pension scheme, either increasing or decreasing the provision with the opposite entry being shown as operating costs within income and expenditure. The unwinding of the discount is shown as a finance cost.

20. Pension (continued)

The association 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 each of the schemes, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The statement of comprehensive income charge represents the employer contribution payable to the scheme for the accounting period.
Contributions payable from the association to the SHPS under the terms of its funding agreement for past deficits are recognised as a liability within other provisions in the association's financial statements.

Social Housing Pension Scheme

Ability Housing Association participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

PRESENT VALUES OF PROVISION

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Period Ending 30 September 2016 (£000s)	**Period Ending** 30 September 2015 (£000s)
Provision at start of period	231	246
Unwinding of the discount factor (interest expense)	5	7
Deficit contribution paid	(32)	(25)
Remeasurements - impact of any change in assumptions	19	3
Remeasurements - amendments to the contribution schedule	132	-
Provision at end of period	355	231

INCOME AND EXPENDITURE IMPACT

	Period Ending 30 September 2016 (£000s)	**Period Ending** 30 September 2015 (£000s)
Interest expense	5	7
Remeasurements – impact of any change in assumptions	19	3
Remeasurements – amendments to the contribution schedule	132	-
Costs recognised in income and expenditure account	(32)	(25)

20. Pension (continued)

ASSUMPTIONS

	30 September 2016 % per annum	30 September 2015 % per annum	30 September 2014 % per annum
Rate of discount	1.16	2.38	2.71

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

DEFICIT CONTRIBUTIONS SCHEDULE

Year ending	**30 September 2016 (£000s)**	**30 September 2015 (£000s)**	**30 September 2014 (£000s)**
Year 1	39	26	25
Year 2	41	27	26
Year 3	42	28	27
Year 4	43	29	28
Year 5	36	30	29
Year 6	37	22	30
Year 7	38	23	22
Year 8	32	23	23
Year 9	33	17	23
Year 10	34	17	17
Year 11	-	18	17
Year 12	-	-	18

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pension (continued)

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions

Tier 1 From 1 April 2016 to 30 September 2020:	£40.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 2 From 1 April 2016 to 30 September 2023:	£28.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 3 From 1 April 2016 to 30 September 2026:	£32.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)
Tier 4 From 1 April 2016 to 30 September 2026:	£31.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement, the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

The Scheme is closed to new members and at the balance sheet date there was one active member of the Scheme. Contributions of £15,405 (2015: £20,880) were made in the year, we expect to make contributions of approximately £8,000 during the next financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pension (continued)

Pensions Trust's Growth Plan

The company participates in the scheme, a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2011. This valuation showed assets of £780m, liabilities of £928m and a deficit of £148m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions	
From 1 April 2013 to 31 March 2023:	£13.9m per annum (payable monthly and increasing by 3% each on 1st April)

A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions	
From 1 April 2016 to 30 September 2025:	£12,945,440 per annum (payable monthly and increasing by 3% each on 1st April)
From 1 April 2016 to 30 September 2028:	£54,560 per annum (payable monthly and increasing by 3% each on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

20. Pension (continued)

PRESENT VALUES OF PROVISION

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Period Ending 30 September 2016 (£000s)	**Period Ending** 30 September 2015 (£000s)
Provision at start of period	87	94
Unwinding of the discount factor (interest expense)	2	2
Deficit contribution paid	(12)	(11)
Remeasurements - impact of any change in assumptions	5	1
Remeasurements - amendments to the contribution schedule	39	-
Provision at end of period	121	87

INCOME AND EXPENDITURE IMPACT

	Period Ending 30 September 2016 (£000s)	**Period Ending** 30 September 2015 (£000s)
Interest expense	2	2
Remeasurements – impact of any change in assumptions	5	1
Remeasurements – amendments to the contribution schedule	39	-
Costs recognised in income and expenditure account	(12)	(11)*

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes. To be completed by the company.

ASSUMPTIONS

	30 September 2016 % per annum	30 September 2015 % per annum	30 September 2014 % per annum
Rate of discount	1.15	2.18	2.53

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

20. Pension (continued)

DEFICIT CONTRIBUTIONS SCHEDULE

Year ending	30 September 2016 (£000s)	30 September 2015 (£000s)	30 September 2014 (£000s)
Year 1	13	11	11
Year 2	13	12	11
Year 3	13	12	12
Year 4	14	12	12
Year 5	14	13	12
Year 6	15	13	13
Year 7	15	14	13
Year 8	15	7	14
Year 9	16	-	7

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pension (continued)

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 2015 and accordingly the pension costs are accounted for as defined contribution. The scheme administrator has confirmed that the association has no liability for past service deficit contributions.

The total employer contribution payable in the year was £ 15,664 (2015: £15,956). At 30 September 2016 the association had 3 active members in the fund. Expected payments in the next financial year amount to approximately £17,000.

21. Net cash inflow from operating activities

	30 September 2016 £	30 September 2015 £
Operating surplus	1,244,439	1,209,836
Depreciation of tangible fixed assets	778,203	778,091
Grants released to income	(387,821)	(381,189)
	1,634,821	1,606,738
Working capital movements		
Debtors	(658,254)	276,062
Creditors	(34,715)	(341,545)
Net cash inflow from operating activities	941,852	1,541,255

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

	30 September 2016 £	30 September 2015 £
Increase in cash	4,893,444	9,741
Cash outflow/(inflow) from decrease /(increase) in debt	134,766	(377,184)
Change in net debt resulting from cash flows	5,028,210	(367,443)
Movement in net debt for the period	5,028,210	(367,443)
Net debt at 1 October	(11,578,140)	(11,210,697)
Net debt at 30 September	(6,549,930)	(11,578,140)

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Analysis of changes in net debt

	1 October 2015	Cashflow	30 Sept 2016
	£	£	£
Cash at bank and in hand	706,529	4,893,444	5,599,973
Changes in cash	706,529	4,893,444	5,599,973
Loans	(12,284,669)	134,766	(12,149,903)
Changes in debt	(12,284,669)	134,766	(12,149,903)
Changes in net debt	(11,578,140)	5,028,210	(6,549,930)

24. Capital commitments

	2016	2015
	£	£
Capital expenditure		
Expenditure contracted for but not provided in the accounts	-	426,200
Expenditure authorised by the board, but not contracted	-	-
	-	426,200

Provisions for liabilities – other provisions

The leave pay provision represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the salary cost payable for the period of absence.

25. Contingent assets/liabilities

The association receives capital grant from the Homes and Communities Agency, which is used to fund the acquisition and development of housing properties and their components. In certain circumstances upon disposal of grant funded properties the group is required to recycle this grant by crediting the Recycled Capital Grant Fund.

The association had no other contingent assets or contingent liabilities at 30 September 2016 (2015: £nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Leasing commitments

Operating lease payments amounting to £613,282 (2015: £588,055) are due within one year. The leases to which these amounts relate expire as follows:

	2016	2015
	£	£
Office equipment		
Expiring in one year or less	1,805	1,805
Between 1-2 years	1,128	1,635
Between 2-3 years	756	1,128
Between 3-4 years	-	756
Over 4 years	-	-
	3,689	5,324
Land and buildings		
Expiring in one year or less	-	-
Between one and five years	387,074	377,914
Over five years	222,519	204,817
Total	613,282	588,055

27. Related parties

There are currently no beneficiary members of the directors.

28. 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:

	2016	2015
	£	£
Floating rate	6,283,411	5,441,472
Fixed rate	5,866,492	6,843,197
Total (note 16)	12,149,903	12,284,669

The fixed rate financial liabilities have a weighted average interest rate of 3.71% (2015: 3.71%) and the weighted average period for which it is fixed is 1 year to 24 years (2015: 1 year to 25 years).

The floating rate financial liabilities comprise loans that bear interest at rates based on the monthly LIBOR.

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. Financial liabilities excluding trade creditors – interest rate risk profile (continued)

The debt maturity profile is shown in note 19.

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:

	2016 £	2015 £
Expiring in less than one year	2,500,000	-
Expiring in 1-2 years	–	2,500,000
	2,500,000	2,500,000

Financial assets

Other than short term debtors, financial assets held are cash deposits in notice and current accounts. They are sterling denominated and the interest rate profile at 30th September was:

	2016 £	2015 £
Floating rate on cash deposits	4,518,206	-
Financial assets on which no interest is earned	1,081,767	706,529
Total	5,599,973	706,529

29. Share Capital

The association is a company limited by guarantee and therefore has no share capital. Each member (see numbers below) agrees to contribute £1 in the event of the company winding up.

	2016 No.	2015 No.
At 1 October	41	38
Joining during the year	-	3
Leaving during the year	-	-
At 30 September	41	41

NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Transition to FRS 102

The association has adopted FRS 102 for the year ended 30 September 2016 and has restated the comparative prior year amounts.

Changes for FRS 102 adoption

1. SHPS Pension

Under section 28 the group is now required to recognise the net present value of any contractual agreements to make additional payments for a past deficit. Using a discount rate of 1.16% (2015 2.38%). This has resulted in a liability of £318,000 being recognised as a provision in the opening reserves.

2. *Holiday pay provision*

A provision is now made for entitlement to holiday at the year-end which has not been taken by employees. This has been calculated based on payroll records and totalled £17,219 as a liability in opening reserves.

Holiday pay provision	**2016**	**2015**
	£	**£**
At 1st October	17,219	-
Added in year	-	17,219
Utilised	-	-
At 30th September	17,219	17,219

3. Grant accounting

Grants were previously netted off the cost of the related asset. Under FRS 102, government grants must be accounted for using the accruals model or the performance model. As the association accounts for its properties at cost, it has adopted the accruals model for government grants, as required by SORP 2014. Non- government grants are accounted for under the performance model.

Under the accruals model, the government grants have been allocated to the related assets and amortised over the useful economic life of those assets. The unamortised amount is held within deferred income, split between < 1 year and > 1 year. The amount of amortised grant that has been recognised in opening reserves is £4,132,426.
Depreciation is now applied to the gross cost of housing assets, less land. This has led to an additional depreciation charge of £4,263,561 that has been recognised in opening reserves.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Transition to FRS 102 (continued)

Restated association statement of financial position

	30 Sep 2015	1 Oct 2014
	£	£
Original Reserves	12,885,125	12,087,962
Holiday pay accrual	(17,219)	-
SHPS Pension	(318,000)	(340,000)
Amortisation of government grants	381,189	3,751,237
Depreciation adjustment	(447,187)	(3,816,374)
Correction of cumulative depreciation	(65,137)	-
Restated reserves	12,418,771	11,682,825

Restated surplus or deficit for the year ended 30 September 2015	£
Original surplus on ordinary activities before tax	797,163
SHPS Pension	22,000
Holiday pay accrual	(17,219)
Amortisation of grants	381,189
Depreciation adjustment	(447,187)
Restated surplus for the financial year	735,946