



Company registration number: 02500964

Charity registration number: 1039255

Abilities Limited

(A company limited by guarantee)

Annual Report and Financial Statements

for the Year Ended 31 May 2016

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Abilities Limited

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Abilities Limited

Reference and Administrative Details

Chief Executive Officer	R Cormack
Trustees	J Lambert (resigned 23 August 2015) I De Vere Moss (deceased 28 September 2016) D Rockett (deceased 3 October 2016) J Price M Cowling K Shaw (appointed 23 November 2016)
Secretary	R Cormack
Principal Office	Waverley Road Weymouth Dorset DT3 5HL
Company Registration Number	02500964
Charity Registration Number	1039255
Solicitors	Humphries Kirk 40 High West Street Dorchester Dorset DT1 1UR
Bankers	Barclays Bank PLC 10 South Street Dorchester Dorset DT1 1BT
Auditors	PKF Francis Clark Senior Statutory Auditor Towngate House 2-8 Parkstone Road Poole Dorset BH15 2PW

Abilities Limited

Trustees' Report

Introduction:

The Trustees present their annual report and accounts for the year ended 31 May 2016.

The Directors of the charitable company (the charity) are its Trustees for the purposes of charity law and throughout this report are collectively referred to as the Trustees. Their responsibilities include all the responsibilities of Directors under the Companies Act 2006 and of Trustees under the Charities Act 2011.

The charitable company is a limited company (by guarantee) and is governed by a Memorandum and Articles of Association dated 10th May 1990, as amended on 5th April and 17 May 1994. The full name of the charity is Abilities Limited.

The objectives and activities of the charity:

The objective of the charity is the relief of poverty, sickness and distress of people living within the UK, particularly in Dorset, by providing vocational training which is compatible with their disabilities and needs to:

a) persons suffering from disabilities; b) persons finding difficulty obtaining work as are as a result of long term unemployment.

The charitable company, by training and assessing individuals who are either disabled or who have been unemployed for a long period of time aims to be able to secure jobs for those people who may previously have been unable to find employment.

There will be a review of the charity at the year end. To ensure that any future plans for the charity that it will continue to work with and assist customers with disabilities find employment and persons finding difficulty obtaining work as are as a result of long term unemployment.

Organisational Structure:

The Trustees Delegate the day to day running and management to the Chief Executive Officer.

Other senior staff:

Sophia Stanley Operations Director, Finance Director, HR Director Katherine Motteram.

The charity is managed on a day to day basis by the Company Secretary who is also the Executive Director, supported by the Finance Director, with all activities overseen by a Management Committee.

It is custom and practice has been that 2 Trustees retire each year and, if willing, they may be reappointed.

Trustee induction and training:

Following the expression of interest by an individual, a meeting between the Company Secretary and a potential new Trustee to ascertain what skills the individual would bring. The prospective Trustee is invited to attend a number of Management Committee meetings to both provide additional information and to assess their contribution. Should this process be successful they would be invited onto the Board at the next Annual General Meeting.

Major risks:

The Board of Trustees meet as a Management Committee on a monthly basis along with the Executive Director. The meetings follow an agenda which includes financial management, the company activities, future plans, Health and Safety and Equal Opportunities.

Abilities Limited

Trustees' Report

It is at this time that the Executive Director presents a report on the last month's activities and achievements against agreed tasks. At the monthly meetings the Executive Director presents a profit and loss account showing monthly and year to date figures compared to budget, a review of the balance sheet for that month and a debtors report for comment and discussion.

The Executive Director also advises on potential risks with regard to the various training contracts and how it might affect the organisation with regard to staffing and financial stability. All these meetings are minuted.

All major decisions that may affect the smooth running and financial stability of the charity are made by the Board of Trustees. Opportunities, risks and threats to the charity are discussed at monthly board meetings and with their experience the Trustees will approve or refuse the Executive Director's plans depending on the financial information available and the level of risk.

Key management arrangements for setting pay and remuneration of key management

We benchmark the pay of our key management against the salary of local colleges, NHS and Dorset County Council. Furthermore when winning contracts from the National Lottery and ESF (European Social Fund) Generally our key managers are close to the pay band.

Risk Management:

The Management Committee has conducted its own review of the major risks to which the charity is exposed and established systems to mitigate the effect of those risks. Internal risks are minimised by the implementation of procedures for authorisation of all transactions and projects and to ensure consistent quality of delivery of all operational aspects of the charitable company. These procedures are periodically reviewed to ensure that they still meet the needs of the charity.

Reserves Policy:

The Management Committee reviews the level of reserves required on a periodic basis and takes a flexible approach to the charity's requirements. The Board of Trustees is satisfied that the charity's assets are adequate to fulfil its obligations. The minimum requirement is to fund Four months' running costs which equates to approximately £400,000 of working capital which would finance the current activities of the charity in the event of a significant drop in funding. The level of Free Reserves at 31 May 2016 was £196,510.

Increase level of reserves:

Actions are well in advance to have 4 months reserves as working capital. We have reduced our staff by 40% making significant savings as this is the major cost of running the Charity. We review staff costs and potential savings on a monthly basis to ensure we are a much leaner company but not only fulfil our obligations to our various contracts but also act with speed and flexibility which has become a major strength of the charity over the years.

In April 2016 we recruited a Financial Director who has helped us reduce costs and increased our revenue. Ensuring we are benefitting from the staff savings, strong budgeting, review meetings and reporting to the board on savings and risk to the charity each month. With his help we have gone from making significant losses to close to breaking even at the end of 2016. With the additional contracts we have won in 2016 we are forecasting a break even position for the accounting period 2016/2017. A surplus in excess of £220,000 in the accounting period 2017/2018. Finally we are in the unique position that our contracts are government funded and are invoices are cleared between 30 to 50 days which has helped with our cashflow. We also have an overdraft facility.

With the support of Abilities Board of Trustees and a small Management team comprising of the Executive Director, Finance and H.R. Director. We are in a strong position to rebuild our surpluses in 2017 and 2018.

Abilities Limited

Trustees' Report

Main Activities:

The activities we carried out to achieve our objectives are the following:-

To win contracts from National and Local organisations that are funded through Government and European Social Funded contracts to help unemployed and disabled participants to either move towards or gain sustainable worthwhile employment.

To engage volunteers, who apply for a position, they may be good listeners, can train our customers in IT or help out in our Admin offices. On many occasions our participants who haven't found Employment want to join us as a volunteer. After a period of volunteering we often recruit these volunteers because they have a knowledge, understanding and empathy of those they are helping. Once we identify a volunteer that might become a paid member of staff we plan a period of observations, interviews and meetings to ensure they have the skills and understanding of our objectives and commitment to help those most disadvantaged in the Labour market.

To fund the activities we tender for contracts to help our participants find worthwhile and sustainable employment. The normal process is to tender for employability contracts from the Department of Works & Pensions. Grants from Dorset County Council, Bournemouth & Poole College and main Charities like Shaw Trust, Pluss and other grant making organisations. We also applied and won grants from the National Lottery and European Social fund.

Aims

It is our aim to help people find sustainable work. In this year we helped over 200 people find work, 90 people on our Work Program, and 60 on our Work Choice Program and over 50 on other programs. Each contract was targeted to achieve jobs on a monthly basis with agreed number of people going into work and sustaining employment for six months. Our sustainment rate is 60% over all our programs.

Strategy to finance and improve jobs outcomes on existing and new contracts. Short Term and Long term objectives

The lack of contracts to apply for in Dorset and for the rest of the Country has been noticeable which has stopped more unemployed people finding work. Made worse in January of 2016 because the referendum to "Leave" or "Remain" in the European Union was announced. There were no further employability contracts or ESA (Employment Support Allowance) contracts launched and with the "Leave" vote winning it delayed the awarding of any new contracts. These actions have been catalysts for why we have made significant losses in this financial year.

To return to profitability in this financial year, we have made a number of changes short and long term. The most significant is to employ an accountant (Finance Director) rather than buying in accountancy services.

This has made a significant difference to Abilities and with the Finance Director's help we are slowly returning to a surplus. With the lack of referrals and funding changes to our provision we have been making redundancies along with other cost cutting activities where we could which certainly slowed the losses. However with the help of our newly Financial Director we have reduced losses to almost nil and finally after Brexit we are winning new contracts.

The Finance Director's appointment has allowed the CEO to win new business because a great deal of his time has been spent in the last year working on our finances. Now the CEO's times is maximising the income coming in from our existing contract and winning new contracts. The strategy of investment to employ a Financial Director has been part of Abilities overall strategy to progress its aim of helping as many people into work as possible.

Abilities Limited

Trustees' Report

Public benefit:

The Trustees have given due regard to public benefit when planning the charity's activities, in accordance with the Charity Commission's Guidance on Public Benefit. The paragraphs above set out our activities, achievements and performance during the year, which are directly related to the objects and purposes for which the charity exists.

The charity achieves its principal objects and purposes by providing vocational training to persons suffering from disabilities and persons finding difficulty obtaining work as a result of long term unemployment. These benefits are directly related to the aims of the charity and are fully compliant with the Charity Commission Guidance on Public Benefit.

Significant activities undertaken:

In this period we recruited 11 volunteers and were able to find roles across our training centres in Dorset and South Somerset. The roles consist of administration, job coaches and taking on tasks that are helping our participants or trainees return to work. An example of the role of a volunteer is to provide 1-1 support, interview techniques, updating CVs and general employability support.

In this period we won a Government contract called Community Work Placements managed by an organisation called JobFit. This contract was quite controversial as participants who had been unemployed for two years were now expected to work for their benefits. This would be working in the local community, providing support services for Local Charities, helping the aged, working for their Local Council, cutting grass and litter picking, various services for hospitals and care homes. Also providing help and support for local charity shops. Although finding jobs wasn't the main priority over 27% of Participants went into work following volunteering on this program

Mental Health Programme:

In 2015 Abilities won a contract for delivery of learning to people with mental health issues. This was won in conjunction with Bournemouth Poole and Dorset Learning & Skills and Dorset Mental Health Forum.

The aim of the project was to engage people with mental health issues into learning. In preparation for this a number of our staff underwent specialist mental health background training. We were targeted to engage with 50 people and did so in the four months that the contract ran.

Of even greater importance Abilities gained valuable understanding of and experience in delivering learning to this group and the challenges they face as preparation for new contracts which will be tendered for in early 2017.

We measure our success during this period by the number of people we have been able to help and the success our customer has had in moving towards employment. That the Participant is receiving an excellent service from Abilities. This is done qualitatively and quantitatively

We have worked with over 700 participants in this financial period but our complaints have been very low, in single figures and they have all been resolved amicably. To fund Abilities we either have contracts or grants to achieve and in this financial year we have been successfully achieved our contractual requirements.

Social investment activities:

We continue to invest in North Dorset through leasing a training centre and supplying staff to help those unemployed or disabled and classed as rurally challenged. Although we receive some funding for supporting our customers in Dorset it does not cover our costs.

Abilities Limited

Trustees' Report

As a Charity we feel the loss is outweighed by the job results we get and how we can publicise the difficulties the inhabitants of North Dorset face on a daily basis. This is suffering from the lack of employment, transport links and poor housing opportunities.

Long term aims:

Expand our provision to provide services outside Dorset. We feel the time has come to expand our services to other counties to help more participants into sustainable work. To fund this aim we have secured a contract in Hampshire along the M27 and M3 corridors, the contract to help disabled and long term unemployed participants find sustainable work. The program is called JAG (Job Activity Group) and is well received by its participants and referring agencies. The program was designed to work with 15 participants but the course was always oversubscribed with over 25 participants attending the course. We felt the JAG course would be a loss leader for Abilities in Hampshire and this has been the case. The JAG course was such a success we have been offered a contract extension and this time we will be far more diligent with the cost of the course. The good reports from the JAG course have now won us more business for 2017 and 2018 in Hampshire. We are looking forward to helping and securing jobs for more of our participants.

Volunteers:

We normally engage volunteers who have been unemployed for over six months or have knowledge of being unemployed and have the understanding and empathy of those they are helping. We plan and carry out a period of observation interviews and meetings to ensure they have the skills and understanding of our objectives and commitment to help those most disadvantaged in the Labour market. To ensure our Volunteers are not disadvantaged themselves they are treated as members of staff and Abilities HR Director is currently drawing up a policy on all aspects of recruiting and retaining our Volunteering.

Financial review:

The Forecasts and Staff costs are reflective of the company at the end of the year but currently we are seeing an improvement in our fortunes. To ensure the Company remains viable we have taken the following steps.

We halved the amount of staff we employ to represent our business levels or current contracts. This process has taken well over a year to achieve.

We understand that as a charity that employs and helps people who stand little chance of finding employment, it is our duty to help and support those staff leaving us as we would our participants to find other jobs.

We are very proud that at least 30 of the staff who we have made redundant have found employment elsewhere, mostly away from this industry and into other jobs such as Admin, receptionist and of course Care Workers.

The point that we making is we could have balanced the books a lot quicker if we had been more ruthless with our redundancies but helping our former staff into other jobs has been a priority, it has affected our bottom line but however have acted in accordance with our beliefs and aims as a charity.

During this financial period an unexpected issue occurred, as we entered the extension of the Work Choice contract, the Government launched its own contract identical to the Work Choice contract. They launched Pathways to Employment in 4 pilot areas and Dorset was one of the designated areas and was heavily promoted by Government and most of the participants whom we expected to be referred to us were instead referred to this project. For six months along with a 50% reduction in our management fee for our Work Choice and with no participants referred to us the contract turned quickly into a loss. Thankfully for Abilities the pilot was not a great success and after six months DWP scrapped it. However, by this time we were struggling financially making losses every month.

Abilities Limited

Trustees' Report

Moving forward and with Work Choice slowly recovering apart from a couple of bumps in the road we are close to surplus, against a relatively small income stream. Enabling us to pay our bills on time, clear an outstanding VAT bill and not use our overdraft facility. Our current financial position is the result of good financial management and willingness to succeed.

You will note that we have new contracts with different organisations and new opportunities. Before accepting any of the new contract offers we go into period of diligence against a series of actions to prove the contract is viable. This prudent approach is another factor that is helping Abilities to return to a surplus in 2016 and 2017.

We would expect new contracts to be cash negative in the early months as the programmes are developed and clients recruited.

Most of the new contracts are 2 year terms, so we expect 2017/18 to be a strong year financially as we run a number of high values, mature contracts

This will also be a year where new work is being actively sought throughout to replace programmes that will be finishing during 2018/19

We are expecting to be able to deliver the new programmes largely through redeploying existing staff and using existing facilities, but a number of new direct staff will be recruited to service the increased work.

We have included a £50K staff training budget in the 2017/18 year, plus a contingency of £60,000 to cover unforeseen costs.

Overall the forecasts show a solid position at May 2018, with a surplus for the financial year of £221K, reserves of £400K and closing bank balances of £350K.

Summary: (Balanced Picture)

Clearly this financial year has been the most difficult Abilities have known in its 25 years of existence. There are good reasons for this, along with the rest of the Voluntary sector we have suffered by a reduction in ESF/DWP contracts.

The constant search for best value by DWP, some of the new contracts coming out represent a reduction in real terms of between 25 and 40%. DWP continue with cutbacks of their own staff and at the same time trying to replicate the work we do in the Community.

Our finances were further reduced by helping the staff we made redundant to find other positions. The Trustees and CEO felt this was a legitimate cost but as a one off. We are now much stronger internally and with tight financial screening and scrutiny of every contract on its merit. With improved recruitment through our HR Director before any new staff is employed.

In this year we have had 3 very sad losses from our Board of Trustees, however their involvement has seen an improvement and expansion of Abilities over 25 years. The Board of Trustees meet on a monthly basis and the CEO delivers a written report on contract progress against agreed KPI (Key Performance Indicator).

KPI (Key Performance Indicator).

Each contract comes with a profile of delivery, what the contractor expects us to achieve over a calendar. For example the profile could be 10 jobs a month and if we achieve the required outcomes we would get £500 per job = £5,000.

Abilities Limited

Trustees' Report

To make sure we achieve our contract profile we have broken most of our contracts into 50 weeks, Christmas holiday is the exception. We use weekly KPI to ensure we have a tight grip over the progress of each contract. Using the example of 10 jobs, if we get to the end of the third week with only 6 jobs we would be able to take immediate action to remedy the situation through our close contract monitoring.

With all of our contracts particularly dealing with people there will be issues and challenges that were not expected. The KPI process enables us to quickly act to improve the situation. Through the KPI the Board of trustees are able to quickly understand where we are with each contract and will agree what the KPI should be for next month. Although we work over 50 weeks the Board of Trustees only sees our performance over the calendar month unless there is an exception where a contract is underperforming. One positive effects of KPI system is that it not only show where we are in the month but it also enables the Trustees to congratulate those staff who are performing well.

At the meeting the Finance Director produces a profit and loss, balance sheet and budget. The finances are discussed in length and discussed with future KPI's agreed, with Trustees, CEO and Management team. The HR Director explains about the progress of our staff, new recruits, leavers and future training.

Also key actions from the senior leadership team are reported.

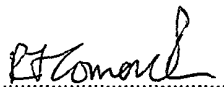
For the first time in 12 months and because of various contract delays it is very rewarding for us as Trustees, that Abilities can finally work with contracts that we won several months ago. In January 2017 we will have started 4 new contracts.

With the savings we have made through being prudent during this financial year we look forward to seeing and reporting a marked improvement in our fortunes next year.

The Charity has taken the exemption from preparing a strategic report available under the small companies regime.

2302.2017

The annual report was approved by the trustees of the Charity on and signed on its behalf by:



R Cormack
Company Secretary

Abilities Limited

Statement of Trustees' Responsibilities

The trustees (who are also the directors of Abilities Limited for the purposes of company law) are responsible for preparing the and the financial statements in accordance with the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable 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 charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

23.02.2017

Approved by the trustees of the Charity on and signed on its behalf by:



R Cormack
Company Secretary

Abilities Limited

Independent Auditors' Report to the members of Abilities Limited

We have audited the financial statements of Abilities Limited for the year ended 31 May 2016, which comprise the Statement of Financial Activities, Balance Sheet, Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)).

This report is made solely to the charitable company's trustees, 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 Charity's trustees 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 trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Statement of Trustees' Responsibilities (set out on page 9), the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the 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 31 May 2016 and of its results for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 Trustees' Report 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:

Abilities Limited

Independent Auditors' Report to the members of Abilities Limited

- 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 trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the trustees were entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.



.....
Nicholas Love ACA FCCA (Senior Statutory Auditor)
For and on behalf of PKF Francis Clark, Statutory Auditor

Towngate House
2-8 Parkstone Road
Poole
Dorset
BH15 2PW

27 February 2017

Abilities Limited

Statement of Financial Activities for the Year Ended 31 May 2016 (Including Income and Expenditure Account)

		Unrestricted funds £	Total 2016 £	(As restated) Total 2015 £
	Note			
Income and Endowments from:				
Charitable activities	2	1,370,821	1,370,821	1,591,400
Investment income	3	84	84	278
Total Income		<u>1,370,905</u>	<u>1,370,905</u>	<u>1,591,678</u>
Expenditure on:				
Charitable activities	4	<u>(1,553,827)</u>	<u>(1,553,827)</u>	<u>(1,620,799)</u>
Total Expenditure		<u>(1,553,827)</u>	<u>(1,553,827)</u>	<u>(1,620,799)</u>
Other recognised gains and losses				
Net expenditure for the year		(182,922)	(182,922)	(29,121)
Reconciliation of funds				
Total funds brought forward		<u>379,432</u>	<u>379,432</u>	<u>408,553</u>
Total funds carried forward	14	<u>196,510</u>	<u>196,510</u>	<u>379,432</u>

All of the Charity's activities derive from continuing operations during the above two periods.


The funds breakdown for 2015 is shown in note 14.

Abilities Limited

(Registration number: 02500964)
Balance Sheet as at 31 May 2016

	Note	2016 £	(As restated) 2015 £
Fixed assets			
Tangible assets	9	78,163	95,643
Current assets			
Debtors	10	644,368	593,385
Cash at bank and in hand		<u>49,681</u>	<u>135,051</u>
		694,049	728,436
Creditors: Amounts falling due within one year	11	<u>(575,702)</u>	<u>(444,647)</u>
Net current assets		<u>118,347</u>	<u>283,789</u>
Net assets		<u>196,510</u>	<u>379,432</u>
Funds of the Charity:			
Unrestricted income funds			
Unrestricted income funds	14	<u>196,510</u>	<u>379,432</u>
Total funds		<u>196,510</u>	<u>379,432</u>

The financial statements on pages 12 to 25 were approved by the trustees, and authorised for issue on 25/2/17.... and signed on their behalf by:


M Cowling
Trustee

Abilities Limited

Statement of Cash Flows for the Year Ended 31 May 2016

	Note	2016 £	(As restated) 2015 £
Cash flows from operating activities			
Net cash expenditure		(182,922)	(29,121)
Adjustments to cash flows from non-cash items			
Depreciation		20,790	23,017
Investment income	3	<u>(84)</u>	<u>(278)</u>
		(162,216)	(6,382)
Working capital adjustments			
Increase in debtors	10	(50,983)	(257,633)
Increase in creditors	11	<u>131,055</u>	<u>308,019</u>
Net cash flows from operating activities		<u>(82,144)</u>	<u>44,004</u>
Cash flows from investing activities			
Interest receivable and similar income	3	84	278
Purchase of tangible fixed assets	9	(4,992)	(61,576)
Sale of tangible fixed assets		<u>1,682</u>	<u>-</u>
Net cash flows from investing activities		<u>(3,226)</u>	<u>(61,298)</u>
Net decrease in cash and cash equivalents		(85,370)	(17,294)
Cash and cash equivalents at 1 June		<u>135,051</u>	<u>152,345</u>
Cash and cash equivalents at 31 May		<u><u>49,681</u></u>	<u><u>135,051</u></u>

All of the cash flows are derived from continuing operations during the above two periods.

Abilities Limited

Notes to the Financial Statements for the Year Ended 31 May 2016

1 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

Abilities Limited is a registered charity, registration number 1039255, company number 02500964, registered in the United Kingdom. The address of the charity is given in the reference and administrative details on page 1 of these financial statements. The nature of the charity's operations and principal activities are described in the Trustees annual report set out on pages 2 - 8.

The charity constitutes a public benefit entity as defined by FRS 102. The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2015.

The financial statements are prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are prepared in sterling which is the functional currency of the charity and rounded to the nearest £.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

The charity adopted SORP (FRS 102) in the current year and an explanation of how transition to SORP (FRS 102) has affected the reported financial position and performance is given in the notes to these financial statements.

Going concern

The financial statements have been prepared on a going concern basis.

The trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the Charity to continue as a going concern. The trustees make this assessment in respect of a period of one year from the date of approval of the financial statements.

Income and endowments

Donations and legacies

Voluntary income is recognised where there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability.

Investment income

Bank interest received is included on an accruals basis.

Abilities Limited

Notes to the Financial Statements for the Year Ended 31 May 2016

Charitable activities

Income from charitable activities is recognised as the related services are provided.

Some of the income received may cover periods which vary from the company itself or are subject to conditions which are still to be met. These are accounted for under the accruals concept, thus some income already received is carried forward as deferred income into next year. Income yet to be received is shown in debtors.

Expenditure

All expenditure is recognised once there is a legal or constructive obligation to that expenditure, it is probable settlement is required and the amount can be measured reliably. All costs are allocated to the applicable expenditure heading that aggregate similar costs to that category. Where costs cannot be directly attributed to particular headings they have been allocated on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use. Other support costs are allocated based on the spread of staff costs.

All resources expended are inclusive of irrecoverable VAT.

Charitable activities

Charitable expenditure comprises those costs incurred by the Charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

Support costs

Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, for example, allocating property costs by floor areas, or per capita, staff costs by the time spent and other costs by their usage.

Irrecoverable VAT

Irrecoverable VAT is charged against the category of resources expended for which it was incurred.

Taxation

The Charity is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Abilities Limited

Notes to the Financial Statements for the Year Ended 31 May 2016

Tangible fixed assets

Individual fixed assets costing £100 or more are initially recorded at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation and amortisation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Depreciation method and rate
Leasehold improvements	Period of lease
Computer equipment	20% straight line basis
Fixtures, fittings and equipment	15% straight line basis

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the Charity will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Charity does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Statement of Financial Activities over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the Charity has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Abilities Limited

Notes to the Financial Statements for the Year Ended 31 May 2016

Fund accounting

Unrestricted income funds are general funds that are available for use at the trustee's discretion in furtherance of the objectives of the Charity.

Designated funds are unrestricted funds set aside at the discretion of the trustees for specific purposes.

Further details of each fund are disclosed in note 15.

Hire purchase and finance leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases are charged in the Statement of Financial Activities on a straight line basis over the lease term.

Pensions and other post retirement obligations

The charity operates a stakeholder pension scheme. Contributions are charged in the statement of financial activities as they become payable in accordance with the rules of the scheme.

2 Income from charitable activities

	Unrestricted funds	Total 2016	Total 2015
	General £	£	£
Work Choice	352,770	352,770	438,113
Families Programme	43,660	43,660	46,850
The Work Programme	415,632	415,632	630,771
SW Careers	-	-	16,000
CfBT	17,984	17,984	21,488
Petroc College	26,760	26,760	42,000
Community Work Placements	236,221	236,221	106,641
BTG Courses	3,900	3,900	-
Dorset Adult Learning	184,603	184,603	180,838
DCC Funded placements	28,074	28,074	58,803
Other income	61,217	61,217	49,896
	<u>1,370,821</u>	<u>1,370,821</u>	<u>1,591,400</u>

None of the income in the prior year was attributable to restricted funds.

Abilities Limited

Notes to the Financial Statements for the Year Ended 31 May 2016

3 Investment income

	Unrestricted funds	Total 2016	Total 2015
	General £	£	£
Interest receivable and similar income;			
Interest receivable on bank deposits	84	84	278

None of the income in the prior year was attributable to restricted funds.

4 Expenditure on charitable activities

	Unrestricted funds	Total 2016	Total 2015
	General £	£	£
Operational staff gross wages and salaries	733,366	733,366	783,219
Support staff gross wages and salaries	238,670	238,670	198,125
External training	128,675	128,675	122,695
Employer financial incentives	33,892	33,892	68,827
Direct travel	87,312	87,312	81,925
Client payments	3,462	3,462	5,651
Travelling	44,893	44,893	41,366
Trustee expenses	375	375	546
Premises	140,031	140,031	146,768
Office and telecommunications	82,874	82,874	93,036
Accountancy fees	12,235	12,235	20,968
Legal and professional	19,306	19,306	26,220
Bank charges	1,599	1,599	3,435
Depreciation of tangible fixed assets	20,790	20,790	23,017
Indemnity insurance	2,247	2,247	1,251
Auditors' remuneration	4,100	4,100	3,750
	<u>1,553,827</u>	<u>1,553,827</u>	<u>1,620,799</u>

None of the expenditure in the prior year was attributable to restricted funds.

Abilities Limited

Notes to the Financial Statements for the Year Ended 31 May 2016

5 Net incoming/outgoing resources

Net outgoing resources for the year include:

	2016 £	2015 £
Depreciation of fixed assets	<u>20,790</u>	<u>23,017</u>

6 Trustees remuneration and expenses

During the year the Charity made the following transactions with trustees:

M Cowling

£375 (2015: £126) of expenses were reimbursed to M Cowling during the year.

D Rockett

£Nil (2015: £420) of expenses were reimbursed to D Rockett during the year.

No trustees, nor any persons connected with them, have received any remuneration from the charity during the year.

No trustees have received any other benefits from the charity during the year.

7 Staff costs

The aggregate payroll costs were as follows:

	2016 £	2015 £
Staff costs during the year were:		
Wages and salaries	895,213	897,545
Social security costs	49,243	53,777
Pension costs	4,889	10,125
Compensation payments	<u>22,691</u>	<u>19,897</u>
	<u>972,036</u>	<u>981,344</u>

The monthly average number of persons (including senior management team) employed by the Charity during the year expressed as full time equivalents was as follows:

	2016 No	2015 No
Charitable activities	70	64
Management activities	<u>13</u>	<u>12</u>
	<u>83</u>	<u>76</u>

During the year, the Charity made redundancy and/or termination payments which totalled £Nil (2015 - £19,897).

No employee received emoluments of more than £60,000 during the year.

Abilities Limited

Notes to the Financial Statements for the Year Ended 31 May 2016

8 Taxation

No tax was charged in the year (2015 - £nil).

Abilities Limited

Notes to the Financial Statements for the Year Ended 31 May 2016

9 Tangible fixed assets

	Leasehold improvements £	Fixtures, fittings and equipment £	Computer equipment £	Total £
Cost				
At 1 June 2015	165,689	29,831	106,407	301,927
Additions	-	595	4,397	4,992
Disposals	(1,141)	-	(541)	(1,682)
At 31 May 2016	<u>164,548</u>	<u>30,426</u>	<u>110,263</u>	<u>305,237</u>
Depreciation				
At 1 June 2015	106,911	20,994	78,379	206,284
Charge for the year	<u>7,109</u>	<u>2,586</u>	<u>11,095</u>	<u>20,790</u>
At 31 May 2016	<u>114,020</u>	<u>23,580</u>	<u>89,474</u>	<u>227,074</u>
Net book value				
At 31 May 2016	<u>50,528</u>	<u>6,846</u>	<u>20,789</u>	<u>78,163</u>
At 31 May 2015	<u>58,778</u>	<u>8,837</u>	<u>28,028</u>	<u>95,643</u>

10 Debtors

	2016 £	2015 £
Trade debtors	585,198	482,456
Prepayments	43,492	95,929
Other debtors	<u>15,678</u>	<u>15,000</u>
	<u>644,368</u>	<u>593,385</u>

11 Creditors: amounts falling due within one year

	2016 £	(As restated) 2015 £
Trade creditors	62,620	67,337
Other taxation and social security	476,410	325,464
Other creditors	-	2,404
Pension scheme creditor	3,654	211
Accruals	<u>33,018</u>	<u>49,231</u>
	<u>575,702</u>	<u>444,647</u>

Abilities Limited

Notes to the Financial Statements for the Year Ended 31 May 2016

12 Obligations under leases and hire purchase contracts

Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2016	2015
	£	£
Land and buildings		
Between one and five years	61,000	91,500
After five years	<u>238,000</u>	<u>272,000</u>
	<u>299,000</u>	<u>363,500</u>
Other		
Within one year	185	-
Between one and five years	<u>31,129</u>	<u>37,053</u>
	<u>31,314</u>	<u>37,053</u>

13 Charity status

The Charity is a Charity limited by guarantee and consequently does not have share capital. Each of the trustees is liable to contribute an amount not exceeding £1 towards the assets of the Charity in the event of liquidation.

If upon winding up or dissolution of the charity there remain any assets, after the satisfaction of all debts and liabilities, the assets represented by the accumulated funds shall be transferred to some other charitable body or bodies having similar objectives to the charity.

Abilities Limited

Notes to the Financial Statements for the Year Ended 31 May 2016

14 Funds

	Balance at 1 June 2015 £	Incoming resources £	Resources expended £	Balance at 31 May 2016 £
Unrestricted funds				
<i>Unrestricted general funds</i>				
Unrestricted income fund	349,432	1,370,905	(1,531,136)	189,201
<i>Unrestricted designated funds</i>				
Redundancy fund	<u>30,000</u>	<u>-</u>	<u>(22,691)</u>	<u>7,309</u>
Total funds	<u>379,432</u>	<u>1,370,905</u>	<u>(1,553,827)</u>	<u>196,510</u>

	Balance at 1 June 2014 £	Incoming resources £	Resources expended £	Transfers £	Balance at 31 May 2015 £
Unrestricted funds					
<i>Unrestricted general funds</i>					
Unrestricted income fund	408,553	1,591,678	(1,620,799)	(30,000)	349,432
<i>Unrestricted designated funds</i>					
Redundancy fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>30,000</u>
Total funds	<u>408,553</u>	<u>1,591,678</u>	<u>(1,620,799)</u>	<u>-</u>	<u>379,432</u>

15 Analysis of net assets between funds

	Unrestricted funds		Total funds
	General funds £	Designated funds £	£
Tangible fixed assets	78,163	-	78,163
Current assets	686,740	7,309	694,049
Current liabilities	<u>(575,702)</u>	<u>-</u>	<u>(575,702)</u>
Total net assets	<u>189,201</u>	<u>7,309</u>	<u>196,510</u>

16 Related party transactions

Expenses reimbursed to trustees are stated in note 6. There were no other related party transactions in the current and prior years.

Abilities Limited

Notes to the Financial Statements for the Year Ended 31 May 2016

17 Control

The charity is controlled by the trustees who are all directors of the company.

18 Transition to FRS 102

The charity has adopted the SORP (FRS 102) for the first time in the year ended 31 May 2016.

The effect of transition from SORP (2005) to SORP (FRS 102) is outlined below.

a) Changes in accounting policies

No consequential changes in accounting policies resulting from adoption of SORP (FRS 102) were required.

b) Reconciliation of total charity funds

An adjustment was required to previously reported total charity funds at the date of transition to SORP (FRS 102) and at the end of the comparative period relating to accrued holiday pay expenses totalling £25,000 which reduced funds brought forward at transition.

c) Reconciliation of comparative period net income

No adjustments were required to previously reported net income in the comparative period.