

Industrial and Provident Societies Act No. 19475R  
Registered Social Landlord No. L1965

**KENISTON HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 MARCH 2009**

**KENISTON HOUSING ASSOCIATION LIMITED**

**OFFICERS AND PROFESSIONAL ADVISERS**

**MANAGEMENT COMMITTEE**

Alan Messenger (Chair from 18 September 2008)  
Robert Goddard (Chair to 18 September 2008)  
Jane Clarke  
Graham Colley  
Ian Ferguson  
Jennifer Hillier  
Peter Mishcon  
Valia Miteva-Vitchev  
Gary Purdy (resigned 18 September 2008)  
David Salenius  
Paul Shann

**DIRECTOR**

Nevil Osborne

**SECRETARY**

Thomas Weston

**BANKERS**

National Westminster Bank Plc  
354 Crofton Road  
Farnborough  
Kent  
BR6 8UN

**AUDITORS**

Nexia Smith & Williamson  
25 Moorgate  
London  
EC2R 6AY

**REGISTERED OFFICE**

13 Artington Close  
Farnborough  
Orpington  
Kent  
BR6 7UL

**STATUTORY REGISTRATIONS**

Industrial and Provident Societies Act  
No. 19475R

Registered Social Landlord  
No. L1965

**KENISTON HOUSING ASSOCIATION LIMITED**

**REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009**

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## **KENISTON HOUSING ASSOCIATION LIMITED**

### **REPORT OF THE MANAGEMENT COMMITTEE OF KENISTON HOUSING ASSOCIATION FOR THE YEAR ENDED 31 MARCH 2009**

The Management Committee is pleased to present its report and the audited financial statements for the year ended 31 March 2009.

#### **Principal Activities**

The principal activity of the Association is the provision and management of affordable rented accommodation for people in housing need.

#### **Review of the business**

For the year ended 31 March 2009, the Association made a surplus of £150,384 (2008: £10,386) which has been transferred to reserves (note 16). After transfers between reserves our total designated reserves now stand at £340,359 (2008: £1,369,158) and our revenue reserves at £3,344,275 (2008: £2,159,512).

After taking account of transfers and other investments in our properties, our assets before deducting long term loans total £7,342,945 (2008: £5,831,339).

The ongoing programme of major repairs at Darrick Wood came to an end during the year. Other contracts started during the year include:

- stock re-investment works on 440 properties
- external redecoration works covering 57 properties
- adaptations to properties for 28 people with disabilities

The financial results are broadly in line with the budget.

Housing property values are shown at historic costs and depreciation is charged in line with the Statement of Recommended Practice (SORP) for Registered Social Landlords (updated 2008).

#### **Management Committee Members**

The members of the Management Committee of the Association who have served during the year are shown below:

Alan Messenger	(Chair from 18 September 2008)
Robert Goddard	(Chair to 18 September 2008)
Jane Clarke	
Graham Colley	
Ian Ferguson	
Jennifer Hillier	
Peter Mishcon	
Valia Miteva-Vitchev	
Gary Purdy	(Resigned 18 September 2008)
David Salenius	
Paul Shann	

## **KENISTON HOUSING ASSOCIATION LIMITED**

### **REPORT OF THE MANAGEMENT COMMITTEE OF KENISTON HOUSING ASSOCIATION FOR THE YEAR ENDED 31 MARCH 2009 (continued)**

#### **Management Committee Members (continued)**

Management Committee Members are expected to:

- uphold the values and objectives of the Association;
- uphold the Association's core policies (including those for equal opportunities);
- prepare for and attend meetings of the Committee;
- participate in meetings, contributing expertise where applicable;
- contribute to and share responsibility for the Committee's decisions;
- consider attending training sessions, conferences or other events for enhancing skills and contributions as a committee member;
- ask for training where it is needed;
- represent the Association on occasions;
- welcome new Committee members;
- declare any relevant interest;
- respect confidentiality of information; and
- uphold the Association's Code of Governance.

Each member of the Management Committee holds one fully paid share of £1 in the Association. As with all Industrial and Provident societies, profits are not distributed to shareholders.

Thomas Weston, employed as Acting Finance Manager, was appointed as Company Secretary in September 2008 but does not hold a £1 share.

#### **Insurance**

Insurance policies are maintained by the Association for all buildings, certain areas of risk and for members of the Management Committee and all staff against liabilities in relation to the Association.

#### **Disabled employees**

Applications for employment by disabled persons are given full and fair consideration for all vacancies, having regard to their particular aptitude and abilities. In the event of employees becoming disabled, the policy is to make every effort to retain them in order that their employment within the organisation may continue.

#### **Investors in People**

The Association received ongoing recognition as an Investor in People in April 2008.

#### **Equal Opportunities**

The Association takes seriously its responsibilities in this area. Further efforts were made in following Keniston's own Black and Minority Ethnic (BME) strategy during the year.

#### **Training**

It is the policy of the Association that training, career development and promotion opportunities should be available to all employees. Approximately 83 training sessions were provided for 33 staff during the year at a direct cost of approximately £12,219 (2008: £8,000). Appropriate training is also made available to management committee members.

## **KENISTON HOUSING ASSOCIATION LIMITED**

### **REPORT OF THE MANAGEMENT COMMITTEE OF KENISTON HOUSING ASSOCIATION FOR THE YEAR ENDED 31 MARCH 2009 (continued)**

#### **Employee involvement**

The Association has continued its practice of keeping employees informed on matters affecting them and on the progress of the Association. This is carried out in a number of ways, including formal and informal briefings and team meetings.

#### **Donations**

The Association made small charitable donations of money to other organisations supporting local communities in which the Association works or for the homeless.

#### **Corporate Governance**

The Management Committee has adopted, with minor amendments, the National Housing Federation's (NHF) Code of Governance 2000.

The Management Committee is committed to integrity and accountability in the stewardship of the Association's affairs and considers that the Association has complied throughout the period under review with the provisions of the NHF's Code of Governance.

Keniston Housing Association uses the National Housing Federation model rules 1998 with charitable and other minor amendments.

#### **Composition of the Management Committee**

The Management Committee currently comprises 10 non-executive members and normally meets with the senior managers 9 times a year. Additionally, the Finance Manager is elected secretary and is a non-voting member of the Committee.

The Committee has a formal schedule of matters reserved for its decision, which includes overall group strategy and future development, allocation of financial resources, risk management, acquisitions and disposals, approval of major financial transactions, annual budgets, annual results, appointment of the Director and various policies including treasury management. Responsibility for the Association's day to day operations is delegated to the managers who report through the Director.

The complaints sub committee met four times during the year.

The Health and Safety sub committee met once.

#### **Management Team**

The senior staff of the Association who served during the year are as follows:

Christopher Bryant	(Housing Services Manager)
Helene Harris	(Finance Manager until taking maternity leave from September 2008)
Thomas Weston	(Acting Finance Manager from September 2008)
Nevil Osborne	(Director)
Stephen Playle	(Repairs Service Manager)

The senior staff hold no interest in the Association's share capital. They act as executives within the authority delegated by the Management Committee. The detailed scrutiny and performance, the development of policy and procedures and expenditure approvals within budget are carried out by the management team in conjunction with other staff and advisers. The management team normally meets twice a month.

## **KENISTON HOUSING ASSOCIATION LIMITED**

### **REPORT OF THE MANAGEMENT COMMITTEE OF KENISTON HOUSING ASSOCIATION FOR THE YEAR ENDED 31 MARCH 2009 (continued)**

#### **Related party disclosures**

There were no related party disclosures during the year.

#### **Internal controls**

The Management Committee is ultimately responsible for the group's system of internal control and for reviewing its effectiveness. However, it is recognised that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement of loss.

Following publication of Housing Corporation Circular 07/07, the Management Committee confirms there is an ongoing process for identifying, evaluating, and managing the significant risks faced by the Association, that has been in place for the year under review and up to the date of approval of the annual report and accounts, and that this process is regularly reviewed by the Management Committee and in accordance with the Circular.

The Management Committee has reviewed the effectiveness of the system of internal control by reviewing the evidence of controls, the Risk Management policy and procedures in place over the year. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed.

The Risk Management policy includes:

- the need for managing ongoing viability, especially to fund stock reinvestment works
- avoidance of high impact risks
- balancing growth and existing service provision
- insurance
- use of internal and external auditors.

Managers are responsible for the identification and evaluation of significant risks applicable to their areas of business together with the design and operation of suitable internal controls. These risks are assessed on an ongoing basis and may be associated with a variety of internal or external sources including control breakdowns, disruption in information systems, competition, natural catastrophe, regulatory requirements and failure to achieve business critical objectives.

A control self-assessment and hierarchical reporting framework has been established which provides for a documented and auditable trail of accountability. These procedures are relevant across all operations and provide for assurances to be given through the Management Team to the Management Committee. Members of the Management Team report quarterly to the Management Committee on their review of risks through a checklist of internal controls and how they are managed within their individual responsibilities.

Independent internal auditors also provide a degree of assurance as to the operation and validity of the systems of internal control. A three year programme of internal audit derived from an audit needs assessment includes reviewing the risk identification procedures and control processes implemented by the Management Team. Internal Auditors have continued the programme of reviews during the year and the internal audit reports with management responses have been reported promptly to the Management Committee, following each review visit. Planned corrective actions are monitored for timely completion.

The Director also reports to the Management Committee on behalf of the Management Team on significant changes in the business and the external environment which affect significant risks. The Finance Manager provides the Management Committee with quarterly financial information which includes key performance and risk indicators. Performance reporting on key areas of activity is also reported to the Management Committee quarterly.

## **KENISTON HOUSING ASSOCIATION LIMITED**

### **REPORT OF THE MANAGEMENT COMMITTEE OF KENISTON HOUSING ASSOCIATION FOR THE YEAR ENDED 31 MARCH 2009 (continued)**

#### **Regulation and permitted activities**

As a Registered Social Landlord, Keniston was regulated by the Housing Corporation until 30 November 2008 and is now regulated by the Housing Corporation's successor, The Tenant Services Authority. With effect from March 2007, the Housing Corporation changed regulatory arrangements for associations with fewer than one thousand units. As a result Keniston now comes under the Regulatory Arrangements for Small Housing Associations (RASA) which under normal circumstances means less regulatory impact.

Keniston is permitted to carry out any activities to further its main objective as summarised above (Principal Activities). Non housing activities do not exceed 30% of turnover.

#### **Going concern**

The Management Committee has a reasonable expectation that the Association has adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

#### **Auditors**

A resolution to reappoint the auditors, Nexia Smith and Williamson will be proposed at the next annual general meeting.

By order of the Management Committee

Alan Messenger  
Chairman

Date

## **KENISTON HOUSING ASSOCIATION LIMITED**

### **STATEMENT OF MANAGEMENT COMMITTEE RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The Industrial and Provident Societies Acts and registered social housing legislation require the Management Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing these financial statements the Management Committee are required to:-

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Management Committee are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and its assets and liabilities and to enable them to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 1 to the Housing Act 1996 and the accounting requirements for Registered Social Landlords General Determination 2006. It has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

# Nexia Smith & Williamson

## Independent auditors' report to the members of Keniston Housing Association Limited

We have audited the accounts of Keniston Housing Association Limited for the year ended 31 March 2009 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, Notes to the Cash Flow Statement and the related notes 1 to 23. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the association's members, as a body, in accordance with the requirements of statute. Our audit work has been undertaken so that we might state to the association'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 association and the association'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 auditors

As described on page 8 the association's board are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards and the relevant Statement of Recommended Practice.

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

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you if, in our opinion, the Board Report is not consistent with the accounts, if the association has not kept proper accounting records and if we have not received all the information and explanations we require for our audit.

We read the Board Report and consider the implications for our report if we become aware of any apparent misstatements within it.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the accounts, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

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

## Opinion

In our opinion the accounts:

- give a true and fair view of the state of the Association's affairs as at 31 March 2009 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

**Nexia Smith & Williamson**  
Chartered Accountants  
Registered Auditors

25 Moorgate  
London  
EC2R 6AY

Date

**KENISTON HOUSING ASSOCIATION LIMITED****INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009**

	Notes	2009 £	2008 £
<b>Turnover</b>	2,3	3,469,216	3,277,741
Operating costs	2,3	(3,132,640)	(3,137,048)
		<hr/>	<hr/>
<b>Operating surplus</b>	2,3	336,576	140,693
Other income		38,152	59,972
		<hr/>	<hr/>
<b>Surplus on ordinary activities before interest and tax</b>		374,728	200,665
Other interest receivable and similar income		19,624	31,865
Interest payable and similar charges	6	(243,968)	(222,144)
		<hr/>	<hr/>
<b>Surplus for the year</b>	7	<u>150,384</u>	<u>10,386</u>

The Association's activities are all classified as continuing and there are no recognised surpluses or deficits other than those included above.

# KENISTON HOUSING ASSOCIATION LIMITED

## BALANCE SHEET AS AT 31 MARCH 2009

	Notes	2009 £	2008 £
<b>Fixed assets</b>			
Tangible assets:			
Housing properties: cost less depreciation	8	54,680,902	54,581,009
Social housing grant	8	(49,308,750)	(49,308,750)
		<hr/>	<hr/>
		5,372,152	5,272,259
Other tangible fixed assets	9	296,653	343,137
		<hr/>	<hr/>
		5,668,805	5,615,396
<b>Current assets</b>			
Debtors	10	221,704	153,242
Cash at bank and in hand		1,846,522	487,460
		<hr/>	<hr/>
		2,068,226	640,702
<b>Creditors:</b> Amounts falling due within one year	11	(394,086)	(424,759)
		<hr/>	<hr/>
<b>Net current assets</b>		1,674,140	215,943
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		7,342,945	5,831,339
		<hr/> <hr/>	<hr/> <hr/>
<b>Creditors:</b> Amounts falling due after more than one year	12	3,245,206	1,883,984
<b>Capital and reserves</b>			
Non equity share capital	14	24	24
Designated reserves	15	340,359	1,369,158
Revenue reserves	15	3,344,275	2,159,512
Acquisition reserve	15	413,081	418,661
		<hr/>	<hr/>
		7,342,945	5,831,339
		<hr/> <hr/>	<hr/> <hr/>

The financial statements were approved by the Management Committee on 18 June 2009 and signed on their behalf by:

Alan Messenger  
Robert Goddard  
Thomas Weston

**KENISTON HOUSING ASSOCIATION LIMITED****CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009**

	Notes	2009 £	2008 £
<b>Net cash inflow from operating activities</b>	1	381,328	323,022
<b>Returns on investments and servicing of finance</b>			
Interest received		20,802	31,865
Interest paid		(243,023)	(222,144)
<b>Net outflow from returns on investments and servicing of finance</b>		(222,221)	(190,279)
		159,107	132,743
<b>Capital expenditure and financial investment</b>			
Proceeds on disposal of other fixed assets		3,500	-
Additions to housing properties		(162,518)	(163,479)
Purchase of other tangible fixed assets		(34,110)	(31,616)
<b>Net cash outflow from capital expenditure and financial investment</b>		(193,128)	(195,095)
<b>Net cash outflow before management of liquid resources and financing</b>		(34,021)	(62,352)
<b>Financing</b>			
Housing loans		1,450,000	-
Housing loans repaid		(56,917)	(39,625)
<b>Net cash inflow/(outflow) from financing</b>		1,393,083	(39,625)
<b>Increase/(decrease) in cash</b>		1,359,062	(101,977)

**KENISTON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009**

<b>1</b>	<b>Reconciliation of operating deficit to net cash inflow from operating activities</b>		<b>2009</b>	<b>2008</b>
			<b>£</b>	<b>£</b>
	Operating surplus		336,576	140,693
	Other income		38,152	59,972
	Depreciation charges		144,242	147,715
	Surplus on disposal of fixed assets		(4,244)	
	(Increase) / decrease in debtors		(69,640)	48,107
	(Decrease) in creditors		(63,758)	(73,465)
			<hr/>	<hr/>
	Net cash inflow from operating activities		381,328	323,022
			<hr/> <hr/>	<hr/> <hr/>
<b>2</b>	<b>Analysis of changes in net debt</b>	<b>31 March</b>		<b>31 March</b>
		<b>2008</b>	<b>Cashflows</b>	<b>2009</b>
		<b>£</b>	<b>£</b>	<b>£</b>
	Cash at bank and in hand	185,849	1,144,084	1,329,933
	Liquid resources	301,611	214,978	516,589
		<hr/>	<hr/>	<hr/>
		487,460	1,359,062	1,846,522
	Debt due after more than one year	(1,878,484)	(1,361,222)	(3,239,706)
	Debt due within one year	(44,263)	(31,861)	(76,124)
		<hr/>	<hr/>	<hr/>
	Total	(1,435,287)	(34,021)	(1,469,308)
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>3</b>	<b>Reconciliation of net cash flow to movement in net debt</b>			<b>£</b>
	Increase in net cash in the period			1,144,084
	Cash used to increase liquid resources			214,978
	Cash used to increase debt			(1,393,083)
				<hr/>
	Change in net debt			(34,021)
	Net debt at 1 April 2008			(1,435,287)
				<hr/>
	Net debt at 31 March 2009			(1,469,308)
				<hr/> <hr/>

# KENISTON HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

### 1 Accounting policies

#### Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards, with special regard to the Statement of Recommended Practice "Accounting by Registered Social Landlords" (updated 2008) ("the SORP") and comply with the Accounting Requirements for Registered Social Landlords General Determination 2006 ("the Determination").

#### Tangible fixed assets and depreciation

Housing properties are stated at cost less SHG less depreciation and less provision for any impairment in value.

Housing properties are now depreciated on a straight line basis over the periods shown below:

Properties built prior to 31 March 2001:

Houses	80 years
Flats	60 years
New houses	100 years
New flats	80 years

Other fixed assets are included at cost to the Association (i.e. net of any related grants) less depreciation, which is provided on a straight line basis, on the net cost over the useful economic lives of the assets at the following annual rates:

Office furniture and equipment	10-20%
Motor vehicles	25%
Computer equipment	25%
Scheme equipment	5-20%

#### Acquisition accounting

The undertakings of Hayles Community Housing Association ("Hayles") were acquired on 31 August 2002. The assets and liabilities were recognised in the balance sheet at fair value and were acquired for nil consideration. The financial statements are prepared under the acquisition accounting method and negative goodwill arose. Negative goodwill is amortised by way of reserve transfer from the financial year following acquisition over the useful life of the housing assets acquired from Hayles. In accordance with the SORP, negative goodwill is disclosed in the Capital and Reserves section of the balance sheet. It is described as an acquisition reserve.

#### Social housing grant

Housing Association Grant (HAG) was a capital grant made to the Association prior to the 1996 Housing Act towards the cost of acquiring and/or building additional housing for rent or sale. Following the 1996 Housing Act, the Association is eligible for Social Housing Grant (SHG) towards expenditure on housing activities.

## **KENISTON HOUSING ASSOCIATION LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (continued)**

#### **1 Accounting policies (continued)**

##### **Social housing grant (continued)**

Where general needs developments have been financed wholly or partly by HAG or SHG and other capital subsidies, the cost of these developments has been reduced by the amount of the grant receivable.

HAG and SHG are repayable indefinitely unless formally abated or waived. On the occurrence of certain relevant events, primarily following the sale of property, the HAG or SHG repayable or to be recycled will be restricted to the net proceeds of sale where appropriate. In recognition of this, external lenders seek the subordination of the Tenant Services Authority's right to recover HAG and SHG to their own loans.

SHG which is received in advance of total development costs is shown as a current liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it related.

If housing properties are disposed of, Social Housing Grants are repayable to the Tenant Services Authority or held as a creditor in the Disposal Proceeds Funds, under most circumstances.

##### **Capitalisation of interest and administration costs**

Interest on the Association's borrowings was capitalised in fixed asset housing properties up to the date of completion of major repairs on each scheme. The interest was either on borrowings specifically financing a scheme (after deduction of interest on grant received in advance) or on net borrowings to the extent that they are deemed to be financing a scheme. This treatment applied irrespective of the original purpose for which the loan was required.

##### **Cyclical maintenance and internal decorations**

The costs of repairs, cyclical maintenance and internal decorations are recognised in the income and expenditure account when work is performed.

##### **Designated reserves**

Major repairs reserve - The Association has in previous years set aside specific reserves to fund future major repairs costs, for which no major repairs SHG is available, as shown in note 17. Following a programme of major repairs which commenced in 2004 and for which annual expenditure since has been approximately equivalent to this reserve, the Management Committee decided on 18 June 2009 that a major repairs reserve was no longer needed and that this reserve should be transferred to revenue reserves.

##### **Restricted funds**

Where funds are received or generated which are held for use limited by restrictions determined by third parties, these are shown as restricted reserves.

##### **Turnover**

Turnover comprises rental income receivable and fees and grants from local authorities.

## **KENISTON HOUSING ASSOCIATION LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (continued)**

#### **1 Accounting policies (continued)**

##### **Major repairs expenditure**

The Association capitalises that proportion of expenditure on housing properties which adds to the value of the property, or extends its useful life, or enhances the property and which would have resulted in additional costs at the time of the original construction. All other major repair expenditure is charged to the income and expenditure account. Improvements to property that relate to integral assets with a separately identifiable life to the property concerned are also capitalised but are depreciated over their economic life on a straight line basis.

##### **Taxation**

The association has charitable status and is therefore not subject to Corporation Tax on surpluses derived from charitable activities.

The association is not registered for VAT purposes and expenditure is shown gross of any value added tax.

##### **Pension costs**

The Association is part of a multi-employer defined benefit (final salary) contributory pension scheme administered independently by The Pensions Trust. The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the income and expenditure account in order to spread the cost over the service lives of employees in the scheme in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

##### **Provisions**

The Association only provides for contractual liabilities which exist at the balance sheet date.

##### **Recycled capital grant fund**

Following certain relevant events, primarily the sale of dwellings, the Tenant Services Authority can direct the Association to recycle capital grant (HAG and SHG) or to repay the recoverable capital grant back to the Authority. Where the grant is recycled the recoverable capital grant is credited to a Recycled Capital Grant Fund which is included as a creditor due within one year or due after more than one year as appropriate.

#### **2 Turnover and surplus analysis**

All turnover and operating costs arose from social housing letting activities as shown in note 3.

**KENISTON HOUSING ASSOCIATION LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009  
(continued)**

3	<b>Income and expenditure from lettings</b>	<b>2009</b>	<b>2008</b>
		<b>£</b>	<b>£</b>
	<b>Income from lettings</b>		
	Rent receivable net of identifiable service charges	3,033,913	2,865,737
	Service charges receivable	355,238	331,233
	Charges for Support Services	80,064	80,771
		<hr/>	<hr/>
	Net rents receivable	3,469,216	3,277,741
	Revenue grants from local authorities	-	-
		<hr/>	<hr/>
	Total income from social housing lettings	3,469,216	3,277,741
		<hr/>	<hr/>
	<b>Expenditure on letting activities</b>		
	Management	512,322	496,715
	Services	350,840	334,210
	Support charges	79,470	76,440
	Routine maintenance	816,327	723,107
	Planned maintenance	1,095,380	1,243,144
	Major repairs expenditure	-	51,163
	Rent losses from bad debts	20,833	4,217
	Depreciation of housing properties	65,904	61,932
	Other costs	126,719	112,813
	Development	64,845	33,307
		<hr/>	<hr/>
	Total expenditure on social housing lettings	3,132,576	3,137,048
		<hr/>	<hr/>
	Operating surplus on social housing lettings	336,576	140,693
		<hr/>	<hr/>

Rents receivable above are shown net of losses from voids of £15,045 (2008: £12,618)

**KENISTON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009**  
(continued)

**4 Emoluments of the Management team (“MT”)**

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Director	73,885	71,434
Housing services manager	52,226	52,639
Repairs service manager	47,193	46,266
Finance manager	21,679	30,790
Acting Finance manager	27,423	-
	<hr/>	<hr/>
Aggregate emoluments of the MT (including pension contributions and benefits in kind)	222,406	201,129
	<hr/> <hr/>	<hr/> <hr/>
The emoluments of the highest paid MT member, the director were:		
Gross salary (excluding pension contributions and benefits in kind)	59,842	58,411
	<hr/>	<hr/>

The Director is a member of the company pension scheme, on standard terms.  
No member of the Management Committee receives any emoluments.

**5 Employee information**

The average monthly number of persons (excluding Management Committee members) employed during the year expressed in full time equivalents was:

	<b>2009</b>	<b>2008</b>
	<b>No.</b>	<b>No.</b>
Office staff	17	16
Wardens, caretakers and cleaners	8	8
Maintenance	1	1
	<hr/>	<hr/>
Full time equivalents	26	25
	<hr/> <hr/>	<hr/> <hr/>

Total average monthly number of persons (excluding Management Committee members) employed during the year was:

	<b>2009</b>	<b>2008</b>
	<b>No.</b>	<b>No.</b>
Office staff	25	26
Wardens, caretakers and cleaners	14	14
Maintenance	1	1
	<hr/>	<hr/>
Total number	40	41
	<hr/> <hr/>	<hr/> <hr/>

**KENISTON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009**  
(continued)

5	<b>Employee information (continued)</b>	<b>2009</b>	<b>2008</b>
		£	£
	<b>Staff costs (including the director)</b>		
	Wages and salaries	674,053	627,990
	Social security	52,985	44,351
	Pension costs	56,254	54,959
		<hr/>	<hr/>
		783,292	727,300
		<hr/> <hr/>	<hr/> <hr/>
6	<b>Interest payable and similar charges</b>		
		£	£
	On housing loans repayable wholly or partly in more than five years	243,968	222,144
		<hr/>	<hr/>
7	<b>Surplus for the year</b>		
		£	£
	The surplus is stated after charging/(crediting):		
	Depreciation of tangible fixed assets		
	- housing properties	65,904	61,932
	- other fixed assets	78,338	85,783
	Auditors' remuneration (including VAT)		
	- as auditors	13,513	13,101
	Surplus on sale of fixed assets	(4,244)	-
		<hr/> <hr/>	<hr/> <hr/>

**KENISTON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009**  
(continued)

8 Housing properties	Freehold housing properties held for letting £	Long leasehold housing properties £	Total £
<b>Cost</b>			
At 1 April 2008	54,638,101	372,731	55,010,832
Additions	165,796	-	165,796
	<hr/>	<hr/>	<hr/>
At 31 March 2009	54,803,897	372,731	55,176,628
	<hr/>	<hr/>	<hr/>
<b>Social Housing Grant</b>			
At 1 April 2008	49,166,763	141,987	49,308,750
Additions	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2009	49,166,763	141,987	49,308,750
	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation</b>			
At 1 April 2008	411,892	17,931	429,823
Charge for the year	62,613	3,291	65,904
	<hr/>	<hr/>	<hr/>
At 31 March 2009	474,504	21,222	495,727
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 March 2009	5,162,630	209,522	5,372,152
	<hr/>	<hr/>	<hr/>
At 31 March 2008	5,059,446	212,813	5,272,259
	<hr/>	<hr/>	<hr/>

During the year £969,895 (2008: £1,084,831) was spent on stock reinvestment and major repairs. Of this £165,796 (2008: £163,479) was capitalised and £804,099 (2008: £921,532) was taken to the Income and Expenditure account. See Note 1 for the accounting policy.

**KENISTON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009**  
(continued)

**9 Other fixed assets**

	<b>Freehold office premises £</b>	<b>Office equipment £</b>	<b>Scheme equipment £</b>	<b>Motor vehicles £</b>	<b>Computer equipment £</b>	<b>Total £</b>
<b>Cost</b>						
At 1 April 2008	288,528	245,589	376,306	60,408	105,062	1,075,893
Additions	-	-	5,117	18,651	10,342	34,110
Disposals	-	-	(2,972)	(18,050)	(2,368)	(23,390)
At 31 March 2009	288,528	245,589	378,451	61,009	113,036	1,086,613
<b>Depreciation</b>						
At 1 April 2008	150,983	165,405	290,440	45,780	80,148	732,756
Charge for year	8,268	23,901	20,895	8,503	16,771	78,338
Disposals	-	-	(2,972)	(15,794)	(2,368)	(21,134)
At 31 March 2009	159,251	189,306	308,363	38,489	94,551	789,960
<b>Net book value</b>						
At 31 March 2009	129,277	56,283	70,088	22,520	18,485	296,653
At 31 March 2008	137,545	80,184	85,866	14,628	24,914	343,137

**KENISTON HOUSING ASSOCIATION LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009  
(continued)**

10	<b>Debtors</b>	<b>2009</b>	<b>2008</b>
		<b>£</b>	<b>£</b>
	Rental debtors	187,023	102,110
	Less provision for bad and doubtful debts	(30,336)	(26,956)
		<hr/>	<hr/>
		156,687	75,154
	Other debtors	22,164	43,208
	Prepayments and accrued income	42,853	34,880
		<hr/>	<hr/>
		221,704	153,242
		<hr/> <hr/>	<hr/> <hr/>
11	<b>Creditors: Amounts falling due within one year</b>	<b>£</b>	<b>£</b>
	Rents Paid in Advance	74,613	57,683
	Housing loans (note 14)	76,124	44,263
	Other creditors and accruals	243,349	322,813
		<hr/>	<hr/>
		394,086	424,759
		<hr/> <hr/>	<hr/> <hr/>
12	<b>Creditors: Amounts falling due after more than one year</b>	<b>£</b>	<b>£</b>
	Housing loans (note 13)	3,239,706	1,878,484
	Other creditors and accruals	5,500	5,500
		<hr/>	<hr/>
		3,245,206	1,883,984
		<hr/> <hr/>	<hr/> <hr/>

## KENISTON HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (continued)

#### 13 Housing loans

In November 2008 the Association drew down a loan of £1,450,000 from Dexia Public Service Bank which is repayable in instalments by 2028 of which £12,654 had been repaid by 31 March 2009. Interest is charged linked to £ Libor and has been fixed for five years from March 2009. This loan is secured by a first legal charge over certain of the Association's housing properties. This loan will be used for the general needs of the Association including development. Housing loans from Orchardbrook Ltd are secured by a first legal charge over certain of the Association's housing properties and are repayable at a fixed rate of interest. Instalments on both loans are as follows:

	2009 £	2008 £
Within one year	76,124	44,263
Between one and two years	84,576	49,442
Between two and five years	314,417	185,817
In five years or more	2,846,213	1,643,225
	<hr/>	<hr/>
	3,321,330	1,922,747
	<hr/> <hr/>	<hr/> <hr/>

#### 14 Non equity share capital

	£	£
At 1 April 2008	24	24
Issued during year	-	-
	<hr/>	<hr/>
At 31 March 2009	24	24
	<hr/> <hr/>	<hr/> <hr/>

The shares have limited rights. They carry no entitlement to dividend, they are not repayable and do not participate in a winding up. They carry the following voting rights: to approve the financial statements and to appoint members of the Management Committee and the auditors.

**KENISTON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009**  
(continued)

15 Reserves	Designated reserves £	Acquisition Reserve £	Revenue reserves £	Total 2009 £	Total 2008 £
Balance at 1 April	1,369,158	418,661	2,159,512	3,947,331	3,841,068
Surplus for the year	-	-	150,384	150,384	10,386
Transfer to/(from) designated reserves	(1,028,799)	-	1,028,799	-	-
Amortisation	-	(5,580)	5,580	-	-
Balance at 31 March	340,359	413,081	3,344,275	4,097,715	3,947,331

£1,028,799 of designated reserves have been transferred into the revenue reserves in the year ended 31 March 2009 as there is no clear expectation that they will be transferred back into the income and expenditure account in a future period. The designated reserves at 31 March 2009 relate to future capital equipment replacement.

Negative goodwill arose on the acquisition of Hayles for nil consideration. Accordingly, negative goodwill will be amortised on a straight line basis at the same rate as the properties which were acquired from Hayles by way of a reserve transfer.

16 Designated reserves	Major repairs £	Other reserves £	Total 2009 £	Total 2008 £
Balance at 1 April	1,044,227	324,931	1,369,158	1,358,772
Transfer (to)/from revenue reserves	(1,044,227)	15,428	(1,028,799)	10,386
Balance at 31 March	-	340,359	340,359	1,369,158

## KENISTON HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (continued)

#### 17 Pension scheme

The Association participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the state scheme.

SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide".

The Scheme operated a single benefit structure, final salary with a 1/60<sup>th</sup> accrual rate until 31 March 2007. From April 2008 there are three benefit structures available, namely:

Final salary with a 1/60<sup>th</sup> accrual rate  
Final salary with a 1/70<sup>th</sup> accrual rate  
Career average revalued earnings with a 1/60<sup>th</sup> accrual rate.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

The Association has elected to operate the final salary with a 1/60<sup>th</sup> accrual rate benefit structure for active members as at 31<sup>st</sup> March 2007 and the final salary with a 1/70<sup>th</sup> accrual rate benefit structure for new entrants from 1<sup>st</sup> April 2007.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period the Association paid contributions at the rate of 14.9%. Member contributions varied between 6.6% and 7.6% depending on their age.

As at the balance sheet date there were 17 active members of the Scheme employed by the Association. The annual pensionable payroll in respect of these members was £389,496. The Association continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer Scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2008 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the

## KENISTON HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (continued)

#### 17 Pension scheme (continued)

valuation date was £1,527 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £663 million, equivalent to a past service funding level of 70%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	% pa
Valuation Discount Rates	
Pre retirement	7.8
Non Pensioner Post retirement	6.2
Pensioner Post retirement	5.6
Pensionable earnings growth	4.7
Price inflation	3.2
Pension Increases	
Pre 88 GMP	0.0
Post 88 GMP	2.8
Excess over GMP	3.0

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

The valuation was carried out using the following demographic assumptions:

Mortality pre retirement – PA92 Year of Birth, long cohort projection, minimum improvement 1%pa

Mortality post retirement – 90% S1PA Year of Birth, long cohort projection, minimum improvement 1%pa

The long-term joint contribution rates that will apply from April 2010 required from employers and members to meet the cost of future benefit accrual were assessed at:

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary with a 1/60 <sup>th</sup> accrual rate	17.8
Final salary with a 1/70 <sup>th</sup> accrual rate	15.4
Career average revalued earnings with a 1/60 <sup>th</sup> accrual rate	14.9

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £663 million would be dealt with by the payment of deficit contributions of 7.5% of pensionable salaries, increasing each year in line with salary growth assumptions, from 1 April 2010 to 30 September 2020, dropping to 3.1% from 1 October 2020 to 30 September 2023. Pensionable earnings at 30 September 2008 are used as the reference point for calculating these deficit contributions. These deficit contributions are in addition to the long-term joint contribution rates set out in the table above.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue Scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme

## KENISTON HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (continued)

#### 17 Pension scheme (continued)

(which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the SHPS Scheme and confirmed that, in respect of the September 2005 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004. A copy of the recovery plan in respect of the September 2008 valuation will be forwarded to the Regulator in due course.

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Association has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2008. As of this date the estimated employer debt for the Association was £2,954,000.

#### 18 Analysis of accommodation

	Units under management	
	2009	2008
	No.	No.
Housing accommodation:		
Owned and managed	702	702

#### 19 Financial commitments

At 31 March 2009 the Association had contracted for major repairs and stock reinvestment expenditure commitments of £97,644 (2008: £129,265).

At 31 March 2009 the Association had contracted other expenditure of £nil (2008: £nil).

**KENISTON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009**  
(continued)

**20 Social Housing Grant**

	<b>Treated as capital grant £</b>	<b>Treated as revenue grant £</b>	<b>Total 2009 £</b>	<b>Total 2008 £</b>
At 1 April 2008 and at 31 March 2009	49,308,750	12,619,639	61,928,389	61,928,389

**21 Legislative regulations**

The association is incorporated under the Industrial and Provident Societies Act 1965 and is a Registered Social Landlord registered with the Tenant Services Authority (formerly the Housing Corporation) under the Housing Act 1996.

**22 Creditor payment period**

The average number of days between receipt and payment of purchase invoices in the year was 16 days (2008: 22 days).

**23 Related Party Transaction**

There were no related party transactions during the year.