

Keniston

KENISTON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2016

KENISTON HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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KENISTON HOUSING ASSOCIATION LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

BOARD

Simone Bailey
Jane Clark
Shehla Husain
Seema Jassi
Barry Luhmann (Treasurer)
Julian Miles (Chair)
Anthony Mills
Peter Voisey

CHIEF EXECUTIVE

Nevil Osborne

COMPANY SECRETARY

Andrew Shiatis

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

Registered Society under the
Co-operative and Community Benefit
Societies Act
No. 19475R

Registered Social Landlord
No. L1965

KENISTON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF KENISTON HOUSING ASSOCIATION FOR THE YEAR ENDED 31 MARCH 2016

The Board is pleased to present its report and the audited Financial Statements for the year ended 31 March 2016.

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

The financial results for the year ended 31 March 2016 show a satisfactory position and are broadly in line with budget.

The Association made a surplus of £746,895 (2015: £992,394) for the year, on a turnover of £5,240,622 (2015: £5,072,601). Total capital and reserves are £13,243,252 (2015: £12,496,355).

The surplus for the year has been reduced by the inclusion of a one off charge of £295,000 (2015: £nil) which relates to the recognition of additional future pension deficit payments required to be made from the Association as a result of the most recent pension valuation (see note 19).

After taking account of investments in our housing properties, the Association's assets before deducting long term loans and other long term creditors total £40,713,557 (2015: £40,526,354).

Contracts started during the year include:

- Stock re-investment works to 107 properties internally and to 44 properties externally, totalling £832,361.
- External redecoration works covering 106 properties totalling £118,304.
- Adaptations to properties for 10 people with disabilities together with 1 communal area.
- New lift at 1 scheme site and lift replacements at 2 scheme sites.

Composition of the Board

The Board currently comprises 8 non-executive members and normally meets with the Management Team 9 times a year.

Additionally, the Finance Director is elected as Company Secretary and is a non-voting member of the Board.

The Board has a formal schedule of matters reserved for its decision, which includes overall 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 Chief Executive and various policies including treasury management.

Responsibility for the Association's day to day operations is delegated to the Management Team who report through the Chief Executive.

The complaints subcommittee only meets when there is a requirement to do so. The subcommittee met once during the year.

KENISTON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF KENISTON HOUSING ASSOCIATION FOR THE YEAR ENDED 31 MARCH 2016 (continued)

The members of the Board of the Association, who have served during the year, are as follows:

Simone Bailey	(co-opted 23 July 2015)
Sudhin Chatterji	(resigned 12 May 2016)
Jane Clark	
Graham Colley	(resigned 17 September 2015)
Shehla Husain	
Seema Jassi	
Barry Luhmann	
Alan Messenger	(resigned 24 July 2015)
Julian Miles	
Anthony Mills	
David Salenius	(resigned 11 June 2015)
Peter Voisey	

The members of the Board 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 Board;
- Participate in meetings, contributing expertise where applicable;
- Contribute to and share responsibility for the Board's decisions;
- Attend training sessions, conferences or other events to enhance their skills and their contribution to the Board;
- Represent the Association on occasions;
- Welcome new members to the Board;
- Declare any relevant interest;
- Respect confidentiality of information; and
- Uphold the Association's Code of Governance.

Once an appointment has been approved at the Annual General Meeting, each member of the Board holds one fully paid share of £1 in the Association. As with all registered societies under the Co-operative and Community Benefit Societies Act 2014, profits are not distributable to Shareholders.

The Management Team

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

Vivienne Astell	Housing Services Director
Tony Coward	Property Services Director
Nevil Osborne	Chief Executive
Andrew Shiatis	Finance Director

The senior staff hold no interest in the Association's share capital. They act as executives within the authority delegated by the Board. 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.

Employees

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.

KENISTON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF KENISTON HOUSING ASSOCIATION FOR THE YEAR ENDED 31 MARCH 2016 (continued)

It is the policy of the Association that training, career development and promotion opportunities should be available to all employees. Approximately 189 training sessions were provided for 38 staff during the year at a total cost of approximately £22,876 (2015: £11,251). Appropriate training is also made available to all members of the Board.

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.

The Association holds the Silver Award for Investors in People.

Equality and Diversity

The Association operates an Equality and Diversity Policy in all areas of its work, including the recruitment, training and development of staff and also in the delivery of its services in a way which is seen to be fair.

Donations

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

Insurance

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

Corporate Governance and Regulatory Code

The Board has adopted the principles of the National Housing Federation's (NHF) Excellence in Governance (2015) and Code of Conduct 2012; good practice codes for board members of Housing Associations. The Board is committed to integrity and accountability in the stewardship of the Association's affairs and considers that the Association has largely complied throughout the period under review with the provisions of the NHF's Code of Governance. The areas where it considers that the Association is not in full compliance are as follows:

- The Code adopts a maximum term of office of nine years for Board members and there is currently one Board member who has served for more than nine years. The Association's phased transition towards complying with the nine year term of office rule will be implemented by September 2016.
- The Code requires an annual appraisal of individual board members. The move from self-evaluation to appraisals by the Chair will be implemented by September 2016.
- The Code requires that all but small, non-developing organisations must have a committee responsible for audit and arrangement for an effective internal audit function. The Association is currently reviewing potential development opportunities and as such is now in the process of setting up a separate Audit Committee.
- The Code requires that the board must appoint a Company Secretary (or a person with that function) with a clear accountability to the board, to advise it on compliance with the organisation's constitution, this code and other statutory or regulatory requirements. At present the Chief Executive fulfils the role of providing advice on compliance.

The Association's compliance with the Homes & Communities Agency's Governance and Financial Viability Standard is reviewed each July with the Board. Other than as noted above, the Association has complied with this standard.

**REPORT OF THE BOARD OF KENISTON HOUSING ASSOCIATION
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

Internal Controls

The Board is ultimately responsible for the Association'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 or loss.

Even though there is no longer a regulatory requirement to follow the Housing Corporation Circular 07/07 the Board continues to comply with it. The Board confirms there is an on-going 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 Financial Statements, and that this process is regularly reviewed by the Board and in accordance with the Circular.

The Board has reviewed the effectiveness of the system of internal control by reviewing the evidence of controls, the Risk Management policy and the 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 on-going viability, especially to fund stock reinvestment works and development of new homes;
- the avoidance of high impact risks;
- balancing growth and existing service provision;
- insurance; and
- the use of internal and external auditors.

The Management Team 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 on-going 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 Board. Members of the Management Team report quarterly to the Board on their review of risks through a checklist of internal controls and how they are managed within their individual responsibilities.

A thirty year financial plan is undertaken to ensure that the Association's finances remain viable and this is stress tested using various significant risk scenarios.

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 presented promptly to the Board, following each review visit. Planned corrective actions are monitored for timely completion.

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

**REPORT OF THE BOARD OF KENISTON HOUSING ASSOCIATION
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

Value for Money

One of the most important considerations for the Association is the provision of Value for Money homes and services to its tenants, whilst also considering the needs of the local authorities and the local communities within which it operates.

The following is a summary of the key aspects from the Association's Value for Money report. The full report can be found on the Association's website using the following link:

- <http://www.kenistonha.co.uk/wp-content/uploads/2016/05/Kenistons-2016-value-for-money-report.pdf>

The Association's purpose is to meet housing need, provide good quality well managed affordable homes and to deliver the services that tenants want through exceptional customer service and by listening and responding appropriately to feedback.

In response to the Homes and Communities Agency's regulatory standard, the Association has defined Value for Money as:

- the cost that it is prepared to pay for its services.
- good quality, appropriate and locally focussed services to the right people at the right time.
- the best use of resources to deliver its objectives which balance cost, quality and added value.

Approach to Value for Money

The Association's approach is to have policies and procedures which provide an accountable, day to day framework for the economic, effective and efficient delivery of its services and which also enable the achievement of future on-going Value for Money improvements.

An annual strategy review by the Board provides the direction for the Association's plans and ensures that its values are embedded within everything that it does.

Keniston uses IT software which provides a cost effective way of providing many of its essential functions, including systems for rent, accounting and repairs. These systems allow the Association to report and monitor its performance.

Performance during the year

The Association carried out its triennial survey of tenants to find out how satisfied they are with the service provided. The headline from this survey was that satisfaction had increased from 93% to 95% across all tenants. Satisfaction was recorded as increasing in 7 of the 8 key satisfaction areas.

More detail on the results of this survey can be found on the Association's website using the following links:

- <http://www.kenistonha.co.uk/wp-content/uploads/2016/02/Keniston-summary-of-2015-tenant-survey.pdf>
- <http://www.kenistonha.co.uk/wp-content/uploads/2016/04/Keniston-HA-satisfaction-survey-final-report-161215.pdf>

During the year the Management Team carried out specific Value for Money reviews in certain areas of their responsibilities.

KENISTON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF KENISTON HOUSING ASSOCIATION FOR THE YEAR ENDED 31 MARCH 2016 (continued)

These included the following:

- A full review and tendering of its cleaning and gardening services. Although no overall cost savings were achieved, the tendering exercise ensured that the Association received best value for money, in terms of costs and services, from the prospective contractors.
- A continued reduction in responsive repair costs. The annual budget for responsive repairs has been set at the same level of £400,000 since 2012, based on previous levels of actual spend. In 2014/15 and 2015/16, the Association underspent compared to the budget by £45,117 and £54,473 respectively.
- The purchase of a new office phone system, the Association's previous system being obsolete with no guarantee of being able to source replacement parts. During the tendering process for the supply and installation of the new system, a reduction in cost of around £2,500 together with a small saving in ongoing maintenance costs, was negotiated with suppliers.
- Tendering for the provision of phones lines. This has resulted in estimated annual savings of about £4,000 on existing lines (approximately a 30% reduction in cost).
- The retention of the services of Adam Integra to help the Association's with its plans for development. Although several new schemes have been identified during the year, none have so far progressed further than a proposal. Adams Integra enabled the Association to successfully bid for a grant of £50,000 on a property purchased at the start of the year.
- Achievement of a significant reduction in insurance premiums compared to last year. Across all policies placed through the broker, a saving of £6,867 (11.1%) was achieved.
- Achievement of significant reductions in cyclical repair costs compared to last year. Costs were around £30,000 in excess of budget last year. This year, the tendered value of the contracts totalled just under £29,000, compared to a budget of £90,000.
- The replacement of lifts at both Tarling Close and Silver Court, under a contract priced three years ago. In addition, a new platform lift at Tarling Close has been installed for flats which are not serviced by the existing lift, at a cost of £62,550. This has been invaluable to tenants with decreasing mobility who are unable to get to the ground floor unassisted.
- The provision of training to residents at little or no cost to both the tenant and to the Association, helping to build confidence in preparation for work readiness. In addition, the Association hosted a work placement for a student who lives in one of its properties.
- Helping sheltered scheme tenants stay in their own homes by organising teams of external support, including dementia support, psychiatric nurses, day centre staff, GPs, nurses, occupational therapists, social workers and domiciliary care. Such help not only helps the tenants feel independent, but saves local authorities significant sums while these tenants are supported outside of residential, nursing or dementia care homes.
- Working proactively to support tenants with mental health problems and helping those tenants to achieve improvements in their wellbeing.
- The installation of gas central heating to 18 flats which previously had electric storage heaters. The Association estimates that these new heating systems will provide tenants with more affordable and controllable heat. The gas infrastructure installation was provided by Southern Gas Networks and supported by a grant of £20,252.

KENISTON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF KENISTON HOUSING ASSOCIATION FOR THE YEAR ENDED 31 MARCH 2016 (continued)

In addition, a number of savings had been estimated in last year's Value for Money report. These included the following:

- Purchase of a franking machine has saved £2,622 in postage over two years.
- Renegotiation of the mobile phone contract has saved over £12,700 over two years.
- Tendering of the external audit service has saved the Association £1,000 per annum.
- Renegotiation of the rent collection contract through a third party provider has saved the Association approximately £500 a year.
- Amendment to the arrangements with contractors for carrying out repairs to void properties through the introduction of a schedule of rates has helped the Association avoid the period of time and resultant rent losses which would have been incurred as a result of tendering for these works. It is estimated that this has saved the Association approximately £3,422 in lost rent during the year.
- Negotiation of a lift servicing agreement has saved the Association over £7,500 per annum.
- Inclusion of a number of free additional benefits in the Association's insurance premiums, including a bereavement counselling service, a probate helpline, a second medical opinion service, and an employee counselling service, has saved the Association £3,000 per year.

Keniston is a member of the London Smaller Housing Association's benchmarking group (BM320) and through this it has access to performance data and cost information from other smaller, as well as some larger, registered providers.

Below is an extract of some of the more significant benchmarking data as at March 2016 compared to the BM320 and the National Small Housing Associations data (SPBM) where available. More detailed benchmarking data can be found on pages 16 to 18 of the Value for Money report (see link above).

Description	Keniston at 31 March 2013	Keniston at 31 March 2014	Keniston at 31 March 2015	Keniston at 31 March 2016	Rank in BM320	Median for BM320	Median for SPBM
Overall satisfaction with the service	93%	93%	93%	95%	4 th of 13	91%	90%
Satisfaction of tenants with the value for money of rent	87%	87%	87%	89%	5 th of 10	86%	83%
Satisfaction of tenants with the value for money of service charge	79%	79%	79%	84%	4 th of 8	74%	67%
Rent arrears expressed as a percentage of annual rent charges	3.0%	2.6%	2.7%	2.7%	4 th of 15	2.9%	2.8%
Operating cost as a percentage of turnover	74.15%	78.5%	75.6%	76.4%	11 th of 15	71.0%	73.6%
Percent of repairs completed on time	96.3%	97.2%	96.8%	96.3%	8 th of 15	96.8%	97.9

KENISTON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF KENISTON HOUSING ASSOCIATION FOR THE YEAR ENDED 31 MARCH 2016 (continued)

In addition, Keniston participates in the South East Consortium, a procurement organisation for the benefit of its members and is also a member of Procurement for Housing which provides cost effective frameworks for many relevant services.

Return on Assets

Staff are considered to be one of the Association's most important assets. The Board and Management Team are focused on having the right people and the right level of human resource to provide the right level of service at the right cost. This involves ensuring staff are properly trained to do their work and providing staff with the appropriate resource to enable them to carry out their roles. Keniston has a remuneration strategy which specifies how pay is set to recruit and retain staff with the proper skills and experience.

The Association's housing properties are used to support the development of new affordable homes in order to help meet government objectives, without compromising its programme of investment in existing properties. With a gearing ratio at slightly over 6% and a net interest cover of approximately 4.5, the Association is well placed to carry out a modest development programme in the short to medium term. During the year it purchased the lease back on one of its properties in Belvedere and has received planning permission to build a new home at Burnhill House. Two further locations within the Association's existing schemes have been identified as possible places where additional homes can be built and discussions are in progress with Orbit Homes with regards to assisting the Association in identifying suitable new small development sites.

The Association's policy is that on-going and timely investment in the condition and quality of its housing is fundamental in maintaining the physical asset and the public investment in Keniston's social housing stock. There is an annual programme of stock reinvestment in the Association's properties for the replacement of building components such as windows, roofs, bathrooms and kitchens. The annual budget for this expenditure is based on the average spend required projected over a 30 year period. The Association has reviewed this projection and has found ways of reducing the average cost per year by £60,000 without compromising the overall quality of the work and the value and lettability of its properties.

The Association has assessed each of its social housing properties for impairment by estimating the recoverable amount on a property by property basis and comparing this to the carrying amount of the property in the Association's accounting records. The Association has calculated the recoverable amount for each property using either the Net Present Value (an assessment of future cash flows from the property) or the Depreciated Replacement Cost (an assessment of the replacement cost of the property based on appropriate construction costs and estimated Open Market Values). Comparing the recoverable amount to the carrying amount of each property, it was determined that there was no impairment of the Association's social housing properties.

The Association also provides an annual budget for estate improvements. This together with the stock reinvestment programme helps to maintain the overall look and amenity of the Association's housing stock and to provide an environment which residents can be proud of and one in which they are more likely to respect their own property and surroundings. The Association believes that this establishes sound foundations for a more cohesive community and better neighbourhoods.

Keniston also sees the delivery of social value from its assets as an important part of its operations. It achieves this in a number of different ways such as providing tenants with security of tenure, supporting community based activities, adopting a more personal approach to housing management, supporting tenants with their finances, delivering clean and tidy estates together with safe areas to play and providing onsite scheme managers for older people enabling them to live independently for an extended period of time.

KENISTON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF KENISTON HOUSING ASSOCIATION FOR THE YEAR ENDED 31 MARCH 2016 (continued)

Future Value for Money Reviews

The Association will continue to identify efficiencies and cost savings, setting targets across a number of areas and monitoring and reporting performance on a regular basis, in order to further improve the return on its assets and to add additional economic and social value both to the organisation and within the communities it serves.

Conclusion

In the light of all the above, having considered the Association's performance and the independently collected results of high levels of resident satisfaction, the conclusion drawn is that the Association can demonstrate its compliance with the regulatory standard on Value for Money.

Going Concern

After reviewing the Association's budget for the next financial year and its long term projections, the Board has a reasonable expectation that the Association has adequate resources to continue in operation for the foreseeable future. The Association therefore continues 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.

Disclosure of Information to the Auditors

In the case of each person who was a member of the Board at the time this report was approved:

- so far as that member was aware, there was no relevant available information of which the Association's auditors were unaware; and
- that member had taken all steps that he or she ought to have taken as a member of the Board to make himself or herself aware of any relevant audit information and to establish that the Association's auditors were aware of that information.

By order of the Board



Julian Miles
Chair

Date: 21 July 2016

**STATEMENT OF BOARD RESPONSIBILITIES IN RESPECT
OF THE FINANCIAL STATEMENTS**

The Board is responsible for preparing the Financial Statements in accordance with applicable law and regulations.

The Board has elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”.

The Co-operative and Community Benefit Societies Act 2014 and Housing and Regeneration Act require the Board 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 Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is 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 Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. It has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

The Board is also responsible for the maintenance and integrity of the corporate and financial information which is included on the Association’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KENISTON HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Keniston Housing Association Limited for the year ended 31 March 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Capital and Reserves, the Statement of Cash Flows and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable to the UK and Ireland".

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 the auditor

As explained more fully in the Statement of Board's Responsibilities set out on page 12, the board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.



25 Moorgate
London
EC2R 6AY

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

Date: 12 August 2016

KENISTON HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016 (INCOME AND EXPENDITURE ACCOUNT)

	Notes	2016 £	2015 £ (restated)
Turnover	2,3	5,240,622	5,072,601
Operating costs	3	(4,285,801)	(3,850,113)
Operating surplus	3	954,821	1,222,488
Other interest receivable and similar income		18,705	15,785
Interest payable and similar charges	6	(214,631)	(226,879)
Other finance costs	7	(12,000)	(19,000)
Surplus for the year	8	746,895	992,394
Other comprehensive income		-	-
Total comprehensive income for the year		746,895	992,394

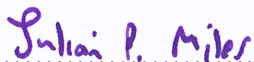
The Association's activities are all classified as continuing.


KENISTON HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016 (BALANCE SHEET)

	Notes	2016 £	2015 £ (restated)
Fixed assets			
Housing properties: cost less depreciation	10	38,155,240	38,107,494
Other tangible fixed assets	11	468,410	392,252
		<hr/>	<hr/>
		38,623,650	38,499,746
		<hr/>	<hr/>
Current assets			
Debtors	12	232,958	220,570
Cash and cash equivalents		3,391,359	3,327,688
		<hr/>	<hr/>
		3,624,317	3,548,258
		<hr/>	<hr/>
Creditors: Amounts falling due within one year	13	(1,534,410)	(1,521,650)
		<hr/>	<hr/>
Net current assets		2,089,907	2,026,608
		<hr/>	<hr/>
Total assets less current liabilities		40,713,557	40,526,354
		<hr/>	<hr/>
Creditors: Amounts falling due after more than one year	14	27,470,305	28,029,999
		<hr/>	<hr/>
Capital and Reserves			
Non-equity share capital	16,17	20	18
Revenue reserves	17	13,243,232	12,496,337
		<hr/>	<hr/>
		13,243,252	12,496,355
		<hr/>	<hr/>
		40,713,557	40,526,354
		<hr/>	<hr/>

The Financial Statements were approved by the Board on 21 July 2016 and signed on their behalf by:


.....
Julian Miles
Chair


.....
Barry Luhmann
Board Member


.....
Andrew Shiatis
Company Secretary

KENISTON HOUSING ASSOCIATION LIMITED

**STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2016**

	Non-equity Share Capital £	Revenue Reserves £	Total Capital and Reserves £
At 1 April 2015 (restated)	18	12,496,337	12,496,355
Surplus from Statement of Comprehensive Income	-	746,895	746,895
Shares issued	3	-	3
Shares surrendered	(1)	-	(1)
At 31 March 2016	20	13,243,232	13,243,252

	Non-equity Share Capital £	Revenue Reserves £	Total Capital and Reserves £
At 1 April 2014 (restated)	17	11,503,943	11,503,960
Surplus from Statement of Comprehensive Income	-	992,394	992,394
Shares issued	4	-	4
Shares surrendered	(3)	-	(3)
At 31 March 2015 (restated)	18	12,496,337	12,496,355

KENISTON HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £	2015 £ (restated)
Net cash inflow from operating activities	A	1,790,728	1,820,878
Cash flow from investing activities			
Interest received		17,821	16,730
Additions to housing properties		(1,227,765)	(1,054,222)
Grant (repaid) / received in the year		(13,926)	241,423
Purchase of other tangible fixed assets		(151,375)	(277,092)
Proceeds from disposal of other tangible fixed assets		5,921	-
Net cash flow from investing activities		(1,369,324)	(1,073,161)
Cash flow from financing activities			
Interest paid		(214,631)	(226,879)
Repayment of Housing loans		(143,102)	(128,767)
Net cash flow from financing activities		(357,733)	(355,646)
Net change in cash and cash equivalents	B	63,671	392,071
Cash and cash equivalents:			
At beginning of the financial year		3,327,688	2,935,617
At the end of the financial year	B	3,391,359	3,327,688

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

A Reconciliation of surplus for the year to net cash inflow from operating activities

	2016 £	2015 £ (restated)
Surplus for the year	746,895	992,394
Adjustments to reconcile surplus for the year to net cash flow from operating activities:		
Loss on replacement of housing property components	37,224	36,626
(Profit) / Loss on sale of other tangible fixed assets	(5,921)	497
Other interest receivable and similar income	(18,705)	(15,785)
Interest payable	214,631	226,879
Other finance costs	12,000	19,000
Depreciation charges on tangible fixed assets	1,089,937	1,056,248
Government grant amortised during the year	(480,478)	(489,034)
Decrease in debtors	38,496	37,520
Increase / (Decrease) in creditors	156,649	(43,467)
Net cash inflow from operating activities	1,790,728	1,820,878

B Cash and cash equivalents

	31 March 2015 £	Cash flows £	31 March 2016 £
Cash at bank and in hand	1,656,247	(46,654)	1,609,593
Short term deposits	1,671,441	110,325	1,781,766
Total	3,327,688	63,671	3,391,359

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

The Association is incorporated as a registered society under the Co-operative and Community Benefit Societies Act 2014 and is a Registered Provider of Social Housing registered with the Homes and Communities Agency.

A description of the nature of the Associations operations and its principal activity is disclosed in the Report of the Board on page 3.

The Association's registered office is 13 Artington Close, Farnborough, Kent, BR6 7UL.

Basis of preparation

These accounts are the first annual Financial Statements of the Association prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and the Housing SORP 2014 "Statement of Recommended Practice for registered social housing providers 2014" ("the SORP") and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015.

In accordance with FRS 102 the Association has:

- provided comparative information,
- applied the same accounting policies throughout all periods presented,
- retrospectively applied FRS 102 as required, and
- applied certain optional exemptions and mandatory exceptions as applicable for first time adopters of FRS 102

Further information about the transition and the impact of first-time adoption of FRS 102 is given in the accounting policies and in note 25.

The accounts have been prepared under the historical cost convention.

The functional currency of the Association is pounds sterling, this being the currency of the primary economic environment in which the Association operates.

Exemptions under FRS 102

The Association has taken advantage of the following exemption available under FRS 102:

- Arrangements containing a lease - The Association has elected to determine whether an arrangement existing at the date of transition to FRS 102 contains a lease on the basis of facts and circumstances existing at that date, rather than when the arrangement was entered into.

Going Concern

The Board 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016
(continued)

1 Accounting policies (continued)

Judgements and estimates

The preparation of Financial Statement requires the use of estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for income and expenses for the year. Although these estimates and associated assumptions are based on historical experience and the management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis.

Significant judgements in applying the Association's accounting policies

The following are the significant judgements, apart from those involving estimations (which are dealt with separately below), that the Board has made in the process of applying the Association's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Basic versus other for financial instruments:

The classification of financial instruments as "basic" or "other" requires judgement as to whether all applicable conditions as basic are met. This includes consideration of the form of the instrument and its return.

Impairment of housing property:

Where there are indications of impairment on housing property assets, the Association performs impairments tests on these assets. As explained in the accounting policies, housing properties are grouped into schemes reflecting how the properties are managed.

Recoverable amounts are based on either future cash flows or, for assets held for their service potential, depreciated replacement cost. The assessment of whether an asset is held for its service potential is a matter of judgement and in making that judgement the Board considers the current use of the asset and the expected future use of the asset. If the asset is unable to be let in its current condition or is not being used for a social purpose, either now or in the foreseeable future, it is assessed as not being held for its service potential.

Recoverable amounts for assets held for their service potential is assessed as the depreciated replacement cost which is the lower of the cost of purchasing an equivalent property on the open market; and the land cost plus the rebuilding cost of the structure and components. The Society has no history of acquiring or selling properties from or to other registered providers and the Board considers that there is no active market.

Key sources of estimation uncertainty

The estimates and assumptions which have the most significant effect on amounts recognised in the financial statements are discussed below:

Housing property costs:

The Association accounts for its expenditure on housing properties using component accounting. Under component accounting, the housing property is divided into those major components which are considered to have substantially different useful economic lives. Judgement is used in allocating property costs between components and in determining the useful economic lives of each component.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016
(continued)

1 Accounting policies (continued)

Judgements and estimates (continued)

Depreciation:

The depreciation expense is the recognition of the decline in the value of the asset and allocation of the cost of the asset over the periods in which the asset will be used. Judgements are made on the estimated useful life of the assets which are regularly reviewed to reflect changes in the environment.

Defined benefit pension liability:

Discount rates are used in determining the defined pension liability. In determining the appropriate discount rate, consideration is made to the interest rates of corporate bonds with at least AA rating, with extrapolated maturities corresponding to the expected duration of the of the defined benefit obligation.

Tangible fixed assets and depreciation

Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit and are stated at cost less depreciation and less provision for any impairment in value.

The cost of properties is the initial purchase price together with those costs that are directly attributable to acquisition and construction.

Interest on a fair proportion of total borrowings on housing properties in development is capitalised during the period of development.

Development overheads are capitalised to the extent that they are directly attributable to bringing schemes into working condition for their intended use. Such expenditure consists of a proportion of the cost of staff who work on development activities. Marketing or administration costs in relation to developments are not capitalised.

The Association accounts for its expenditure on housing properties using component accounting. Under component accounting, the housing property is divided into those major components which are considered to have substantially different useful lives. The particular components and useful economic lives are as follows:

Land	Infinite
House Structure	100 years
Roof Structure and Covering	25-40 years
Windows and External Doors	30 years
Bathrooms	25-30 years
Kitchens	15 years
Heating System	15-25 years

Land is stated at cost and is not depreciated. Properties in the course of construction are not depreciated.

Subsequent expenditure which relates to either the replacement of previously capitalised components or the enhancement of such components which results in incremental future benefit is capitalised and the carrying amount of any replaced component or part component is derecognised. All other major repair expenditure and the cost of responsive repairs, cyclical maintenance and internal decorations is charged to the Statement of Comprehensive Income when work is performed.

All depreciation is provided on a straight line basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016
(continued)

1 Accounting policies (continued)

Tangible fixed assets and depreciation (continued)

Other fixed assets

Other fixed assets are included at cost to the Association, less provision for any impairment in value and depreciation, which is provided on a straight line basis, on the cost over the useful lives of the assets, at the following annual rates:

Office Furniture and Equipment	10-20%
Motor Vehicles	25%
Computer Equipment	25-33%
Scheme Equipment	5-20%

Impairment

Non-financial assets - comprise housing properties and other fixed assets

Non-financial assets, other than those measured at fair value, are assessed for indications of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income as described below.

A non-financial asset is impaired where there is objective evidence that, as a result of one or more events after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of a non-financial asset is the higher of its fair value less costs to sell and its value in use.

Value in use for housing properties which are able to be let in their current condition and which are fulfilling the social purpose for which they were acquired is based on the depreciated replacement cost of the asset. For other schemes, value in use is defined as the net present value of the future cash flows before interest generated from the scheme.

Where indicators exist for a reduction in an impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not exceed the original carrying value.

Financial assets - comprise rents receivable, other debtors, grants receivable and cash and cash equivalents

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016
(continued)

1 Accounting policies (continued)

Grants

Government Grant

The Association applies the accrual model for government grant relating to assets.

Government grants include grants receivable from the Homes & Communities Agency (HCA), local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and its individual components (excluding land), on a pro rata basis under the accrual model.

The unamortised element of the government grant is recognised as deferred income in creditors due within one year or due after more than one year as appropriate in the Statement of Financial Position. Government Grant which is received in advance of total development costs is shown as a current liability.

Where a component is replaced the amount of any unamortised government grant associated with this component is taken to income.

Government grant is repayable indefinitely unless formally abated or waived. On the occurrence of certain relevant events, primarily following the sale of property, the Government Grant 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 Home and Communities Agency's right to recover Government Grant to their own loans.

Government grant received in respect of revenue expenditure is recognised within income in the same period as the related expenditure, provided that the conditions for its receipt have been satisfied and there is reasonable assurance that the grant will be received using the performance model of grant accounting.

Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose a specific future performance condition is recognised as revenue when the grant proceeds are receivable. A grant that imposes specific future performance related conditions on the Association, is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is shown as a liability in the Statement of Financial Position.

Recycled capital grant fund

Following certain relevant events, primarily the sale of dwellings, the Homes and Communities Agency can direct the Association to recycle capital grant 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016
(continued)

1 Accounting policies (continued)

Financial Instruments

Financial assets and financial liabilities are recognised when the Association becomes party to the contractual provisions of the financial instrument.

All financial assets and financial liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through the Statement of Comprehensive Income, which are initially measured at fair value (normally the transaction price less transaction costs), unless the arrangement constitutes a financial transaction. If an arrangement constitutes a financial transaction, the financial asset or financial liability is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the Statement of Financial Position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Association intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the conditions of Section 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Financial assets are only derecognised when and only when:

- the contractual rights to the cash flows from the financial asset expire or are settled,
- the Association transfers to another party substantially all the risk and rewards of ownership of the financial asset, or,
- the Association, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

The Association does not use stand-alone derivative financial instruments to reduce exposure to interest rate movements.

Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash in hand and at bank and short term deposits. Cash Equivalents are highly liquid investments that are readily convertible to known amounts of cash without significant risk of change in value.

Provisions

Provisions for liabilities and charges are recognised when the Association has a present obligation (whether legal or construction) as a result of a past event that can be reliably estimated and it is probable that a transfer of economic benefit will be required to settle the obligation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016
(continued)

1 Accounting policies (continued)

Pension costs

The Association is part of the Social Housing Pension Scheme, a multi-employer defined benefit (final salary) contributory pension scheme administered independently by The Pensions Trust. The expected liability for the contributions payable that arise from the deficit funding agreement, discounted using market yield at the reporting date on high quality corporate bonds, with a currency and period consistent with the future payments, is recognised as a creditor in the Statement of Financial Position. The charge to the Statement of Comprehensive Income represents the net movement in the liability.

Holiday pay and unpaid overtime accrual

A liability is recognised to the extent of any unused holiday pay entitlement and unpaid overtime entitlement which has accrued at the balance sheet date, has been carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Turnover

Turnover comprises rental income and service charges receivable net of voids, fees, revenue grants and amortised grants from local authorities and the Homes and Communities Agency.

Rental income is recognised on the basis of the amount receivable for the year. Rental income received in advance is disclosed within creditors in the Statement of Financial Position.

Service charge and other income is accounted for on the basis of the value of goods or services supplied during the period. Any over or under recovery of service charge amounts due is reflected as a creditor or debtor, respectively.

Through its service charge, the Association collects sinking funds for significant items of future expenditure. Such funds have been recognised as a creditor in the Statement of Financial Position.

Grant income is recognised as set out in the Grant accounting policy.

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.

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.

KENISTON HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016**
(continued)**2 Turnover and surplus analysis**

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

3 Particulars of turnover, operating costs and operating surplus

Note A - Particulars of turnover, operating costs and operating surplus

	Turnover	2016 Operating costs	Operating surplus / (deficit)	2015 (Restated) Turnover	Operating costs	Operating surplus / (deficit)
	£	£	£	£	£	£
Social Housing lettings (note B)	5,213,621	(4,197,878)	1,015,743	5,046,092	(3,766,190)	1,279,902
Other social housing activities: Charges for support services	27,001	(87,923)	(60,922)	26,509	(83,923)	(57,414)
Total	5,240,622	(4,285,801)	954,821	5,072,601	(3,850,113)	1,222,488

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

3 Particulars of turnover operating costs and operating surplus (continued)

Note B - Particulars of income and expenditure from Social Housing lettings are shown below:

	2016 £	2015 £ (Restated)
Income from lettings		
Rent receivable net of identifiable service charges	4,260,175	4,095,871
Service charge income	414,469	402,532
	<hr/>	<hr/>
Net rents receivable	4,674,644	4,498,403
Amortised government grants	480,478	489,034
Other income	58,499	58,655
	<hr/>	<hr/>
Total income from social housing lettings	5,213,621	5,046,092
	<hr/>	<hr/>
Expenditure on letting activities		
Management	619,285	608,398
Service charge costs	362,625	361,814
Routine maintenance	1,050,035	1,068,077
Planned maintenance	649,084	511,178
Bad debts	15,717	17,487
Replacement of housing property components		
- accelerated depreciation	133,637	170,250
- release of grant	(96,413)	(133,624)
Depreciation of housing properties	1,027,772	997,031
(Profit) / Loss on disposal of other fixed assets	(5,921)	497
Other costs	33,352	29,024
Development	113,705	136,058
Re-measurement of pension deficit contribution (note 19)	295,000	-
	<hr/>	<hr/>
Operating costs on social housing lettings	4,197,878	3,766,190
	<hr/>	<hr/>
Operating surplus on social housing lettings	1,015,743	1,279,902
	<hr/>	<hr/>
Void losses - being rental income lost as a result of property not being let, include in rents receivable above	10,103	13,431
	<hr/>	<hr/>

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

4 Emoluments of the Management Team

	2016 £	2015 £
Aggregate emoluments of the Management Team (including pension contributions and benefits in kind)	267,145	258,546
The emoluments of the highest paid Management Team member, the Chief Executive were:		
Gross salary (excluding pension contributions and benefits in kind)	78,270	76,000
Full time equivalent staff with remuneration between:		
£60,000 and £70,000	1	1
£70,000 and £80,000	1	1

The Chief Executive is a member of the company defined benefit pension scheme, on standard terms.

No member of the Board receives any emoluments.

5 Employee information

The average monthly number of persons (excluding Board members) employed during the year expressed in full time equivalents based on a 35 hour week was:

	2016 No.	2015 No.
Office staff	19	19
Wardens, caretakers and cleaners	8	9
Maintenance	1	1
Full time equivalents	28	29
	£	£ (restated)
Staff costs (including the Chief Executive)		
Wages and salaries	921,989	893,474
Social security	73,606	70,781
Pension costs	122,291	104,839
	1,117,886	1,069,094

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

6	Interest payable and similar charges	2016	2015
		£	(restated)
			£
	On housing loans repayable wholly or partly in more than five years	214,631	226,879
7	Other finance costs	2016	2015
		£	(restated)
			£
	Unwinding of discount factor on defined benefit pension liability (note 19)	12,000	19,000
8	Surplus for the year	2016	2015
		£	(restated)
			£
	The surplus is stated after charging / (crediting):		
	Depreciation of tangible fixed assets		
	- housing properties	1,027,772	997,031
	- other fixed assets	62,165	59,217
	Amortised government grant	(480,478)	(489,034)
	Pension re-measurements (note 19)	289,000	33,000
	Auditor's remuneration (excluding VAT)		
	- as auditors	13,250	13,250
	- for other services	5,400	2,880
	Loss on disposal of fixed assets (note 9)	(5,921)	497
	Operating lease rentals receivable	(4,260,175)	(4,095,871)
9	Loss on disposal of other fixed assets	2016	2015
		£	(restated)
			£
	Proceeds from sale (gross)	5,921	-
	Net book value at disposal	-	(497)
		5,921	(497)

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

10 Housing properties

	Freehold housing properties held for letting £	Properties in the course of construction £	Long leasehold housing properties £	Total £
Cost				
At 1 April 2015 (restated)	59,053,312	-	372,731	59,426,043
Additions	196,524	-	-	196,524
Component replacement	1,012,631	-	-	1,012,631
Disposals	(698,258)	-	-	(698,258)
At 31 March 2016	59,564,209	-	372,731	59,936,940
Accumulated depreciation				
At 1 April 2015 (restated)	21,290,745	-	27,804	21,318,549
Charge for the year	1,027,772	-	-	1,027,772
Disposals	(564,621)	-	-	(564,621)
At 31 March 2016	21,753,896	-	27,804	21,781,700
Net book value				
At 31 March 2016	37,810,313	-	344,927	38,155,240
At 31 March 2015 (restated)	37,762,567	-	344,927	38,107,494

From 1 April 2016, the Association has reduced social housing rents by 1% per annum and will continue to do so in each year until 2019/20 in accordance with the Welfare Reform and Work Act 2016. Despite cost efficiency savings and other changes to the Association's business, compliance with the new rent regime will result in a loss of net rental income for certain social housing properties. This rent reduction is an indication of a potential impairment in the carrying value of the Association's social housing properties.

The Association has estimated the recoverable amount of its social housing properties on an individual property by property basis and compared this to the carrying amount of each property in order to determine if an impairment loss has been incurred. The Association has calculated the recoverable amount for each property using the:

- Net Present Value, based on an assessment of future cash flows from the property in their present condition discounted by the expected rate of borrowing as at the year end, or,
- Depreciated Replacement Cost, based on appropriate construction costs and land prices and an estimate of the Open Market Value based on similar properties sold in the same area.

Comparing the recoverable amount to the carrying amount of each property, there was no impairment of the Association's social housing properties.

During the year no interest was capitalised (2015: nil) as part of housing properties in the course of construction.

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

11 Other fixed assets

	Freehold office premises £	Office equipment £	Scheme equipment £	Motor vehicles £	Computer equipment £	Total £
Cost						
At 1 April 2015	206,910	269,414	605,407	52,386	129,868	1,263,985
Additions	-	-	112,950	19,850	5,523	138,323
Disposals	-	-	(97,801)	(16,160)	(5,622)	(119,583)
At 31 March 2016	206,910	269,414	620,556	56,076	129,769	1,282,725
Depreciation						
At 1 April 2015	112,164	246,075	361,064	45,432	106,998	871,733
Charge for year	3,585	5,382	32,499	9,434	11,265	62,165
Disposals	-	-	(97,801)	(16,160)	(5,622)	(119,583)
At 31 March 2016	115,749	251,457	295,762	38,706	112,641	814,315
Net book value						
At 31 March 2016	91,161	17,957	324,794	17,370	17,128	468,410
At 31 March 2015	94,746	23,339	244,343	6,954	22,870	392,252

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016
(continued)

12	Debtors	2016 £	2015 £ (restated)
	Gross rental debtors	136,952	171,680
	Less provision for bad and doubtful debts	(36,810)	(40,058)
		<hr/>	<hr/>
		100,142	131,622
	Other debtors	29,523	29,638
	Prepayments and accrued income	53,293	59,310
	Grant receivable	50,000	-
		<hr/>	<hr/>
		232,958	220,570
		<hr/>	<hr/>
13	Creditors: Amounts falling due within one year	2016 £	2015 £ (restated)
	Trade creditors	246,167	215,511
	Rents paid in advance	145,252	147,758
	Sinking funds	6,100	10,863
	Housing loans (note 15)	159,045	143,102
	Other creditors and accruals	478,089	495,339
	Taxation and social security	19,279	20,043
	Deferred government grant (note 22)	480,478	489,034
		<hr/>	<hr/>
		1,534,410	1,521,650
		<hr/>	<hr/>
14	Creditors: Amounts falling due after more than one year	2016 £	2015 £ (restated)
	Housing loans (note 15)	2,410,457	2,569,502
	Sinking funds	69,057	183,371
	Other creditors and accruals	5,500	5,500
	Deferred government grant (note 22)	24,104,291	24,622,626
	Pension deficit (note 19)	881,000	649,000
		<hr/>	<hr/>
		27,470,305	28,029,999
		<hr/>	<hr/>

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

15 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 £264,758 had been repaid by 31 March 2016 (2015: £217,684). Interest is charged linked to Libor and was fixed for the five year period from March 2009 to March 2014 and subsequently fixed over the remaining term of the loan from March 2014 at 3.91%. 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 totalling £2,153,359 were consolidated as a single loan from Orchardbrook Limited in March 2000 and are repayable in instalments by 2024. £769,099 has been repaid by 31 March 2016 (2015: £673,070). The loan is secured by a first legal charge over certain of the Association's housing properties and is repayable at a fixed rate of interest of 11.376%.

Instalments on both loans are as follows:

	2016 £	2015 £
Within one year	159,045	143,102
Between one and two years	176,773	159,046
Between two and five years	657,687	591,668
In five years or more	1,575,997	1,818,788
	<hr/>	<hr/>
	2,569,502	2,712,604
	<hr/>	<hr/>

16 Non-equity share capital

	2016 £	2015 £
20 (2015: 18) non-equity share of £1 each	20	18

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, to appoint members of the Board, to appoint the auditors and to pass resolutions.

17 Capital and Reserves

Non-equity Share Capital: - this represents the nominal value of shares which have been issued.

Revenue Reserves: - this includes all current and prior period retained surpluses and deficits.

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

18	Financial instruments	2016 £	2015 £
	Financial assets measured at amortised cost:		
	Rent receivable	100,142	131,622
	Other debtors	29,523	29,638
	Grant receivable	50,000	-
	Cash and cash equivalents	3,391,359	3,327,688
		<hr/>	<hr/>
		3,571,024	3,488,948
		<hr/>	<hr/>
	Financial liabilities measured at amortised cost:		
	Trade creditors	246,167	215,511
	Housing loans	2,569,502	2,712,604
	Other creditors and accruals less than one year	478,089	495,339
	Other creditors and accruals greater than one year	5,500	5,500
		<hr/>	<hr/>
		3,299,258	3,428,954
		<hr/>	<hr/>

None of the financial assets have been pledged as collateral.

19 Pension scheme

The Association participates in the Social Housing Pension Scheme, SHPS (“the Scheme”) under a defined benefit section and a defined contribution section. The Scheme is a UK multi-employer scheme which provides benefits to some 500 non-associated employers. At the balance sheet date there were 30 (2015: 21) active members of the Scheme employed by the Association.

It is not possible for the Association to obtain sufficient information to enable it to account for the defined benefit section of the Scheme as a defined benefit scheme and as such it accounts for this section as a defined contribution scheme.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016
(continued)

19 Pension scheme (continued)

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

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

The shortfall is funded by each participating employer through the payment of additional contributions. The additional contributions for the Association of the year ended 31 March 2017 will be £99,001.

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

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

Present value of provision	2016 £	2015 £ (restated)
As at 31 March	881,000	649,000

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

19 Pension scheme (continued)

Reconciliation of opening and closing provisions	2016 £	2015 £ (restated)
Provision as at 1 April	649,000	664,000
Unwinding of the discount factor (interest expense)	12,000	19,000
Deficit contribution paid	(69,000)	(67,000)
Re-measurements:		
- impact of changes in assumptions	(6,000)	33,000
- amendments to the contribution schedule	295,000	-
	<hr/>	<hr/>
As at 31 March	881,000	649,000
	<hr/>	<hr/>

Income and Expenditure impact	2016 £	2015 £ (restated)
Unwinding of discount factor	12,000	19,000
Re-measurements:		
- impact of changes in assumptions	(6,000)	33,000
- amendments to the contribution schedule	295,000	-
Contributions paid in respect of future service (excluding deficit reduction payments)	51,888	37,090

Assumptions	2016 % per annum	2015 % per annum
Rate of discount	2.06%	1.92 %

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

20 Analysis of accommodation

	Units under management	
	2016 No.	2015 No.
Housing accommodation:		
General needs social housing	599	598
Housing for older people	127	127
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KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

21 Financial commitments

At 31 March 2016 and 31 March 2015, the Association had not contracted for housing property stock reinvestment expenditure, so far as not provided for.

At 31 March 2016 and 31 March 2015, the Association had not contracted for development expenditure, so far as not provided for.

At 31 March 2016 the Association had £883,000 (2015: £1,389,400) of capital expenditure approved by the Board but not yet contracted. This primarily relates to the Association's housing property stock reinvestment expenditure for the forthcoming year.

The above commitments are proposed to be financed by cash reserves.

22 Grant

	Treated as capital grant £	Treated as revenue grant £	Total 2016 £	Total 2015 (restated) £
At 1 April (restated)	25,111,660	12,619,639	37,731,299	38,237,887
Additions (see below)	50,000	-	50,000	116,071
Grant amortised in the year	(480,478)	-	(480,478)	(489,034)
Grant released on replacement of property component	(96,412)	-	(96,412)	(133,625)
At 31 March	24,584,770	12,619,639	37,204,409	37,731,299
Capital grant previously amortised to the Income and Expenditure Account	27,243,467	-	27,243,467	26,666,577
Total grant received as at 31 March	51,828,237	12,619,639	64,447,876	64,397,876

At the end of the financial year, £50,000 of Social Housing Grant was treated as receivable and was included in debtors (2015: all Social Housing Grant had been received as at the end of the financial year).

The Association has received Housing Association Grant and Social Housing Grant from the government and local authorities to be applied towards the cost of acquiring, refurbishing and developing housing for rent or sale. Following certain relevant events, primarily the sale of dwellings, the Homes & Communities Agency can direct the Association to recycle capital grant or to repay the recoverable capital grant back to the appropriate authority.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016
(continued)

23 Related party transactions

£6,570 (2015: £6,369) is included within turnover representing the annual rent and service charge income from tenants who were also Board members of the Association. All such tenancy agreements and transactions were conducted on an arm's length basis and on normal terms. At 31 March 2016, £151 (2015: £151) was owed by the Association back to these Board members.

The Board and the Management Team have the authority and the responsibility for planning, directing and controlling the activities of the Association. None of the Board received any remuneration for their services to the Association. The aggregate remuneration received by the Management Team was £295,076 including employers' national insurance (2015: £285,359).

24 Events since the end of the financial year

There have been no significant events since the end of the financial year.

25 Prior year adjustment

The prior year adjustment reflects the adoption of FRS 102 and the related Housing SORP 2014 "Statement of Recommended Practice for Registered social housing providers." An explanation of the changes from previously adopted accounting standards is provided below.

- a) Housing property improvement spend is now capitalised where the replacement part is expected to provide incremental future benefits. The carrying amount of the replaced part is disposed through the Statement of Comprehensive Income. Previously, improvement spend was charged to the Statement of Comprehensive Income unless it resulted in an enhancement of the economic benefits of the property over and above the standard when the asset was original acquired or constructed.
- b) Housing property costs are now stated at cost less depreciation less provision for any impairment in value. Previously, housing properties were stated at cost less grant less depreciation and less provision for any impairment in value.
- c) Grants received to wholly or partly finance the development of housing properties are now recognised in income on a systematic basis over the expected useful life of the housing property structure and its individual components (excluding land) on a pro rata basis. Previously, these grants were allocated against the land and structure of an asset in proportion to cost and in circumstances where the levels of grant received were in excess of the cost of land and structure the grant was allocated against each separately identifiable component.
- d) The net present value of the expected cost of additional pension funding contributions is now recognised as a creditor in the Statement of Financial Position. Previously, this cost was charged to the Statement of Comprehensive Income 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 pay.
- e) Accrued holiday and overtime pay is now recognised as a creditor in the Statement of Financial Position. Previously, no liability was recognised for unused holiday pay and overtime entitlement.
- f) Extended repayment arrangements of over one year which have been formally agreed with tenants represent financial transactions and are recognised in debtors at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. They are subsequently measured using the amortised cost model. Previously, these were recognised at the transaction price.

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

25 Prior year adjustment (continued)

The adoption of FRS 102 and the related SORP impacts the Statement of Comprehensive Income as follows:

	Notes	2015 £
Surplus as at 31 March		
As reported under previous adopted accounting standards		976,602
Housing property - capitalisation of improvement spend	(a)	7,751
Housing property - disposal of property components	(a)	(40,978)
Housing property - depreciation on property components	(b)	(455,066)
Grant - amortisation of grant	(c)	489,034
Pension - recognition of pension deficit	(d)	15,000
Holiday and overtime accrual	(e)	1,476
Extended repayment arrangements	(f)	(1,425)
		<hr/>
Increased surplus for the year		15,792
		<hr/>
As reported under FRS 102		992,394
		<hr/>

The effect of the prior year adjustment on capital and reserves as at 31 March 2014 and 31 March 2015 is set out below:

	Notes	2015 £	2014 £
Capital and Reserves as at 31 March			
As reported under previous adopted accounting standards		9,623,200	8,646,597
Housing property - disposal of property costs	(a)	(773,950)	(760,190)
Housing property - depreciation charge	(b)	(16,222,955)	(16,369,391)
Grant – amortisation	(c)	20,546,792	20,678,727
Pension – recognition of pension deficit	(d)	(649,000)	(664,000)
Holiday and overtime accrual	(e)	(22,136)	(23,612)
Extended repayment arrangements	(f)	(5,596)	(4,171)
		<hr/>	<hr/>
		2,873,155	2,857,363
		<hr/>	<hr/>
As reported under FRS 102		12,496,355	11,503,960
		<hr/>	<hr/>