Registered Society under the Co-operative and Community Benefits Societies Act 2014 No. 19475R
Registered Social Landlord No. L1965

KENISTON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2015

KENISTON HOUSING ASSOCIATION LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

BOARD	Simone Bailey Sudhin Chatterji Jane Clark Graham Colley Shehla Husain Seema Jassi Barry Luhmann Alan Messenger Julian Miles Anthony Mills Peter Voisey
CHIEF EXECUTIVE	Nevil Osborne
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

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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REPORT OF THE BOARD OF KENISTON HOUSING ASSOCIATION FOR THE YEAR ENDED 31 MARCH 2015

The Board is pleased to present its report and the audited Financial Statements for the year ended 31 March 2015.

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 2015 show a satisfactory position and are broadly in line with budget.

The Association made a surplus of £976,602 (2014: £748,517) for the year, on a turnover of £4,524,912 (2014: £4,279,276). Total revenue reserves are £9,623,182 (2014: £8,646,580) (note 16).

After taking account of transfers and other investments in properties, the Association's assets before deducting long term loans and other long term creditors total £12,381,573 (2014: £11,549,756).

Contracts started during the year include:

- Stock re-investment works to 137 properties internally and to 12 properties externally, totalling £992,592.
- External redecoration works covering 227 properties.
- Adaptations to properties for 53 people with disabilities together with 3 communal areas.
- Lift replacements at 3 scheme sites

In May 2014, the Association completed the construction of 14 new properties in Islington. The total development cost was partly funded by both the Greater London Authority and Islington Council.

Post Balance Sheet Events

On 20 April 2015, the Association completed the purchase of a leasehold property at the Nethewode Court scheme, for £195,000. The Association already owns the freehold for this site and, following this purchase, 40 of the 44 units within this scheme are now under its management.

As part of the budget announcement on 8 July 2015, social housing rents are to be reduced by 1% each year over the next four years which will have a significant effect on the social housing sector. The Association has factored this rent reduction into its long term financial plan and although its overall financial viability is not affected, this may have a significant impact on its plans for future property development. The Board will continue to carefully monitor further developments in relation to welfare reform, the rent reductions and other changes to the Association's funding environment.

Composition of the Board

The Board currently comprises 11 non-executive members and normally meets with the Management Team 9 times a year.

Additionally, the Finance Manager is elected as 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.

REPORT OF THE BOARD OF KENISTON HOUSING ASSOCIATION FOR THE YEAR ENDED 31 MARCH 2015 (continued)

Composition of the Board (continued)

The complaints subcommittee met 5 times during the year.

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

Sudhin Chatterji	(co-opted 8 May 2014)
Jane Clark	
Graham Colley	
Sukhrajit Dhadwar	(resigned 8 May 2014)
Graham Garratt	(resigned 15 August 2014)
Shehla Husain	(co-opted 11 December 2014)
Seema Jassi	(co-opted 8 May 2014)
Barry Luhmann	
Alan Messenger	(resigned 24 July 2015)
Julian Miles	
Anthony Mills	
David Salenius	(resigned 11 June 2015)
Bruce Shelmerdine	(resigned 13 August 2014)
Peter Voisey	(co-opted 11 December 2014)

On 23 July 2015, Simone Bailey was co-opted onto the Board.

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;
- consider attending training sessions, conferences or other events for enhancing skills and contributions as a Board member;
- ask for training where it is needed;
- represent the Association on occasions;
- welcome new Board members;
- declare any relevant interest;
- respect confidentiality of information; and
- uphold the Association's Code of Governance.

Once the 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 served during the year, are as follows:

Vivienne Astall	(Housing Services Manager)
Tony Coward	(Repairs Service Manager)
Nevil Osborne	(Chief Executive)
Andrew Shiatis	(Finance Manager)

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.

REPORT OF THE BOARD OF KENISTON HOUSING ASSOCIATION FOR THE YEAR ENDED 31 MARCH 2015 (continued)

Insurance

Insurance policies are maintained by the Association for all buildings, certain areas of risk and for members of the Board 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

In March 2015, the Association achieved 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.

Training

It is the policy of the Association that training, career development and promotion opportunities should be available to all employees. Approximately 101 training sessions were provided for 37 staff during the year at a total cost of approximately £11,251 (2014: £16,333). Appropriate training is also made available to all members of the Board.

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 Board has substantially adopted the principles of the National Housing Federation's (NHF) Excellence in Governance (2010) 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. There are two areas where there is not full compliance. Firstly, the Code adopts a maximum term of office of nine years for Board members: there are four Board members who have served for more than nine years; during the year a plan was adopted to achieve full compliance over the two years to September 2016 to achieve continuity. Secondly, the Code requires an annual appraisal of individual board members which will be introduced by March 2016.

Corporate Governance (continued)

The Homes and Communities Agency has published a new regulatory code which applies as from 1 April 2015. A paper detailing the Association's compliance with these codes will be presented to the Board annually for their review and also to determine any additional actions to be taken by the Association.

The Association uses the National Housing Federation model rules 2011 with charitable and other minor amendments.

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 annual report and accounts, 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.

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 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 then stress tested with various significant 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 reported promptly to the Board, following each review visit. Planned corrective actions are monitored for timely completion.

Internal Controls (continued)

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 Manager 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.

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.

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.

Value for Money

The following is a summary of some of the key aspects from the Association's Value for Money report which can be found in full on http://www.kenistonha.co.uk/VFM%20report%202015.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.

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.

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.

Value for Money (continued)

Keniston uses specific 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

During the year the Management Team carried out specific Value for Money reviews in certain key areas of their responsibilities which included the following:

- Agreement of a schedule of rates with contractors in order to carry out repairs to void properties, providing fixed pre-agreed prices for specific tasks. Although no direct savings in costs are necessarily anticipated, it is envisaged that this will reduce the average period of time a property will remain empty by a period of up to three weeks, hence reducing the overall rent lost.
- Tendering of cyclical repair contracts and obtaining value for money in a market where health and safety working practices have led to escalating costs over the year.
- Receipt of free training worth approximately £1,275 per annum, through the Association's membership with various consortiums.
- Purchase and instalment of a new office phone system with the capability of future expansion and with a view to providing cheaper on-going system support and replacement of parts. It is anticipated that the savings will be in the region of £750 per annum.
- Renegotiation of the third party rent collection contract providing an anticipated saving in the region of £500 per annum.
- Tendering of the annual external audit, saving £1,000 in audit fees.
- Installation of 24 new energy efficient boilers in our managed properties which are anticipated to save our tenants in the region of £75 to £100 in heating costs per year, as well as reducing CO_2 emissions.

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

- Negotiation of a lift servicing agreement which has provided ongoing savings of £7,100 per annum in line with the previous estimate.
- The purchase of a franking machine has saved over £1,000 in the year compared to the previous estimate of £1,500.
- The renegotiation of our mobile phone contract has provided an annual saving of over £6,000 compared to the previous estimate of £3,000.
- It was reported that a full review of the cleaning and gardening services would be undertaken during the year. This exercise has taken longer than anticipated and as such value for money outcomes cannot yet be reported.
- Despite the increase in the number of managed units during the year, insurance premiums were reduced by over £3,000 compared to the previous estimate of £3,500.
- The provision of certain repair work at pre-agreed prices which contractors can carry out whilst already on site conducting electrical testing work, gave a repair cost saving of approximately £150 per property compared to the previous estimate of £100.

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. More detailed benchmarking data can be found on pages 14 to 16 of the Value for Money report (see link above).

REPORT OF THE BOARD OF KENISTON HOUSING ASSOCIATION FOR THE YEAR ENDED 31 MARCH 2015 (continued)

Value for Money (continued)

Below is an extract of some of the more significant benchmarking data as at March 2014, compared to the BM320 and the National Small Housing Associations data (SPBM) where available.

Description	Keniston at 31 March 2012	Keniston at 31 March 2013	Keniston at 31 March 2014	Keniston at 31 March 2015	Rank in BM320	Median for BM320	Median for SPBM
Overall satisfaction with the service	89%	93%	93%	93%	4th (of 11)	92%	91%
Rent arrears expressed as a percentage of annual rent charges	2.9%	3.0%	2.6%	2.7%	5th (of 14)	3.5%	3.14%
Operating cost as a percentage of turnover	72.3%	74.15%	78.5%	75.0%	6th from the lowest (of 12)	78.7%	71.4%
Percent of repairs completed on time	92.2%	96.3%	97.2%	96.8%	7th (of 14)	96.8%	n/a

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

The Association considers its staff to be one of its 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 5% and a net interest cover of just over 5, the Association is well placed to carry out a modest development programme in the short to medium term. In May 2014, Keniston completed its programme of developing 14 new homes in the Islington area and in April 2015, it purchased the lease back on one of its properties in Belvedere. In addition, two locations within the Association's existing schemes have been identified as places where additional homes can be built and a development agent has been employed in order to assist in progressing these plans and to identify potential new schemes for housing.

In terms of net rental income, on average it will take less than 4 years to cover the net book value of all the Association's housing stock. This indicates that the relationship between historic cost and current rental value produces a good return. Also, in all cases the net present value exceeds the historic cost of our properties by at least five times. This indicates that the rental income is sufficient to support the housing stock in ownership.

REPORT OF THE BOARD OF KENISTON HOUSING ASSOCIATION FOR THE YEAR ENDED 31 MARCH 2015 (continued)

Value for Money (continued)

There is an annual programme of stock reinvestment in the Association's properties which is based on a 35 year forward projection of the need for replacing building components such as windows, roofs, bathrooms and kitchens. 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.

The Association also provides an annual budget for estate improvements. This together with the stock reinvestment programme helps to maintain the overall look of the Association's housing stock and in providing 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.

More detail on the Association's Return on Assets can be found in the Value for Money report pages 11 and 12 (see link above).

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.

By order of the Board

Alan Messenger
Chair

Date: 23 July 2015

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 Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation 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, and the Accounting Direction for Private Registered Providers of Social Housing 2012. 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 2015 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 23. 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).

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 auditors' 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 Responsibilities set out on page 11, 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 the 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 2015 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the 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 2012.

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.

Nexia Smith & Williamson

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

Date: 3 August 2015

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015 £	2014 £
Turnover	2,3	4,524,912	4,279,276
Operating costs	2,3	(3,395,374)	(3,358,317)
Operating surplus	2,3	1,129,538	920,959
Other income		58,655	48,716
(Loss) on sale of fixed assets	8	(497)	(626)
Surplus on ordinary activities before interest and tax		1,187,696	969,049
Other interest receivable and similar income		15,785	17,845
Interest payable and similar charges	6	(226,879)	(238,377)
Surplus for the year	7, 16	976,602	748,517

The Association's activities are all classified as continuing. There were no recognised gains or losses other than those reported above.

BALANCE SHEET AS AT 31 MARCH 2015

	Notes	2015 £	2014 £
Fixed assets			
Tangible assets:			
Housing properties: cost less depreciation	9	55,104,399	55,480,300
Social housing grant	9	(45,658,452)	(46,296,976)
		9,445,947	9,183,324
Other tangible fixed assets	10	392,252	232,681
		9,838,199	9,416,005
Current assets			
Debtors	11	226,166	374,632
Cash at bank and in hand		3,327,688	2,935,617
		3,553,854	3,310,249
Creditors: Amounts falling due within one year	12	(1,010,480)	(1,176,498)
Net current assets		2,543,374	2,133,751
Total assets less current liabilities		12,381,573	11,549,756
Creditors: Amounts falling due after more than one year	13	2,758,373	2,903,159
Capital and reserves			
Non-equity share capital	15	18	17
Revenue reserves	16	9,623,182	8,646,580
		12,381,573	11,549,756

The Financial Statements were approved by the Board on 23 July 2015 and signed on their behalf by:

A Messenger .... Alan Messenger

B Luhmann .... Barry Luhmann

Julian P. Miles .... Julian Miles

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015 £	2014 £
Net cash inflow from operating activities	A	1,827,053	1,764,017
Returns on investments and servicing of finance			
Interest received		16,730	19,874
Interest paid		(226,879)	(369,262)
Net outflow from returns on investments and servicing of finance		(210,149)	(349,388)
		1,616,904	1,414,629
Capital expenditure and financial investment			
Additions to housing properties		(1,046,471)	(2,329,925)
SHG received in the year		227,497	410,000
Proceeds on disposal of other tangible fixed assets		-	98
Purchase of other tangible fixed assets		(277,092)	(31,935)
Net cash outflow from capital expenditure and financial investment		(1,096,066)	(1,951,762)
Net cash inflow/(outflow) before management of liquid resources and financing		520,838	(537,133)
Financing			
Housing loans repaid		(128,767)	(115,872)
Net cash outflow from financing		(128,767)	(115,872)
Increase/(Decrease) in cash		392,071	(653,005)

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

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

	2015 £	2014 £
Operating surplus	1,129,538	920,959
Other income	58,655	48,716
Depreciation charges	596,830	387,660
Decrease/(Increase) in debtors	36,095	(66,704)
Increase in creditors	5,935	473,386
Net cash inflow from operating activities	1,827,053	1,764,017

B Analysis of changes in net funds

	31 March 2014 £	Cash flows £	31 March 2015 £
Cash at bank and in hand	2,935,617	392,071	3,327,688
Debt due after more than one year	(2,712,605)	143,103	(2,569,502)
Debt due within one year	(128,766)	(14,336)	(143,102)
Total	94,246	520,838	615,084

C Reconciliation of net cash flow to movement in net funds

	£
Increase in net cash	392,071
Cash used to decrease debt	128,767
Change in net funds	520,838
Net funds at 1 April 2014	94,246
Net funds at 31 March 2015	615,084

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1 Accounting policies

Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards and the Statement of Recommended Practice "Accounting by Registered Social Landlords" ("the SORP"), and comply with the Accounting Direction for Private Registered Providers of Social Housing 2012 ("the Direction").

Tangible fixed assets and depreciation

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

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. 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.

Where a separately identified and depreciated component of an existing property is replaced, the carrying value of the component is expensed and the cost of the replacement component capitalised.

All depreciation is provided on a straight line basis.

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	25-33%
Scheme Equipment	5-20%

Government 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.

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. Where levels of HAG or SHG received are in excess of the cost of land and structure the Association has allocated grant against each separately identifiable component.

1 **Accounting policies (continued)**

Government Grant (continued)

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 Home and Communities Agency'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.

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 (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.

Capitalisation of interest

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

Capitalisation of development overheads

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.

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.

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 and service charges receivable net or voids, fees and revenue 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 Balance Sheet.

1 Accounting policies (continued)

Turnover (continued)

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 are recognised as a liability on the Balance Sheet.

Revenue grants are 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.

Major repairs expenditure

The Association capitalises subsequent expenditure on housing properties to the extent that it provides an enhancement to the economic benefit in excess of the standard when the asset was originally constructed or acquired, for example an increase in net rental stream through an increase in rental income, reduction in future maintenance costs or a significant extension to the life of the property. 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 the Social Housing Pension Scheme, 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

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 2015 (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

	2015			2014		
	Turnover	Operating costs	Operating surplus / (deficit)	Turnover	Operating costs	Operating surplus / (deficit)
	£	£	£	£	£	£
Social Housing lettings (note B)	4,498,403	(3,311,451)	1,186,952	4,250,097	(3,289,444)	960,653
Other social housing activities: Charges for support services	26,509	(83,923)	(57,414)	29,179	(68,873)	(39,694)
Total	4,524,912	(3,395,374)	1,129,538	4,279,276	(3,358,317)	920,959

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

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

	2015	2014
	£	£
Income from lettings		
Rent receivable net of identifiable service charges	4,095,871	3,837,160
Service charges receivable	402,532	412,937
Net rents receivable	4,498,403	4,250,097
Total income from social housing lettings	4,498,403	4,250,097
Expenditure on letting activities		
Management	628,111	589,362
Service charge costs	361,814	334,930
Adjustment for sinking fund balances (note C)	-	370,027
Routine maintenance	1,082,415	1,061,937
Planned maintenance	518,929	507,972
Bad debts	17,487	18,876
Depreciation of tangible assets	541,965	440,795
Replacement of property components		
- accelerated depreciation on disposal	750,241	582,974
- release of grant on disposal	(754,593)	(691,664)
Other costs	29,024	72,291
Development	136,058	1,944
Operating costs on social housing lettings	3,311,451	3,289,444
Operating surplus on social housing lettings	1,186,952	960,653

Rents receivable above are shown net of losses from voids of £13,431 (2014: £12,154)

Note C - Adjustment for sinking fund balances

The Association collects sinking funds from its tenants and leaseholders for significant items of future expenditure, in accordance with its tenancy and lease agreements. Such funds were previously recognised within reserves, but since these balances represent a liability towards future works, they were accordingly disclosed within creditors on the Balance Sheet as at 31 March 2014. As such, in the previous financial year £370,027 was adjusted through the Income and Expenditure Account. £10,863 (2014: £184,973) is shown within creditors due within one year and £183,371 (2014: £185,054) is shown within creditors due after more than one year.

4 Emoluments of the Management Team

	2015 £	2014 £
Aggregate emoluments of the Management Team (including pension contributions and benefits in kind)	258,546	232,471
The emoluments of the highest paid Management Team member, the Chief Executive were:		
Gross salary (excluding pension contributions and benefits in kind)	76,000	70,380
Full time equivalent staff with remuneration between:		
£60,000 and £70,000	1	-
£70,000 and £80,000	1	1

The Chief Executive is a member of the company 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:

	2015 No.	2014 No.
Office staff	19	17
Wardens, caretakers and cleaners	9	9
Maintenance	1	1
Full time equivalents	27	27

	£	£
Staff costs (including the Chief Executive)		
Wages and salaries	891,998	831,839
Social security	70,781	66,288
Pension costs	104,839	99,529
	1,067,618	997,656

6 Interest payable and similar charges

	2015	2014
	£	£
On housing loans repayable wholly or partly in more than five years	226,879	238,377

7 Surplus for the year

	£	£
The surplus is stated after charging/(crediting):		
Depreciation of tangible fixed assets		
- housing properties	541,965	440,795
- other fixed assets	59,217	55,555
Auditor's remuneration (excluding VAT)		
- as auditors	13,250	14,250
- for other services	2,880	540
Loss on sale of fixed assets	497	626

8 Loss on disposal of fixed assets

	£	£
Proceeds from sale (gross)	-	98
Net book value at disposal	(497)	(724)
	(497)	(626)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

9 Housing properties

	Freehold housing properties held for letting £	Properties in the course of construction £	Long leasehold housing properties £	Total £
Cost				
At 1 April 2014	57,587,760	2,210,187	372,731	60,170,678
Additions	-	58,198	-	58,198
Component Replacement	858,109	-	-	858,109
Disposals	(886,992)	-	-	(886,992)
Transferred	2,268,385	(2,268,385)	-	-
At 31 March 2015	59,827,262	-	372,731	60,199,993
Social Housing Grant				
At 1 April 2014	44,931,072	1,223,917	141,987	46,296,976
Received in year	-	116,071	-	116,071
Disposals	(754,595)	-	-	(754,595)
Transferred	1,339,988	(1,339,988)	-	-
At 31 March 2015	45,516,465	-	141,987	45,658,452
Accumulated depreciation				
At 1 April 2014	4,662,574	-	27,804	4,690,378
Charge for the year	541,965	-	-	541,965
Disposals	(136,749)	-	-	(136,749)
At 31 March 2015	5,067,790	-	27,804	5,095,594
Net book value				
At 31 March 2015	9,243,007	-	202,940	9,445,947
At 31 March 2014	7,994,114	986,270	202,940	9,183,324

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

10 Other fixed assets

	Freehold office premises £	Office equipment £	Scheme equipment £	Motor vehicles £	Computer equipment £	Total £
Cost						
At 1 April 2014	206,910	265,238	484,621	52,386	129,672	1,138,827
Additions	-	12,708	193,888	-	12,689	219,285
Disposals	-	(8,532)	(73,102)	-	(12,493)	(94,127)
At 31 March 2015	206,910	269,414	605,407	52,386	129,868	1,263,985
Depreciation						
At 1 April 2014	108,579	251,181	404,685	36,122	105,579	906,146
Charge for year	3,585	3,426	29,481	9,310	13,415	59,217
Disposals	-	(8,532)	(73,102)	-	(11,996)	(93,630)
At 31 March 2015	112,164	246,075	361,064	45,432	106,998	871,733
Net book value						
At 31 March 2015	94,746	23,339	244,343	6,954	22,870	392,252
At 31 March 2014	98,331	14,057	79,936	16,264	24,093	232,681

11	**Debtors**	**2015**	**2014**
		£	**£**
	Rental debtors	180,276	190,132
	Less provision for bad and doubtful debts	(43,058)	(41,450)
		137,218	148,682
	Other debtors	29,638	60,188
	Prepayments and accrued income	59,310	54,336
	Grant receivable	-	111,426
		226,166	374,632

12	**Creditors:** Amounts falling due within one year	**£**	**£**
	Trade Creditors	320,999	339,173
	Rents paid in advance	147,758	109,379
	Sinking funds	10,863	184,973
	Housing loans (note 14)	143,102	128,766
	Other creditors and accruals	367,715	395,628
	Taxation and social security	20,043	18,579
		1,010,480	1,176,498

13	**Creditors:** Amounts falling due after more than one year	**£**	**£**
	Housing loans (note 14)	2,569,502	2,712,605
	Sinking funds	183,371	185,054
	Other creditors and accruals	5,500	5,500
		2,758,373	2,903,159

14 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 £217,684 had been repaid by 31 March 2015 (2014: £174,888). 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. £673,070 has been repaid by 31 March 2015 (2014: £587,100). 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:

	2015 £	2014 £
Within one year	143,102	128,766
Between one and two years	159,046	143,103
Between two and five years	591,668	532,304
In five years or more	1,818,788	2,037,198
	2,712,604	2,841,371

15 Non-equity share capital

	2015 £	2014 £
At 1 April	17	13
Issued	4	4
Surrendered	(3)	-
At 31 March	18	17

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 and the auditors, and to pass resolutions.

16 Reserves

	2015	2014
	£	£
Balance at 1 April	8,646,580	7,898,063
Surplus for the year	976,602	748,517
Balance at 31 March	9,623,182	8,646,580

17 Pension Scheme

The Association participates in the Social Housing Pension Scheme, SHPS ("the Scheme"). The Scheme is funded and is contracted-out of the State Pension Scheme. At the balance sheet date there were 21 (2014: 19) active members of the Scheme employed by the Association.

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 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 so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67.0%.

The Scheme Actuary is currently finalising the 2014 valuation but key provisional results have been confirmed. As at 30 September 2014, the market value of the Scheme's assets was £3,123 million. There was a shortfall of assets compared with the value of liabilities of £1,323 million, equivalent to a past service funding level of 70%.

The shortfall is funded by the payment by each participating employer of additional contributions. The additional contributions for the year ended 31 March 2016 will be £69,304. Additional contributions are payable until 2026.

18 Analysis of accommodation

	Units under management 2015 No.	2014 No.
Housing accommodation:		
General needs social housing	598	584
Housing for older people	127	127

19 Financial commitments

At 31 March 2015 the Association had contracted for stock reinvestment expenditure, so far as not provided for, of £nil (2014: £359,096).

At 31 March 2015 the Association had contracted development expenditure, so far as not provided for, of £nil (2014: £68,822).

At 31 March 2015 the Association had £1,389,400 (2014: £1,170,840) of capital expenditure approved by the Board but not yet contracted. This primarily relates to the Association's stock reinvestment expenditure for the forthcoming year.

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

20 Social Housing Grant

	Treated as capital grant £	Treated as revenue grant £	Total 2015 £	Total 2014 £
At 1 April	46,296,976	12,619,639	58,916,615	59,086,853
Additions (see below)	116,071	-	116,071	521,426
Disposals	(754,595)	-	(754,595)	(691,664)
At 31 March	45,658,452	12,619,639	58,278,091	58,916,615
Capital grant amortised to the Income and Expenditure Account	6,119,785	-	6,119,785	5,253,776
Total grant received as at 31 March	51,778,237	12,619,639	64,397,876	64,170,391

At the year end, all Social Housing Grant had been received (2014: £111,426 was treated as receivable and was included in Debtors).

21 Legislative regulations

The association is incorporated as a registered society under the Co-operative and Community Benefit Societies Act 2014.

The association is a Registered Provider of Social Housing registered with the Homes and Communities Agency.

22 Related Party Transactions

There were no related party transactions during the year.

23 Post Balance Sheet Event

On 20 April 2015, the Association completed the purchase of a leasehold property at the Nethewode Court scheme, for £195,000.

As part of the budget announcement on 8 July 2015, social housing rents are to be reduced by 1% each year over the next four years which will have a significant effect on the social housing sector. The Association has factored this rent reduction into its long term financial plan and although its overall financial viability is not affected, this may have a significant impact on its plans for future property development. The Board will continue to carefully monitor further developments in relation to welfare reform, the rent reductions and other changes to the Association's funding environment.