

Keniston

KENISTON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2019

KENISTON HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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KENISTON HOUSING ASSOCIATION LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

BOARD

Barry Luhmann (Chair: Audit & Risk Committee)
Julian Miles (Chair)
Lucy Worrall
Peter Voisey
Sally Rice (appointed 19 July 2018)
Seema Jassi
Shehla Husain
Sheila Sackey
Simone Bailey

CHIEF EXECUTIVE

Jonathan Card

COMPANY SECRETARY

Andrew Shiatis

BANKERS

National Westminster Bank Plc
235 High Street
Orpington
Kent
BR6 0NS

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 2019

The Board is pleased to present its report together with the audited Financial Statements for the year ended 31 March 2019.

Principal Activities

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

The Association's vision is to deliver:

- **Better Homes:** Keeping its homes safe and well-maintained, now and into the future;
- **Better Services:** Delivering good quality, cost-effective services and putting residents at the heart of what it does; and
- **Better Neighbourhoods:** Remaining a responsible, caring and personal landlord that creates sustainable neighbourhoods and supports communities.

Review of the Business

The financial results for the year ended 31 March 2019 show a satisfactory position and are broadly in line with budget.

The Association made a surplus of £1,368,473 (2018: £1,752,782) for the year, on a turnover of £5,183,452 (2018: £5,241,929). Total capital and reserves are £16,887,935 (2018: £16,066,461).

After taking account of investments in housing properties, the Association's assets before deducting long term loans and other long term creditors total £42,823,117 (2018: £41,896,508).

In June 2018, the Association sold the lease for one of its flats within Southwark for £325,530 (net of expenses) and in March 2019, the Association sold the freehold of this property, which contained three other leased flats, for £17,013 (net of expenses). The proceeds from these sales will be used by the Association to help deliver more affordable rented accommodation for people in housing need.

In October 2018, the Association completed the purchase of a leasehold property at its Dromore scheme, for £291,483. The Association already owns the freehold for this site and, following this purchase, 9 of the 18 units within the scheme are now under its management. The Greater London Authority provided £70,000 of funding for this purchase.

In November 2018, the Association completed the full refurbishment of one of its street properties within Elliott's Row. Funding of £44,000 from the Greater London Authority has enabled the Association to retain the property as affordable rented housing.

During the year, the Association has continued to consider the recommendations and good practice guidance, together with any changes in regulations, emerging as a result of the ongoing Grenfell fire enquiry. Although compliant with all current requirements, the Association has enhanced and will continue to look for ways to enhance its fire safety working practices across its schemes.

KENISTON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF KENISTON HOUSING ASSOCIATION FOR THE YEAR ENDED 31 MARCH 2019 (continued)

Review of the Business (continued)

Contracts started during the year include:

- Stock re-investment works to 146 properties, totalling £497,307.
- External redecoration works covering 109 properties totalling £115,149.
- Adaptations to 27 properties for people with disabilities.
- Full property refurbishment to one street property in Southwark.
- Various other improvement works to 8 scheme sites totalling £108,005.

Post Balance Sheet Events

In May 2019, the Association acquired 120 social housing properties together with 10 garages, within Bromley from another registered provider for £9,442,694. The properties are a mixture of general needs, housing for older persons and supported housing.

In February 2019, the Association entered into a £10,000,000 revolving loan facility with Clydesdale Bank for a period of 5 years. In May 2019, the Association borrowed £6,500,000 against this facility in order to help fund the above stock acquisition.

Composition of the Board

The Board currently comprises 9 non-executive members and normally meets with the Management Team 5 times a year. Additionally, the Finance Director is elected as Company Secretary.

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 Audit & Risk Committee meets twice a year in order to discuss matters relating to risk, internal controls and internal and external audits.

The Complaints Panel only meets when there is a requirement to do so. The Complaints Panel met twice during the year.

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

Barry Luhmann
Julian Miles
Lucy Worrall
Peter Voisey
Sally Rice (appointed 19 July 2018)
Seema Jassi
Shehla Husain
Sheila Sackey
Simone Bailey

KENISTON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF KENISTON HOUSING ASSOCIATION FOR THE YEAR ENDED 31 MARCH 2019 (continued)

Composition of the Board (continued)

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 occasion;
- 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 by the Board, 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:

Andrew Shiatis	Finance & Resources Director and Company Secretary
Jonathan Card	Chief Executive
Tony Coward	Property Services Director
Vivienne Astall	Operations Director

The Management Team 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 once every two weeks.

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.

It is the policy of the Association that training, career development and promotion opportunities should be available to all employees. Approximately 44 training sessions were provided for 25 staff during the year at a total cost of approximately £7,029 (2018: £15,394). 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.

KENISTON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF KENISTON HOUSING ASSOCIATION FOR THE YEAR ENDED 31 MARCH 2019 (continued)

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 complied throughout the period under review with the provisions of the NHF's Code of Governance ("the Code").

As a point of note, 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. Whilst the Finance and Resources Director acts as Company Secretary for most matters, the Chief Executive currently fulfils the role of providing advice to the Board on compliance.

The Association's compliance with the Regulator for Social Housing'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.

Internal Controls

The Board is ultimately responsible for the Association's system of internal control and for reviewing its effectiveness, with the Audit & Risk Committee, a sub-committee of the Board, taking the role of overseeing internal control assurance activities. 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.

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.

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.

KENISTON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF KENISTON HOUSING ASSOCIATION FOR THE YEAR ENDED 31 MARCH 2019 (continued)

Internal Controls (continued)

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 thirty year financial plan is prepared 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. An annual 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 to the Audit & Risk Committee and summarised to the Board. 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 & Resources Director provides the Board with quarterly financial information and the Management Team include key performance and risk indicators within their quarterly reports to the Board. Performance measures on key areas of activity are also reported to the Board quarterly.

Value for Money

Approach to Value for Money

Value for Money is about achieving an optimal balance of economy, efficiency and effectiveness, in order to achieve the optimal benefit from available resources, while managing risks and ensuring long term viability.

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.

The Association's governance structure supports how it ensures the achievement of value for money across the organisation. The Board approves the Association's value for money report as set out in these Financial Statements. Every board report considers the value for money implications of its topic and the Audit & Risk Committee acts on behalf of the Board to ensure that the Association obtains appropriate assurance through the internal and external audit functions.

To help achieve value for money, the Association is focused on having the right people to provide the right level of service at the right cost. Staff need to be properly trained to do their work and have the right resources to enable them to carry out their roles effectively.

KENISTON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF KENISTON HOUSING ASSOCIATION FOR THE YEAR ENDED 31 MARCH 2019 (continued)

Value for Money (continued)

Performance and targets for next year

The Association analyses its cost and performance across a range of activities, comparing trends over time and with two peer groups, regionally with the London Smaller Housing Association's benchmarking group (BM320) which comprises 15 comparable small London based associations and nationally with the National Small Housing Associations data (SPBM) comprising approximately 140 organisations. A summary of the results of this exercise are set out below. This shows areas where, to achieve the optimum combination of cost and quality, the Association is performing well and areas that the Association may need to focus on.

Measure	Keniston 2017-18	Keniston 2018-19	Peer Group median 2017-18	Peer Group Quartile (note 2) 2017-18	National small median 2017-18	National Small Quartile (note 2) 2017-18	Keniston TARGET 2019-20
Business Health							
Operating margin (overall) (note 1)	28.5%	26.0%	22.2%	2	21.7%	2	-
Operating margin (social housing) (note 1)	29.5%	25.5%	23.5%	2	24.9%	2	-
EBITDA MRI Interest Cover (note 1)	797%	870%	412%	1	276%	1	-
Headline social housing cost/ unit (note1)	4,004	4,218	4,348	2	4,688	2	-
Business Process							
Occupancy GN	99.8%	99.8%	99.8%	2	99.7%	2	99.8%
Current arrears as % of rent due (all tenants)	3.5%	3.9%	3.6%	3	3.1%	3	3.5%
Repairs fixed on first visit	94%	97%	99%	3	95%	2	90%
Average days to complete all responsive repairs	5.9	6.4	7.0	2	7.14	2	6.2
Cost per property p.a - Housing Management/ £	358	383	420	2	465.4	2	
Cost per property p.a - Responsive repairs & voids/ £	711	754	747	3	632.96	3	
Cost per property p.a - Major & Cyclical works / £	1,318	1,171	1,250	2	842	3	
Homes							
Return on capital employed (ROCE) (note 1)	4.6%	3.8%	3.6%	2	3.5%	2	
Average relet time - GN (days)	17	19	26	1	20	2	20
Average relet time - HfOP (days)	15	16	59	1	23.25	2	20
Services							
Satisfaction with overall services - GN	94%	94%	91%	1	92%	2	
Satisfaction with overall services - HfOP	97%	97%					
Satisfaction with responsive repairs	93%	94%	86%	1	86%	1	95%
Satisfaction with planned repairs	N/A	93%					95%
Satisfaction with estate services	85%	85%	83%	2	83%	2	95%
Growth and capacity							
New supply % social housing units (note1)	<1%	<1%	-	-	-	-	-
New supply % non-social housing units (note 1)	0.0%	0.0%	-	-	-	-	-
Reinvestment in supply of properties (note 1)	2.4%	4.1%	5.2	3	4.1%	2	-
Gearing % (net debt calculation)	(8.1)%	(10.3)%	16.4%	-	19.3%	-	-
People							
Staff Turnover	5.0%	13.0%	-	-	-	-	-
Average days lost to short term sickness	5.4	5.2	1.6	-	3.2	-	4.8

Performing well

- Satisfaction with the Association's overall services remains high. The results of the Association's 3-yearly survey in 2018 show high overall satisfaction at 95%, and a high Net Promoter Score of 65, an increase over the score of 60 achieved in 2015.
- Performance on re-letting void properties remains better than average for both general needs and housing for older people compared to both regional and national benchmarks. (Housing for older persons average 16 days (2018: 15 days); General Needs average 19 days (2018: 17 days).

KENISTON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF KENISTON HOUSING ASSOCIATION FOR THE YEAR ENDED 31 MARCH 2019 (continued)

Value for Money (continued)

- Reactive repairs continue to perform well with average completion at 6.4 days (2018: 5.9 days) and with repairs within target time at 96.5% (2018: 97%). Repairs completed at the first visit at 97% (2018: 94%) has improved further.
- Costs for a number of service areas are competitive. Using the Regulator's measure of headline social housing, the Association's cost per unit at £4,218 (2018: £4,004) is lower than average against both benchmarking groups. Housing management costs are lower than average against both benchmark groups whilst responsive repairs and void management costs are close to the regional benchmark but higher than the national benchmark.
- Staff satisfaction is high, with 85% score for staff being proud to work for Keniston, and a score of 7.3 out of 10 for being generally highly satisfied with their jobs.

Areas to focus on

- Income collection continues to present challenges, with the ongoing impact of welfare reform and the phased transition to Universal Credit. The Association missed its target of arrears at 3.4% with year-end performance of 3.9% (2018: 3.5%), but contained evictions to one during the year.
- Short term staff sickness levels remain high with an average number of days lost due to sickness of 5.2 (2018: 5.4). The Management Team continues to focus on the management of absenteeism.
- Costs of major works or planned investment remains high. The Association intends to audit its approach to procurement in the coming year, to be confident that it is obtaining value for money from its planned investment works. The average cost of £1,171 has reduced compared to previous years (2018: £1,318). This is mainly attributable to fluctuations in the size of the investment programme.
- The Association achieved an overall satisfaction with planned maintenance of 93% for the year. Whilst individual project satisfaction has been measured in previous years this is the first year that an overall satisfaction has been calculated. It was agreed that the satisfaction rate should be consistent with day to day repair satisfaction and a target of 95% has been set for the coming year.

Strategy for delivering homes which meet a range of needs

Keniston progressed delivery of the Association's development strategy, with planning for a significant infill development at Darrick Wood, its largest estate. During the year it took advantage of a significant growth opportunity, successfully bidding to acquire an estate of 120 tenanted properties in Bromley from Stonewater HA. This acquisition, which completed in May 2019, will enable local service delivery and deliver economies of scale to the Association's operation.

KENISTON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF KENISTON HOUSING ASSOCIATION FOR THE YEAR ENDED 31 MARCH 2019 (continued)

Value for Money (continued)

Conclusion

In the light of all the above, having considered the Association's performance and the 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.

Auditor

A resolution to reappoint the auditor, Nexia Smith and Williamson will be proposed at the next Board Meeting.

Disclosure of Information to the Auditor

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 auditor was 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 auditor was aware of that information.

By order of the Board



Julian Miles
Chair

Date: 18 July 2019

KENISTON HOUSING ASSOCIATION LIMITED

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.



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

Opinion

We have audited the financial statements of Keniston Housing Association Limited (the 'Association') for the year ended 31 March 2019 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 notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

KENISTON HOUSING ASSOCIATION LIMITED

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

Other information

The other information comprises the information included in the Financial Statements, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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.

Responsibilities of the Board

As explained more fully in the Statement of the Board's Responsibilities set out on page 11, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal controls as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

KENISTON HOUSING ASSOCIATION LIMITED

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Association's members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. 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.

Nexia Smith & Williamson

25 Moorgate
London
EC2R 6AY

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

Date: *30 July 2019*

KENISTON HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019 (INCOME AND EXPENDITURE ACCOUNT)

	Notes	2019 £	2018 £
Turnover	2,3	5,183,452	5,241,929
Operating expenditure	3	(3,963,809)	(3,764,655)
Surplus on disposal of social housing properties	3,9	316,140	452,399
		<hr/>	<hr/>
Operating surplus	3	1,535,783	1,929,673
Interest receivable and finance income		27,428	19,819
Interest payable	6	(169,738)	(185,710)
Other finance costs	7	(25,000)	(11,000)
		<hr/>	<hr/>
Surplus for the year	8	1,368,473	1,752,782
Other comprehensive income			
Actuarial loss on defined benefit pension plan for the year	21	(235,000)	-
Loss on defined benefit pension plan arising on change in accounting treatment	21	(312,000)	-
		<hr/>	<hr/>
Total comprehensive income for the year		821,473	1,752,782
		<hr/>	<hr/>

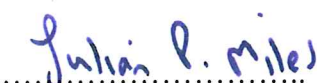
The Association's activities are all classified as continuing.


KENISTON HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019 (BALANCE SHEET)

	Notes	2019 £	2018 £
Fixed assets			
Housing properties	10	37,693,965	37,558,602
Other fixed assets	11	359,188	362,941
		<hr/>	<hr/>
		38,053,153	37,921,543
		<hr/>	<hr/>
Current assets			
Debtors	12	268,131	218,438
Cash and cash equivalents		5,928,112	5,272,391
		<hr/>	<hr/>
		6,196,243	5,490,829
		<hr/>	<hr/>
Creditors: amounts falling due within one year	13	(1,426,279)	(1,515,864)
		<hr/>	<hr/>
Net current assets		4,769,964	3,974,965
		<hr/>	<hr/>
Total assets less current liabilities		42,823,117	41,896,508
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	14	24,696,182	25,830,047
		<hr/>	<hr/>
Provisions for liabilities	17	1,239,000	-
		<hr/>	<hr/>
Capital and Reserves			
Non-equity share capital	18, 19	9	8
Revenue reserves	19	16,887,926	16,066,453
		<hr/>	<hr/>
		16,887,935	16,066,461
		<hr/>	<hr/>
		42,823,117	41,896,508
		<hr/>	<hr/>

The Financial Statements were approved by the Board on 18 July 2019 and signed on their behalf by:


.....
Julian Miles
Chair


.....
Peter Voisey
Board Member


.....
Andrew Shiatis
Company Secretary

KENISTON HOUSING ASSOCIATION LIMITED

**STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2019**

	Non-equity share capital £	Revenue reserves £	Total capital and reserves £
At 1 April 2018	8	16,066,453	16,066,461
Total comprehensive income for the year	-	821,473	821,473
Shares issued	1	-	1
At 31 March 2019	9	16,887,926	16,887,935

	Non-equity share capital £	Revenue reserves £	Total capital and reserves £
At 1 April 2017	12	14,313,671	14,313,683
Total comprehensive income for the year	-	1,752,782	1,752,782
Shares issued	2	-	2
Shares surrendered	(6)	-	(6)
At 31 March 2018	8	16,066,453	16,066,461

KENISTON HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Net cash inflow from operating activities	A	1,891,472	2,075,415
Cash flow from investing activities			
Interest received		31,346	18,775
Purchase of housing properties		(1,145,349)	(156,204)
Additions to housing property components		(233,072)	(846,472)
Purchase of other fixed assets		(38,662)	(8,806)
Proceeds from sale of social housing properties		344,238	456,336
Net cash flow from investing activities		(1,041,499)	(536,371)
Cash flow from financing activities			
Interest paid		(169,738)	(185,710)
Repayment of housing loans		(196,486)	(176,772)
Grant received / (repaid) in the year		174,000	-
Repayment of finance leases		(2,028)	-
Net cash flow from financing activities		(194,252)	(362,482)
Net change in cash and cash equivalents	B	655,721	1,176,562
Cash and cash equivalents:			
At beginning of the financial year		5,272,391	4,095,829
At the end of the financial year	B	5,928,112	5,272,391

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

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

	2019 £	2018 £
Surplus for the year	1,368,473	1,752,782
Adjustments to reconcile surplus for the year to net cash flow from operating activities:		
Loss on replacement of housing property components	59,186	14,519
Surplus on disposal of social housing properties	(316,140)	(452,399)
Profit on sale of other tangible fixed assets	-	-
Interest receivable and finance income	(27,428)	(19,819)
Interest payable	169,738	185,710
Other finance costs	25,000	11,000
Depreciation charges on tangible fixed assets	1,178,298	1,152,181
Government grant amortised during the year	(480,838)	(477,833)
(Increase) / Decrease in debtors	(53,611)	108,967
Increase / (Decrease) in creditors	22,794	(199,693)
Net defined benefit pension costs	(54,000)	-
	<hr/>	<hr/>
Net cash inflow from operating activities	1,891,472	2,075,415
	<hr/>	<hr/>

B Cash and cash equivalents

Cash and cash equivalents are comprised entirely of cash at bank or in hand.

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

The Association is incorporated as a registered society in England and Wales 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 Association's 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 prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and the Housing SORP 2018 Update "Statement of Recommended Practice for registered social housing providers" ("the SORP") and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

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 economic environment in which the Association operates.

There have not been any changes or adjustments to prior year numbers.

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.

Judgements and estimates

The preparation of the Financial Statements 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. 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 financial return.

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

1 Accounting policies (continued)

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

Recoverable amounts are based on either future cash flows or depreciated replacement cost. Depreciated replacement cost is only considered where assets are held for their service potential. 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 Association has no history of acquiring or selling properties from or to other registered providers and the Board considers that there is no active market for this.

Key sources of estimation uncertainty

The estimates and assumptions which have the most significant effect on amounts recognised in the Financial Statements are set out 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 estimating the allocation of property costs between components and in determining the useful economic lives of each component. At 31 March 2019, the cost of housing properties is £61,458,978 (2018: £60,529,478).

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 estimating the useful life of the assets which are regularly reviewed to reflect changes in the environment. At 31 March 2019, the accumulated depreciation of housing properties is £23,765,013 (2018: £22,970,876) and the accumulated depreciation of other tangible fixed assets is £915,716 (2018: £859,144).

Defined benefit pension liability: Various estimates are used in the calculation of the defined pension liability, such as discount rate, inflation and mortality rates. 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 defined benefit obligation. Inflation is set by considering market expectations, for example taking the difference between yields available on long-dated fixed-interest and index-linked gilts. Mortality rates are set in line with SAPS tables S2, adjusted to allow for any expectation of higher or lower life expectancy of scheme members due to geographic, socio-economic or demographic factors. At 31 March 2019, a liability of £1,239,000 for pensions (2018: £721,000) is recorded in the Statement of Financial Position.

Contract Works: For contract works completed but not yet invoiced, estimates are used of the value of work completed. At 31 March 2019, a liability of £260,786 (2018: £217,753) is recorded in the Statement of Financial Position.

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

1 Accounting policies (continued)

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.

Properties acquired are recognised from the date of their acquisition, being the date that the Association obtains control and is able to obtain benefit from the properties.

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	15-40 years
Windows and External Doors	30 years
Bathrooms	25-30 years
Kitchens	15 years
Heating System	15-25 years
Freehold office premises	50 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.

Depreciation is provided on a straight line basis on the cost over the useful economic lives of the property components.

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (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.

Depreciation 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	10-25%
Motor Vehicles	25%
Computer Equipment	25-33%
Scheme Equipment	5-20%

Impairment

Non-financial assets (comprising 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 is based on either the net present value of the future cash flows before interest generated from the scheme or for those 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.

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 (comprising rents receivable, other debtors 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.

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (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 HCA'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 HCA 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.

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (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.

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

1 Accounting policies (continued)

Leases

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

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

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Association recognises annual rent expense equal to amounts owed to the lessor.

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.

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. In the previous year, insufficient information was available for the Association to account of its obligations on a defined benefit basis. As a result, 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, was 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.

In the current year, sufficient information is available for the Association to account for its obligations on a defined benefit basis. As such, the Association recognises in its statement of financial position the present value of its defined benefit obligations less the fair value of plan assets. The current service cost is charged against operating profit. Interest on the scheme liabilities net of the expected return on scheme assets is included in the finance costs.

The defined benefit obligation is calculated at each period end by independent actuaries using the projected unit credit method. The present value of the obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and which have terms to maturity approximating to the terms of the related pension liabilities. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are reflected in the statement of comprehensive income in the period in which they arise.

The change in accounting treatment from defined contribution scheme to defined benefit scheme has been reflected in the statement of comprehensive income in the current year.

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

1 Accounting policies (continued)

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 void losses), fees receivable, revenue grants and amortised grants from local authorities and the HCA.

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 2019 (continued)

2 Turnover and surplus analysis

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

3 Turnover, operating costs and operating surplus

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

	Turnover	2019 Operating costs	Operating surplus	Turnover	2018 Operating costs	Operating surplus
	£	£	£	£	£	£
Social housing lettings (Note B)	5,149,860	(3,859,587)	1,290,273	5,213,894	(3,666,604)	1,547,290
Charges for support services	33,592	(104,222)	(70,630)	28,035	(98,051)	(70,016)
Total	5,183,452	(3,963,809)	1,219,643	5,241,929	(3,764,655)	1,477,274
Surplus on disposal of social housing properties			316,140			452,399
Operating Surplus			1,535,783			1,929,673

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

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

Note B - Particulars of income and expenditure from Social Housing lettings

	2019 £	2018 £
Income from lettings		
Rent receivable net of identifiable service charges	4,198,285	4,235,404
Service charge income	436,089	443,261
	<hr/>	<hr/>
Net rents receivable	4,634,374	4,678,665
Amortised government grants	480,839	477,833
Other income	34,674	57,396
	<hr/>	<hr/>
Total income from social housing lettings	5,149,860	5,213,894
	<hr/>	<hr/>
Expenditure on letting activities		
Management costs	606,233	553,391
Service charge costs	384,518	398,795
Routine maintenance	1,113,460	1,072,423
Planned maintenance	352,099	330,761
Bad debts	10,389	(18,798)
Replacement of housing property components		
- accelerated depreciation	59,186	40,967
- release of grant	-	(26,448)
Depreciation of housing properties	1,121,726	1,094,185
Other costs	28,312	20,283
Development costs	183,664	212,381
Re-measurement of pension deficit contribution	-	(11,336)
	<hr/>	<hr/>
Operating costs on social housing lettings	3,859,587	3,666,604
	<hr/>	<hr/>
Operating surplus on social housing lettings	1,290,273	1,547,290
	<hr/>	<hr/>
Void losses - being rental income lost as a result of property not being let, included in rents receivable above	7,305	6,334
	<hr/>	<hr/>

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

4 Emoluments of the Management Team

	2019 £	2018 £
Aggregate emoluments of the Management Team (including pension contributions and benefits in kind)	287,427	277,825
The emoluments of the highest paid Management Team member, the Chief Executive were:		
Gross salary (excluding pension contributions and benefits in kind)	83,819	81,440
Full time equivalent staff with remuneration between:		
£60,000 and £70,000	1	1
£80,000 and £90,000	1	1

Jonathan Card as Chief Executive of the Association was the highest paid Management Team member during the year.

The Chief Executive is a member of the Association's 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:

	2019 No.	2018 No.
Office staff	19	20
Wardens, caretakers and cleaners	8	8
Maintenance	1	1
Full time equivalents	28	29
	£	£
Staff costs (including the Chief Executive)		
Wages and salaries	964,378	929,599
Social security	88,157	84,355
Pension costs	129,553	177,352
	1,182,088	1,191,306

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

6	Interest payable	2019	2018
		£	£
	On housing loans repayable wholly or partly in more than five years	169,738	185,710
		<hr/>	<hr/>
7	Other finance costs	2019	2018
		£	£
	Net interest costs on pensions	25,000	11,000
		<hr/>	<hr/>
8	Surplus for the year	2019	2018
		£	£
	The surplus is stated after charging / (crediting):		
	Depreciation of tangible fixed assets		
	- housing properties	1,121,726	1,094,185
	- other fixed assets	56,572	57,996
	Amortised government grant	(480,839)	(477,833)
	Pension re-measurements (note 21)	-	(11,336)
	Auditor's remuneration		
	- as auditor	23,952	16,500
	Surplus on disposal of social housing properties (note 9)	(316,140)	(452,399)
		<hr/>	<hr/>
9	Surplus on disposal of social housing properties	2019	2018
		£	£
	Proceeds from sale	344,238	456,336
	Net book value at disposal	(28,098)	(3,937)
		<hr/>	<hr/>
		316,140	452,399
		<hr/>	<hr/>

In June 2018, the Association sold the lease for one of its flats within Southwark for £325,530 (net of expenses) and in March 2019, the Association sold the freehold of this property, containing three other leased flats, for £17,013 (net of expenses). The proceeds from these sales will be used by the Association to help deliver more affordable rented accommodation for people in housing need.

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (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 2018	60,081,035	-	448,443	60,529,478
Additions	606,664	199,024	-	805,688
Component replacement	451,272	-	87,413	538,685
Disposals	(30,985)	-	-	(30,985)
Disposals of components	(351,108)	-	(32,780)	(383,888)
At 31 March 2019	60,756,878	199,024	503,076	61,458,978
Accumulated depreciation				
At 1 April 2018	22,732,061	-	238,815	22,970,876
Charge for the year	1,106,097	-	15,629	1,121,726
Disposals	(2,887)	-	-	(2,887)
Disposals of components	(290,014)	-	(34,688)	(324,702)
At 31 March 2019	23,545,257	-	219,756	23,765,013
Net book value				
At 31 March 2019	37,211,621	199,024	283,320	37,693,965
At 31 March 2018	37,348,974	-	209,628	37,558,602

During the year, no events have occurred which the Association considers as being an indication of a potential impairment in the carrying value of its social housing properties.

Where there is an indication of impairment, the Association estimates the recoverable amount for these properties on an individual property by property basis and compares this to the carrying amount of each property in order to determine if an impairment loss has been incurred. The Association calculates the recoverable amount for each property using either 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.

During the year no interest was capitalised (2018: 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 2019
(continued)

11 Other fixed assets

	Freehold office premises £	Office equipment £	Scheme equipment £	Motor Vehicles £	Computer equipment £	Total £
Cost						
At 1 April 2018	206,910	272,001	592,365	34,996	115,813	1,222,085
Additions	16,526	4,659	15,506	-	16,128	52,819
Disposals	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2019	223,436	276,660	607,871	34,996	131,941	1,274,904
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation						
At 1 April 2018	122,919	259,971	344,809	27,552	103,893	859,144
Charge for year	3,860	5,841	32,147	4,962	9,762	56,572
Disposals	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2019	126,779	265,812	376,956	32,514	113,655	915,716
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value						
At 31 March 2019	96,657	10,848	230,915	2,482	18,286	359,188
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2018	83,991	12,030	247,556	7,444	11,920	362,941
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

12	Debtors	2019	2018
		£	£
	Gross rental debtors	131,844	125,929
	Less provision for bad and doubtful debts	(68,058)	(58,598)
		<hr/>	<hr/>
		63,786	67,331
	Other debtors	46,447	82,548
	Prepayments and accrued income	157,898	68,559
		<hr/>	<hr/>
		268,131	218,438
		<hr/>	<hr/>
13	Creditors: amounts falling due within one year	2019	2018
		£	£
	Trade creditors	246,714	208,057
	Rents paid in advance	139,111	137,134
	Sinking funds	-	7,193
	Housing loans (note 15)	218,410	196,486
	Obligations under finance leases and hire purchase contracts (note 16)	4,056	-
	Other creditors and accruals	314,449	358,973
	Taxation and social security	22,700	22,545
	Deferred government grant (note 24)	480,839	477,833
	Pension deficit (note 21)	-	107,643
		<hr/>	<hr/>
		1,426,279	1,515,864
		<hr/>	<hr/>
14	Creditors: amounts falling due after more than one year	2019	2018
		£	£
	Sinking funds	53,478	51,816
	Housing loans (note 15)	1,818,788	2,037,198
	Obligations under finance leases and hire purchase contracts (note 16)	6,084	-
	Other creditors and accruals	5,500	5,500
	Deferred government grant (note 24)	22,812,332	23,122,176
	Pension deficit (note 21)	-	613,357
		<hr/>	<hr/>
		24,696,182	25,830,047
		<hr/>	<hr/>

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (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 £436,156 had been repaid by 31 March 2019 (2018: £373,500). 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. £1,130,005 has been repaid by 31 March 2019 (2018: £996,174). 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:

	2019 £	2018 £
Within one year	218,410	196,486
Between one and two years	242,791	218,410
Between two and five years	903,594	812,769
In five years or more	672,403	1,006,019
	<hr/>	<hr/>
	2,037,198	2,233,684
	<hr/>	<hr/>

In February 2019, the Association entered into a £10,000,000 revolving loan facility with Clydesdale Bank for a period of 5 years. No borrowings were made against this facility during the year. In May 2019, £6,500,000 has been borrowed against the facility in order to help fund the acquisition of 120 social housing properties within Bromley from another registered provider (see note 26). 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 2.1%.

16 Obligations under finance leases and hire purchase contracts

Finance leases and hire purchase contracts relate to office equipment used by the Association and are repayable by equal instalments in less than five years as follows:

	2019 £	2018 £
Within one year	4,190	-
In one year or more	6,285	-
	<hr/>	<hr/>
	10,475	-
	(335)	-
	<hr/>	<hr/>
	10,140	-
	<hr/>	<hr/>

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

17	Provision for liabilities	2019	2018
		£	£
	Pension scheme obligations (note 21)	1,239,000	-

18	Non-equity share capital	2019	2018
		£	£
	9 (2018: 8) non-equity share of £1 each	9	8

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.

19 Capital and reserves

Non-equity share capital represents the nominal value of shares which have been issued.

Revenue reserves include all current and prior period retained surpluses and deficits.

20	Financial instruments	2019	2018
		£	£
	Financial assets measured at amortised cost:		
	Rent receivable	63,786	67,331
	Other debtors	46,447	82,548
	Cash and cash equivalents	5,928,112	5,272,391
		6,030,345	5,422,270
	Financial liabilities measured at amortised cost:		
	Trade creditors	246,714	208,057
	Housing loans	2,037,198	2,233,684
	Finance leases	10,140	-
	Other creditors and accruals less than one year	314,449	358,973
	Other creditors and accruals greater than one year	5,500	5,500
		2,614,001	2,806,214

None of the financial assets have been pledged as collateral.

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

(continued)

21 Pension schemes

The Association's employees and past employees are deferred members or pensioners of the Social Housing Pension Scheme ("SHPS"). The Association also participates in the Growth Plan. Further information on these defined benefit schemes are given below.

At the balance sheet date there were 30 (2017: 31) active members of SHPS employed by the Association and there were no (2017: nil) active members of the Growth Plan.

The Association currently contributes to a defined contribution pension scheme for certain employees, the most significant of which is operated by SHPS.

SHPS

The Association participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. 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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

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.

Previously, the administrator of the scheme was unable to allocate the scheme assets to individual employers, and hence was unable to determine the deficit attributable to each employer. As a result, historically SHPS has been accounted for as a defined contribution scheme, with a liability being recognised in respect of the present value of the contributions payable to fund the deficit. This is consistent with the accounting treatment required by FRS 102 for all schemes of this nature. Although this treatment continues to apply for the Growth Plan and other multi-employer schemes that exist, the accounting for SHPS has changed for the year ended 31 March 2019. The change has arisen as a result of a method of allocation being developed by the administrator that will allow each employer to recognise their share of assets and liabilities.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the Association's fair share of the Scheme's total assets to calculate the Association's net deficit or surplus at the accounting period start and end dates.

These financial statements present a period of transition, where the Association is moving from one basis of accounting to another. In March 2019 following completion of a consultation by the Financial Reporting Council (FRC) in the form of Financial Reporting Exposure Draft 71 (FRED 71), proposed changes to FRS 102 were issued in relation to this. These proposed changes have now been confirmed with an updated version of FRS 102, "Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland Multi-employer defined benefit plans May 2019" ("May 2019 FRS 102"), which the Association has chosen to adopt for the year ended 31 March 2019 in line with industry peers, and associated guidance issued by the National Housing Federation (NHF). Adopting FRED 71 results in no restatement of the comparatives and instead the change in accounting treatment being recorded as a separate movement through other comprehensive income.

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

21 Pension scheme (continued)

Pension scheme liabilities recognised in the Statement of Financial Position	2019 £'000	2018 £'000
Pension scheme obligations recognised as Defined Contribution schemes	-	721
Pension scheme obligations recognised as Defined Benefit schemes	1,239	-
Total pension scheme liabilities	1,239	721

Key assumptions	2019 %	2018 %
Discount rate	2.26	2.51
Inflation (RPI)	3.30	3.20
Inflation (CPI)	2.30	3.20
Salary growth	3.30	3.20
Allowance for commutation of pension for cash at retirement (% of maximum allowance)	75.0	75.0

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2019	21.8
Female retiring in 2019	23.5
Male retiring in 2039	23.2
Female retiring in 2039	24.7

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
(continued)

21 Pension scheme (continued)

Defined benefit costs recognised in statement of comprehensive income	2019
	£'000
Current service cost	88
Expenses	5
Net interest expense	25
	<hr/>
	118
	<hr/>
 Defined benefit costs recognised in Other Comprehensive Income	 2019
	£'000
Experience on plan assets (excluding amounts included in interest income) – gain	157
Experience gains and losses arising on the plan liabilities – (loss)	(98)
Effects of changes in demographic assumptions underlying the present value of the defined benefit obligation – (loss)	(17)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (loss)	(277)
	<hr/>
	(235)
Adjustment arising on change in accounting treatment	(312)
	<hr/>
Actuarial loss recognised	(547)
	<hr/>

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

21 Pension scheme (continued)

Present values of defined obligation, fair value of assets and defined benefit assets / (liabilities)	2019 £'000	2018 £'000
Fair value of plan assets	4,384	4,080
Present value of funded retirement benefit obligation	(5,623)	(5,113)
Net liability	(1,239)	(1,033)

Reconciliation of movements on the defined benefit obligation	2019 £'000
Defined benefit obligation at the start of the period	5,113
Current service cost	88
Expenses	5
Interest expense	128
Contributions by plan participants	44
Actuarial losses due to scheme experience	98
Actuarial losses due to changes in demographic assumptions	17
Actuarial losses due to changes in financial assumptions	277
Benefits paid and expenses	(147)
Defined benefit obligation at the end of the period	5,623

Reconciliation of movements in the fair value of plan assets	2019 £'000
Fair value of plan assets at the start of the period	4,080
Interest income	103
Experience on plan assets (excluding amounts included in interest income) gain	157
Contributions by the Association	147
Contributions by plan members	44
Benefits paid and expenses	(147)
Fair value of plan assets at the end of the period	4,384

As permitted by section 28 of FRS 102, the Association has not presented comparative information for either of the above two reconciliations.

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

21 Pension scheme (continued)

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £260,000.

The fair values of each main class of assets held by the Fund and the expected rates of return for the ensuing year are set out in the following table.

Categories of plan assets are as follows:	2019 £'000	2018 £'000
Absolute return	379	498
Alternative risk premia	253	155
Corporate bond fund	205	168
Credit relative value	80	-
Distressed opportunities	80	39
Emerging markets debt	151	165
Fund of hedge funds	20	134
Global equity	738	806
Infrastructure	230	105
Insurance-linked securities	126	107
Liability driven investment	1,603	1,486
Long lease property	64	-
Net current assets	8	4
Private debt	59	36
Property	99	188
Risk sharing	132	38
Secure income	157	151
Total assets	4,384	4,080

In February 2019, the Board decided to close the SHPS Defined Benefit scheme to future accrual as of 1st July 2019 and transfer the participating employees into the SHPS Defined Contribution scheme.

The Growth Plan

The Association participates in the scheme, a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the Association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, as permitted by section 28 of FRS 102 the Association accounts for the scheme as a defined contribution scheme with a liability recognised for the present value of future contributions required to fund the deficit where material. At the year ended 31 March 2019 the liability in respect of this scheme was £7,244 and has not been recognised in the financial statements. The additional contributions for the Association for the year ended 31 March 2020 will be £1,202.

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

22 Analysis of accommodation

	Units under management	
	2019 No.	2018 No.
Social housing accommodation:		
General needs	570	571
Affordable housing	18	16
Housing for older people	139	139
	<hr/>	<hr/>
	727	726
	<hr/>	<hr/>

In addition, the Association has 34 freehold properties which are held on long leases.

23 Financial commitments

At 31 March 2019, the Association contracted for £194,592 (2018: £84,426) of housing property stock reinvestment expenditure so far as not provided for.

At 31 March 2019 and 31 March 2018, the Association has not contracted for development expenditure so far as not provided for.

At 31 March 2019 the Association has £1,298,000 (2018: £1,192,800) of capital expenditure approved by the Board but not yet contracted. This primarily relates to the Association's housing property stock reinvestment and cyclical decorations expenditure for the forthcoming year.

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

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

24 Grant

	Total 2019 £	Total 2018 £
At 1 April	41,026,240	41,416,200
Grant received during the year	174,000	-
Grant released on replacement of property component	(137,535)	(389,960)
	<hr/>	<hr/>
At 31 March	41,062,705	41,026,240
	<hr/>	<hr/>
Grant Amortisation		
At 1 April	17,426,231	17,311,909
Grant amortised in the year	480,838	477,833
Grant released on replacement of property component	(137,535)	(363,511)
	<hr/>	<hr/>
At 31 March	17,769,534	17,426,231
	<hr/>	<hr/>
Deferred Capital Grant at 31 March	<hr/> <hr/> 23,293,171	<hr/> <hr/> 23,600,009

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.

At 31 March 2019 total capital grant received is £52,002,237 (2018: £51,828,237) of which £28,709,066 has been amortised to income. Total revenue grant received is £12,619,639 (2018: £12,619,639).

At the end of the financial year and the previous financial year all Social Housing Grant had been received.

KENISTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

25 Related party transactions

During the year there were no tenants who were also board members of the Association. Last year, £6,629 is included within turnover representing the annual rent and service charge income from tenants who were also board members of the Association during the year and as at 31 March 2019 £151 was owed to these board members. All such tenancy agreements and transactions are conducted on an arm's length basis and on normal terms.

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 £319,537 including employers' national insurance (2018: £308,751).

26 Events since the end of the financial year

In May 2019, the Association acquired 120 social housing properties, together with 10 garages, within Bromley from another registered provider for £9,442,694. The properties are a mixture of general needs, housing for older persons and supported housing.

In February 2019, the Association entered into a £10,000,000 revolving loan facility with Clydesdale Bank for a period of 5 years. In May 2019, the Association borrowed £6,500,000 against this facility in order to help fund the above stock acquisition.

